

2017



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017



COUNTY OF WARREN, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

PREPARED BY:

FINANCE DEPARTMENT

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

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COUNTY OF WARREN

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Douglas P. Stanley
County Administrator

BOARD OF SUPERVISORS

CHAIR

Linda P. Glavis
South River
District

VICE-CHAIR

Tony F. Carter
Happy Creek
District

Archie A. Fox
Fork
District

Daniel J. Murray, Jr.
North River
District

Thomas H. Sayre
Shenandoah
District

December 21, 2017

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Warren, Virginia (the "County") for the fiscal year ended June 30, 2017. This report was prepared by the County's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls, which 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 a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general, major special revenue and capital projects funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to guarantee and document compliance with applicable laws and regulations.

Front Royal-Warren County
Rivers of Opportunity-Mountains of Success

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with §15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County report includes all funds of the “primary government”. In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, public works, economic development, law enforcement, social services, recreation and cultural activities, and community development. Additionally, the County is responsible for funding primary and secondary education and appoints a separate board to handle utilities. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations, and therefore are included as part of the primary government. 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 and results of operations from those of the primary government. Therefore, the County School Board and the Industrial Development Authority (dba Economic Development Authority [EDA]) are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government. The EDA is a legally separate organization providing economic development services to the County whose board is appointed by the Board of Supervisors and is fiscally independent.

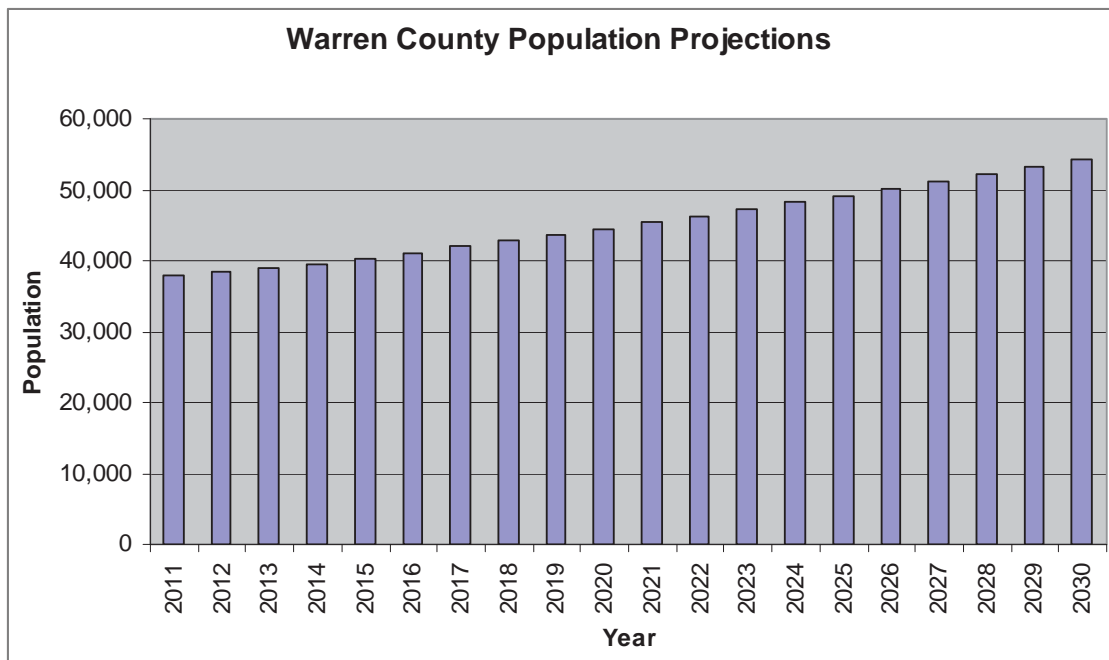
COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

Warren County’s existing industrial sectors include, but are not limited to, agricultural, automotive, banking/finance, call centers, forest/wood products, furniture, metal fabrication, nuclear engineering/fabrication, pharmaceutical, plastics, printing, textile, higher education, and trucking.

The County’s unemployment rate in October 2017 was 3.4% which was significantly improved over the 4.0% of October 2016. The rate of 3.4% was slightly lower than the unemployment rate of 3.5% for Virginia but significantly lower than the national average of 3.9% as of October 2017.

The total reported value of new construction for permits issued in FY 2017 increased significantly from FY 2016 from \$86,608,621.24 to \$99,492,485.40, which represents an increase of approximately 14.88%. Much of the increase is attributable to the increase in new home construction and the new Marriott TownPlace Suites hotel that will open in 2018. The FY 2017 figure is 149.38% higher than FY 2014 and represents the highest total dollar value since FY 2006-2007. The number of total building permits was slightly down in FY 2017 over FY 2016 from 2,498 to 2,410, a decrease of 3.52%.

Since the 2010 Census, Warren County’s population increased from 31,584 to 37,439, an increase of 5,855 persons (18.53%). Warren County’s U. S. Census estimated population for 2016 was 39,155, up slightly from the 2015 count of 39,083 (0.18% increase). The County Planning Department projections show a steady conservative population growth of 1.25% to 2.00% over the next 20 years.



As the Washington Metropolitan area continues to expand, Warren County and the surrounding area will continue to see additional residential growth pressures and an influx of new homeowners. This will be somewhat offset by fuel costs and traffic congestion, which make commuting to work in the Northern Virginia area less attractive to County residents.

Increasing the industrial/commercial tax base in an effort to minimize the tax burden on residents continues to be a top priority of the County. The project that has had the largest single impact on the County's tax base is Dominion Power's Warren County Power Plant. On May 31, 2012, Dominion Virginia Power officially broke ground on the Warren County Power Station. The Station was constructed on a 39-acre site in the Warren Industrial Park, approximately 3 miles north of Front Royal. The close proximity to Northern Virginia will enable the Station to serve a growing, high-demand region in Dominion's service area. The Station generates 1,329 megawatts of electricity, or enough energy to provide power to approximately 325,000 homes. The Station is powered solely by natural gas and is among the cleanest fossil-fuel fired facilities in the nation, with 3 combustion turbines and a steam turbine. Construction of the Station included the installation of a 2.5-mile natural gas pipeline. The facility went online on December 10, 2014.



Dominion - Warren County Power Plant

During the first full year of construction, (FY 2013-14), Dominion paid the County about \$1 million in property tax. In FY 2014-2015, property tax payments increased to \$5,209,348.17 and \$6,106,341.20 in FY 2015-2016. Now that construction has been completed, the County expects to receive a financial benefit of approximately \$5.0-5.2 million per year. As part of the incentive package for the project, the County agreed to contribute up to \$1 million per year for years 6-10 to offset the facility's water and sewer fees. Construction work provided approximately 1,500 jobs at the peak of construction. Dominion employs approximately 50 full-time staff members and 8 private contractors on-site. During outages, additional 80-150 contractors are brought in depending on the work being performed. In total, Dominion has invested approximately \$825 million in constructing the facility.

Currently, there are a couple of projects that the County is working on that will enhance the County's tax base. These include:

Marriott Hotel

- Marriott broke ground in spring 2017 on a new 84-room TownPlace Suites hotel in the County.
- The hotel is planned to open in the fall of 2018.
- Upon completion, the hotel will provide an estimated 23 new jobs.

ITFederal, LLC

- Number of jobs to be created: 466 direct jobs and 428 indirect jobs. Direct jobs are the higher paying jobs created for the data center within the first year of construction. Indirect jobs are those jobs for the retail component of the project and all other auxiliary positions.
- Salaries of direct jobs: Ranging from \$40,000 to \$120,000 per year.
- Total amount and size of investment: 30.11 acres on the site. The first phase includes a 20,000 SF mixed-use facility housing a data center and retail. Total investment of the project is estimated at \$40,000,000.

- Complete build out of all three phases is as follows: Construction will last for an estimated 36 months, and the construction of the first building of the Project (Phase 1) is expected to start in the first quarter of 2018 and to be completed in September 2018. The second building (Phase 2) is expected to be fully operational in June 2019, and the third and final building (Phase 3) is anticipated to be completed in September 2020.
- ITFederal provides maintenance, operation, and modernization support of application systems and environment from the U.S. Nuclear Regulatory Commission (NRC). Systems design/development, legacy systems modernization, and maintenance supports on the new modernized systems for NRC are all part of a 30-year contract.

Toray Plastics

- In February 2017, Toray completed construction on a \$24 million, 57,000 SF building expansion to include new equipment, additional floor space, and add 22 new employees at its current facility.

Commercial development has grown significantly over the past four years as the Crooked Run (220,000 SF) and Riverton Commons (450,000 SF) shopping centers have been developed. These two shopping centers are providing significant sales, meals and real estate taxes to the community. In 2016, an Aldi Grocery Store (17, 918 SF) and an Urgent Care facility were completed in the Riverton Commons Shopping Center.

In September 2017, the County, EDA, Crooked Run North, LLC, and North River Square, LLC entered into a public-private partnership to improve access to the west side of Route 340/522 immediately north of the Crooked Run Shopping Center. The project will add a southbound lane and right-turn lane into the sites, adding a northbound left turn lane for the crossover, and replace the stormwater pipe under Route 340/522 just north of the Country Club Road intersection. The project would allow for commercial access of the subject property including an estimated five commercial pad sites.



Royal Farms received its permit from the County in November 2017 to construct a 5,166 SF - 16 fuel pump (8 two-sided) convenience store on the site adjacent to Wells Fargo. It is anticipated that the project will be completed by summer 2018.



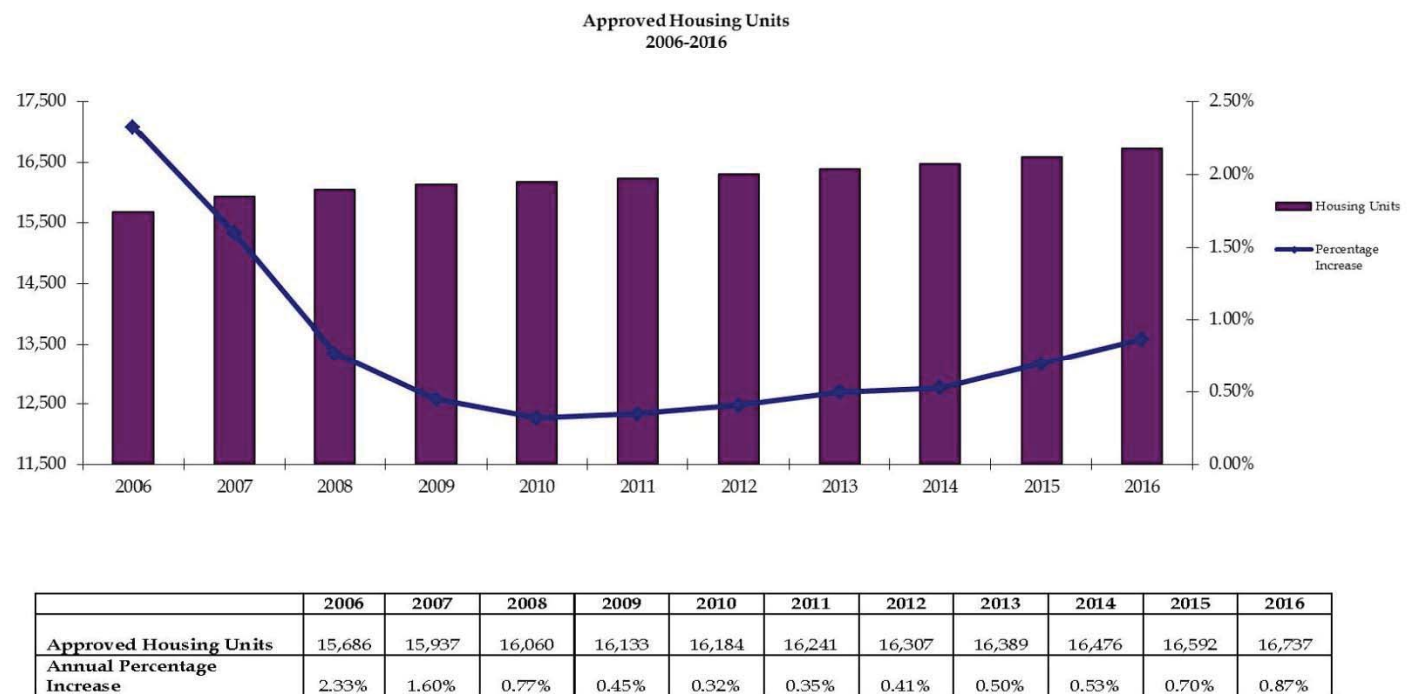
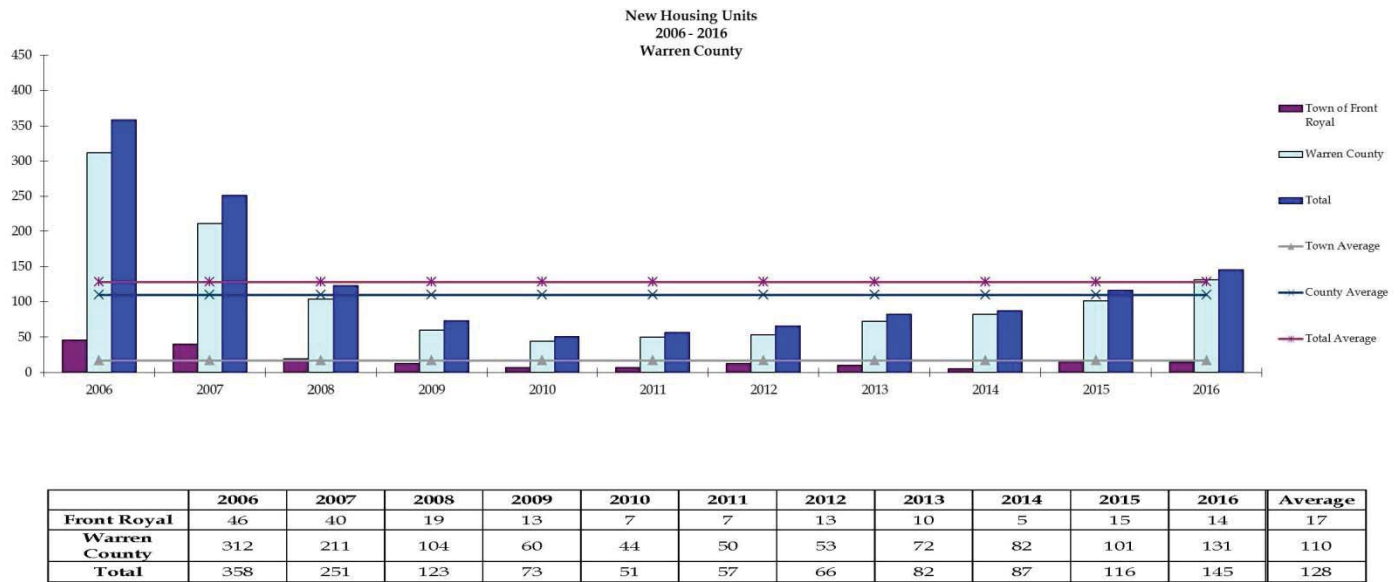
The County is still working with the developer of Crooked Run on Phase II, which will necessitate the construction of a bridge structure and access road. This project is currently being designed by VDOT, and the County has received \$5 million in VDOT revenue sharing funds to construct the project. In October 2017, the Board requested an additional \$5 million in matching funds to finance the project. It is contemplated to complete the project through the EDA as a public-private partnership.



Riverton Commons and Crooked Run Shopping Centers

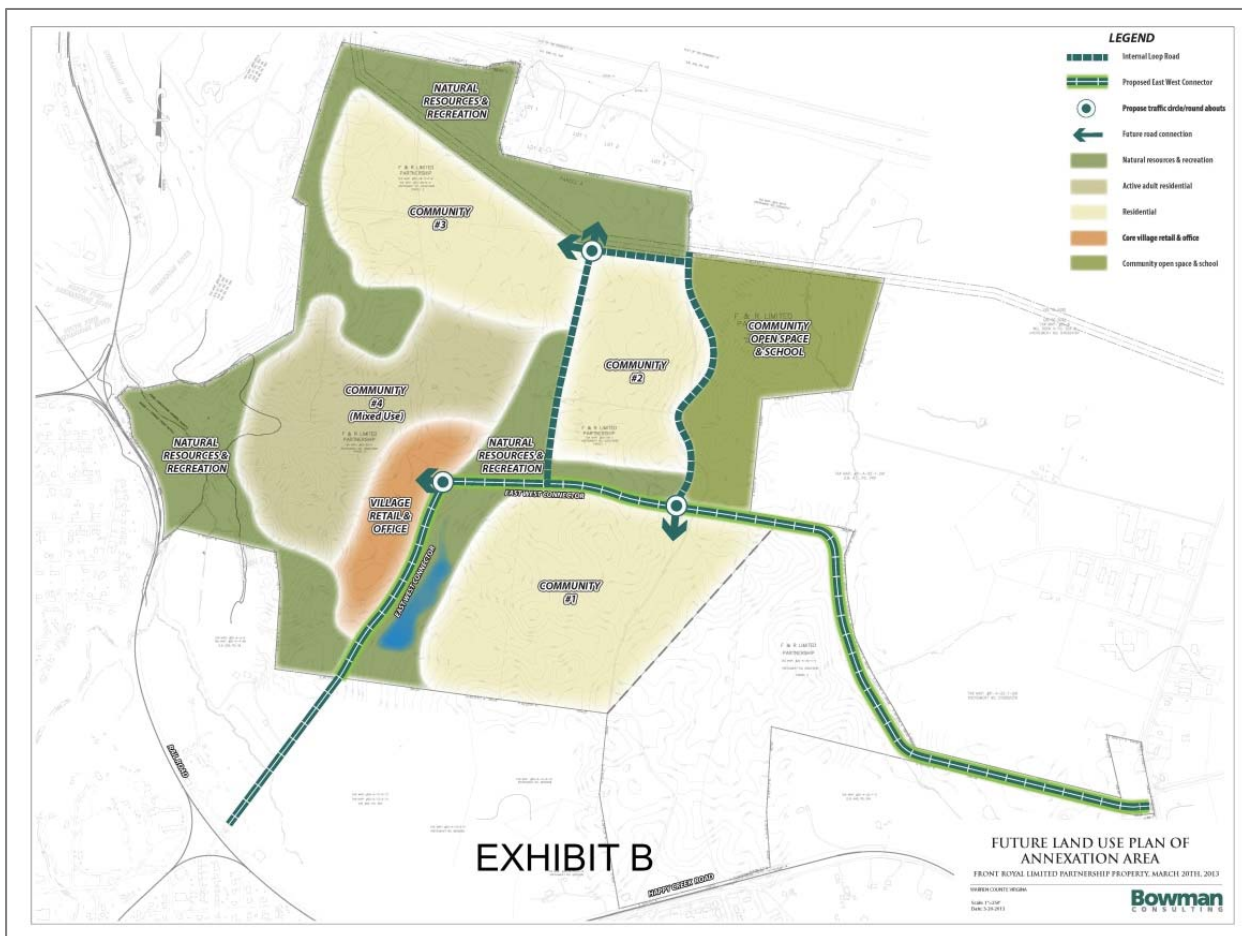
Residential growth in Warren County has maintained a steady and healthy pace over the past ten years. While new home starts reached an all-time high in calendar year 2004 with 425 permits issued, the average since 2005 has been 167 permits per year. The housing construction market bottomed out in 2010 with 51 new home starts. Since that time the County has seen a steady increase each year to 145 starts in 2016. We anticipate that 2017 will mark the seventh straight year of an increase in new starts. The following charts show the increase in the number of units and the percentage growth in the County since 2005.

The following charts show the increase in the number of units and the percentage growth in the County since 2005.



In late September 2014, Warren County and the Town of Front Royal reached an agreement in which the Town annexed 604 acres of land on November 1, 2014.

- The annexation will allow a developer to move forward with the construction of new housing, including:
- Up to 808 market-rate single-family housing units; and
 - An anticipated 400 senior housing units



FY 2017 Other Economic Development Accomplishments:

Grant Program

The Economic Development Authority (EDA) chose three local businesses to receive cash grants during business appreciation week in 2016. The award program was designed in 2011 in observance of Virginia's Business Appreciation Week. The awards are made to local small businesses showing excellence in business practices and contributing to the community in some way. The 2016 recipients were The Vine and Leaf (\$1,000), Queen Consulting (\$750), and vetbuilder.com (\$500).

Avtex Redevelopment Project

MC Corporation completed the remediation of 148 acres in 2013 and the Environmental Protection Agency (EPA) released the site in September 2014 by issuing the EDA a letter of no further interest which has cleared the way for marketing and redevelopment of the site.

- In early 2014 the EDA sold 5.24 acres to the Town of Front Royal for construction of its new police headquarters.
- The EDA also worked with the Department of Justice, the EPA, and other stakeholders in revising the restrictive covenants placed on the site in 1999. The revisions were signed and recorded in September 2014.
- The EDA received a \$5,000 grant from FMC, Corporation for creating the legacy museum.
- In 2015 the EDA sold 30.11 acres to ITFederal for the construction of a data center and retail center that will create 600 jobs.
- The EDA received word from the EPA in October 2016 that the conservancy park was ready to be released for recreational purposes.
- The EDA in conjunction with the County has applied for grant funds through the DuPont Settlement for the design and construction of trails along the Shenandoah River.

Infrastructure Development

The EDA has worked with the Town and County on construction of the Leach Run Parkway. The EDA secured all of the properties needed for the construction and awarded the contract to Branch Highways in November 2015. Construction of the road was completed in June 2017. The EDA continues to work with the Town to construct the local connector road known as West Main Street Extended. The EDA has engaged the engineering services of Pennoni Associates to complete the design and the Town was approved in December 2016 for an Industrial Access grant through the Virginia Department of Transportation in the amount of \$650,000.

Business Attraction

In conjunction with the Town, the EDA, utility providers, the Health Department, and VDOT, the County created the Business Development Review Committee which allows business owners an opportunity to address each entity at the same time in order to help alleviate any problems throughout the development process. The businesses that have benefited from this Committee within the past year are as follows: Rev3 Adventures, Aldi Grocery Store, Marriott Hotel, Shenandoah Storage, The Selah Project, Tony's Tires, microbrewery, workforce housing, Royal Farms Convenience Store, Blue Ridge Shadows, Regional Training Academy, Afton Inn, Avtex redevelopment, Seneca Rock Climbing, VFW, Christendom College, InterChange, daycare center expansion, church, Killlahevin Bed and Breakfast, Toray, Dulles Industries, Michaels, Café Amore, New Hope Church, Commonwealth Assisted Living, retreat center, rezoning of property on Route 522, Barnhart developments, Rob MacDougall properties on Main Street, Brotherhood of Railroad Signalmen, and Interbake.

Working with the Town and County, the Committee is the starting point for any new business or existing business that may be expanding. The EDA Executive Director, Health Inspector, Town Planner, and County Building Official participate in site visits with individuals looking at a particular space. The purpose of these meetings is to make sure the individual has found an appropriate location for his or her type of business. This has been a very successful program for the EDA, Town, and County.

EDA Financing Programs

The EDA was awarded \$500,000 in loan funds through the U.S. Department of Agriculture's Intermediary Relending Program. The EDA can draw up to \$150,000 or 25% of the total project cost. To date the EDA has loaned a total of \$500,000. This program has created 25 new jobs and retained 51 jobs.

The EDA also administers the Rural Enterprise Loan Program. In 2016, the EDA loaned \$45,000 to two start-up or expanding businesses.

Virginia Jobs Investment Program (VJIP)

The EDA worked with the Virginia Economic Development Partnership to promote the VJIP program. Through this program Warren County industries retrained and retained more than 1,100 employees.

Marketing Campaigns

The EDA continues its quarterly newsletter, issues press releases to the media on new or expanding businesses, and maintains a Facebook page and website.

Education

The EDA has participated in several education projects throughout the year including: student entrepreneurship programs, Project Lead The Way support, the Front Royal-Warren County Chamber of Commerce Leadership Program, EDA Scholarship and Education Fund, Ethics Workshop, reality store, student interviews, apprenticeship program, Career Connect, and the Lemonade Stand Entrepreneur Curriculum. The EDA also worked with Workforce Solutions to find a suitable location for its CDL training course and hosted the new teacher reception. The EDA will continue its support of education within the community as it plays a vital role in economic development.

Workforce Housing

The EDA spearheaded a workforce housing project for the community. The housing would be available to the median income level employees that do not qualify for subsidized housing, but also cannot afford to purchase or lease a home for more than \$1,000/month. The proposed complex will consist of three buildings with a total of 36 apartments and be owned by The Aikens Group.

COUNTY VISION STATEMENT

Our community's vision is to maintain and enhance the quality of life for the residents of Warren County. To do so, the quality and character of Warren County's natural resources should be preserved, conserved, and used effectively to ensure that future citizens will enjoy the benefits of:

- An adequate, sustainable, clean, and potable supply of both surface water and ground water;
- Clean air;
- Farming and open spaces;
- The beauty of our rivers, mountains, and scenic views;
- Protection of our rural character;
- Quality educational facilities and system;
- A balanced tax base; and
- Sound fiscal management.

This vision mandates that we plan for sustainable growth based on these limited resources. This can be translated to say our annual residential growth rate should be maintained at approximately 2%, no more than 3% annually, and our industrial/commercial tax base sustained at 20 to 25%.

Only by doing so can we provide quality schools, safety on our roads and in our communities, a balanced tax base, equitable paying jobs, reduced out-of-County commuting, and other social amenities associated with our quality of life expectations.

FUTURE CAPITAL IMPROVEMENTS

In the past year, the County completed construction on its second middle school on a site located at the north end of the Leach Run Parkway. Construction of the school allows the school system to achieve the ideal grade structure of K-5 (elementary), 6-8 (middle school), and 9-12 (high school) and will allow for the 8th grade to be moved out of high schools thereby creating additional capacities at each of those schools. The facility will provide capacity at the secondary level for the community for the next 15-20 years. The school was completed and opened in time for the 2017-2018 school year.



New Warren County Middle School



Warren County Middle School June 2017

There are a number of projects either in the planning or implementation stages that will improve the services that are provided by the County. These projects include:

School Facilities

The County recently completed Phase I of the renovation and conversion of the former Warren County Middle School facility to the Warren County Health and Human Services Complex (HHSC). The project increased the number of paved and striped spaces from 200-225 to 358 and added required landscaping, stormwater management, and handicap spaces for the ultimate development of the facility. The County also renovated portions of the building for the Warren County Department of Social Services and Warren County Health Department. The construction was completed in December 2015 with the offices relocated by January 1, 2016. The project included the construction of a new entrance feature and placement of a new finish on the entire exterior of the building. The project was financed through County reserves with the cost repaid by lease payments from the Health Department and Social Services Department.

In 2018 the County is looking to renovate approximately 6,700 SF of space at the HHSC for the Warren County Public Schools (WCPS) Diversified Minds Alternative Education Program. This will allow both of the WCPS alternative education programs to be located on one campus and for the projects to be bid together to benefit from economy of scale and sharing of resources.

General Government

In 2017, the County authorized the completion of construction plans for the renovation of approximately 4,000 SF of space at the HHSC to accommodate the office functions of the Voter Registrar, the renovation of two 230 SF toilet rooms to serve the Voter Registrar and other building occupants, and the installation of five public parking spaces for the Voter Registrar.

Public Safety

The radio system for the Warren County Sheriff's Office (WCSO) has to be replaced due to the decision by the current system provider, Blue Ridge Communications, to sell the network. The Warren County Fire and Rescue Department (WCFRD) is currently on its own 150 MHz system that was purchased and installed in 2004 and was designed with the ability to be expanded to include the WCSO at a later date. In June 2017, the Board authorized the expansion of the system to include the WCSO and the purchase of necessary in-vehicle and portable radios. Benefits of the proposed system include:

- Better radio reception/talk coverage
- Military-grade equipment
- Ability to talk directly to WCFRD without having to be patched through dispatch
- Ability to talk directly with Frederick County, Clarke County, Shenandoah County, Fauquier County, and Virginia State Police - not possible with the current system

It is estimated that the purchase of this radio system would take care of the needs of the County for the foreseeable future. WCSO portable radios would have a lifespan of 10-15 years and in-vehicle radios a longer lifespan.

The existing WCFRD radio system will be updated as part of the project. The proposed improvements include replacement of the microwave system (that repeats the signal from a tower site at Guard Hill and Bentonville) along with the Guard Hill cabinet replacement. The technology is moving to IP vs. analog (current system), and with the addition of the WCSO system, the system will have to go with the IP comparator for security. By combining the two projects, the County will save over \$20,000 in labor. The radio system project and expansion upgrade is expected to be completed by April 1, 2018.

WCFRD and County Administration have been working with the Rivermont Volunteer Fire Department (Company #2) on the plans for a new fire station to replace the existing structure located at 714 Rivermont Drive. During the review the County, Rivermont Volunteer Fire Department, and Fortsmith Volunteer Fire Department (Company #8) discussed the potential for merging the two fire companies and constructing one new fire station to serve the Fork District of the County. After review of the primary coverage area for Company #2 and its role in the Warren County Fire and Rescue System, a site was identified that is located at the intersection of Rivermont Drive and Airport Road. Advantages of the site are its location at the crossroads and ability to get both into the district via Rivermont Drive and out to the Route 55 West portion of the district and the location's proximity to support the County system back towards the Town of Front Royal and the South River District (Bentonville/Browntown).

Ultimately, the Board of Supervisors made the decision to replace the Rivermont Station while not closing the Fortsmith Station. The replacement of the Rivermont Volunteer Fire Station was included in the adopted FY 2016-2017 Capital Improvement Plan as priority #3 at an estimated cost of \$3,000,000. This estimate was based on construction costs from the North Warren station, improving some of the finishes, increasing estimated site costs for water and sewer service, and adding inflation costs. The current estimates are significantly higher at \$5.5 million and include the cost of rough-in of a banquet area which may end up being the responsibility of Rivermont Volunteer Fire Department (as was done at the North Warren project in 2003). In November 2017, the Board of Supervisors authorized moving forward with the final design of the facility with the plan to bid the project in summer 2018. Like the Ressie Jeffries Elementary School renovation, the project is proposed to be funded through the New Market Tax Credit Program.

The project will provide a new single story, three bay modern fire station at the intersection of Stokes Airport Road and Rivermont Drive to replace the existing Rivermont Volunteer Fire Station. The completed facility will be approximately 13,500 SF and will have community meeting and banquet space including food preparation areas. The remainder of the building will be dedicated to serving and supporting the fire fighters in the application of their duty to protect the residents of Warren County. Dedicated fire spaces include offices, storage rooms, physical training, food preparation and dining space, sleeping quarters, lockers, and shower areas. The apparatus bays of the station will be up fit with high-bay lighting, a high volume low speed fan, heating elements, and an air filtration system. Supporting spaces to the apparatus include a tool shop, turn-out gear storage with separate ventilation, and a decontamination room. The building will be designed to complement the vernacular of the local architecture and will have sufficient space to serve the County for decades to come.

The WCFRD has transformed several classroom facilities at the former 104-acre Environmental Study area site off Route 55 East to a fire and rescue training classrooms. The Department is working on plans for a burn building and training facility that would meet the needs of the Community. As part of the planning, they are looking for grant funding and the potential for a public-private partnership with local industries to fund the improvements.

Public Safety is regarded by the Board of Supervisors as one of the primary functions of local government. The County is committed to providing staff with quality facilities and adequate resources to carry out their jobs.

Solid Waste

The County has been working for the past fifteen years to upgrade the County's four compactor sites to better meet the needs of its citizens by increasing recycling opportunities and improving traffic flow. Over the past decade, the County has been able to:

- Replace the Linden Compactor site with a new facility - (2009)
- Expand, repave, and stripe the Rockledge Site - (2016)
- Repave and stripe the Cooley site (Route 340/522 North) - (2016)

The Shenandoah Farms compactor site is currently located on a rented site at the Shenandoah Farms Grocery Store. Due to the relatively small size of the site, there is not room to provide for adequate traffic flow, parking, and recycling bins. With the projected future growth of the area due to the undeveloped lots, the County in the 1990's identified the need to replace and upgrade the site. In addition, the County, through a formal agreement with Clarke County, accepts waste from Clarke County residents at this location.

In 2011, the County purchased a 5.82 acre site near Howellsville to serve as a future compactor site and maintenance facility for the Shenandoah Farms Sanitary District. Since that time, the Board of Supervisors has been setting aside funding annually to pay for the proposed improvements. The County has completed preliminary site plans for the facility and has received approvals for facility entrance from VDOT. The County plans to obtain final site plan approval and start clearing, grubbing, and grading of the site in 2018. The proposed facility will be designed to meet the ultimate needs of the community as it continues to grow.

The County is planning for significant improvements to the Transfer Station located in Bentonville. The Transfer Station, located in Bentonville at the old County landfill site, was opened in 1994 and is in need of significant improvements. The projects that will be implemented over the next several years include:

- Replacement of tipping room floor - \$225,000
- Repaving of site - \$265,000
- Construction of maintenance building - \$462,000
- Construction of office building - \$428,000

Improvements will be made as funding allows on a pay-as-you-go method.

Parks and Recreation

Over the past several years, the Parks and Recreation Department has completed a number of significant projects including a new restroom building at Fantasyland, Eastham Trail Phases I, II, and III, practice fields and parking area (25 spaces), and the addition of four fields, a walking trail, and an access road at the Skyline Soccerplex.

In 2016, the County began work on several major projects for the development of Rockland Park as a regional park facility complete with hiking trails, playing fields, disc golf course, playground, music park, camping facilities, and eventually an amphitheater and indoor recreation center. Phase I of the Rockland Park project, which includes a playground complex, shelter, disc golf course, parking area and the access road, was completed in 2015. In addition, the second phase of the Carson Trail was completed in November 2016. In 2017, the County partnered with a private contractor to accept approximately 30,000-40,000 cubic yards of excess fill material to allow for the leveling of a portion of the site to allow the construction of two large and two small practice fields, two gravel parking lots, and associated stormwater management facilities. The project should be completed in spring 2018.

The County also plans to begin work on the next phase of the Park's development including the renovation of the bathhouse and construction of associated parking to serve the proposed baseball/softball field facility in 2018. County staff is currently working on securing grant opportunities for the park to begin implementation of these and future phases of the development plan.

Another small project the Parks and Recreation Department is working on is the development of a park at the Thompson Kiss-and-Ride located on Freezeland Road. The County completed site work on the project during spring 2016, constructed the parking lot, the bus turnaround, and associated sidewalks in 2016/2017 and completed paving in the fall of 2017. The County plans to install a bus shelter in 2018 and work with neighboring subdivisions to fund the purchase of playground equipment in the next few years.

County officials, staff and the community need to continue to work together to promote and enhance the County in which we live and the quality of life for its residents. It is a continuing goal that Warren County remains a productive and promising community as well as maintains fiscal stability for many years to come.

PROPERTY TAX RATES

The County increased the real estate tax rate from \$0.62 to \$0.65 for the FY 2017 tax year. The \$0.03 increase was designated for the operation of the new Warren County Middle School. All other local tax rates and fees for services impacting FY 2017-2018 revenue remained the same as the previous year.

GOVERNMENT'S FINANCIAL POLICIES

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct correlation to the reduction in State funding. The County has adhered to its adopted financial policies and has maintained its undesignated fund balance at or near the required 15% of the total operating budget.

OTHER INFORMATION

Management's Discussion and Analysis

Generally accepted accounting principles require management and 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 MD&A and should be read in conjunction with it. The County of Warren's MD&A can be found immediately following the report of the independent auditors.

Independent Audit

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. The audit compiled with these requirements and the auditor's opinion is included in this report.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for the Finance Department's comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the third consecutive year that the County has received this prestigious award. This award was established to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles and to recognize individual governments that succeed in achieving that goal.

The County is also a proud recipient of the GFOA Distinguished Budget Presentation Award, which requires that a government prepare and present a budget document that exceeds guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's best practices on budgeting. The County has received this award for seven consecutive years.

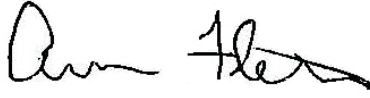
Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the Finance Department. We would also like to thank the Board of Supervisors for its interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner. In addition, we would like to thank the Planning Department, Economic Development Authority, the Deputy Clerk of the Board, and other employees for their assistance in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Douglas P. Stanley', with a stylized, overlapping loop at the end.

Douglas P. Stanley, AICP ICMA-CM
County Administrator

A handwritten signature in black ink, appearing to read 'Andre T. Fletcher', with a long, horizontal flourish extending to the right.

Andre T. Fletcher
Director of Finance

COUNTY OF WARREN, VIRGINIA

Board of Supervisors

Linda P. Glavis, Chair
Tony F. Carter, Vice-Chair
Archie A. Fox
Daniel J. Murray
Thomas H. Sayre

County School Board

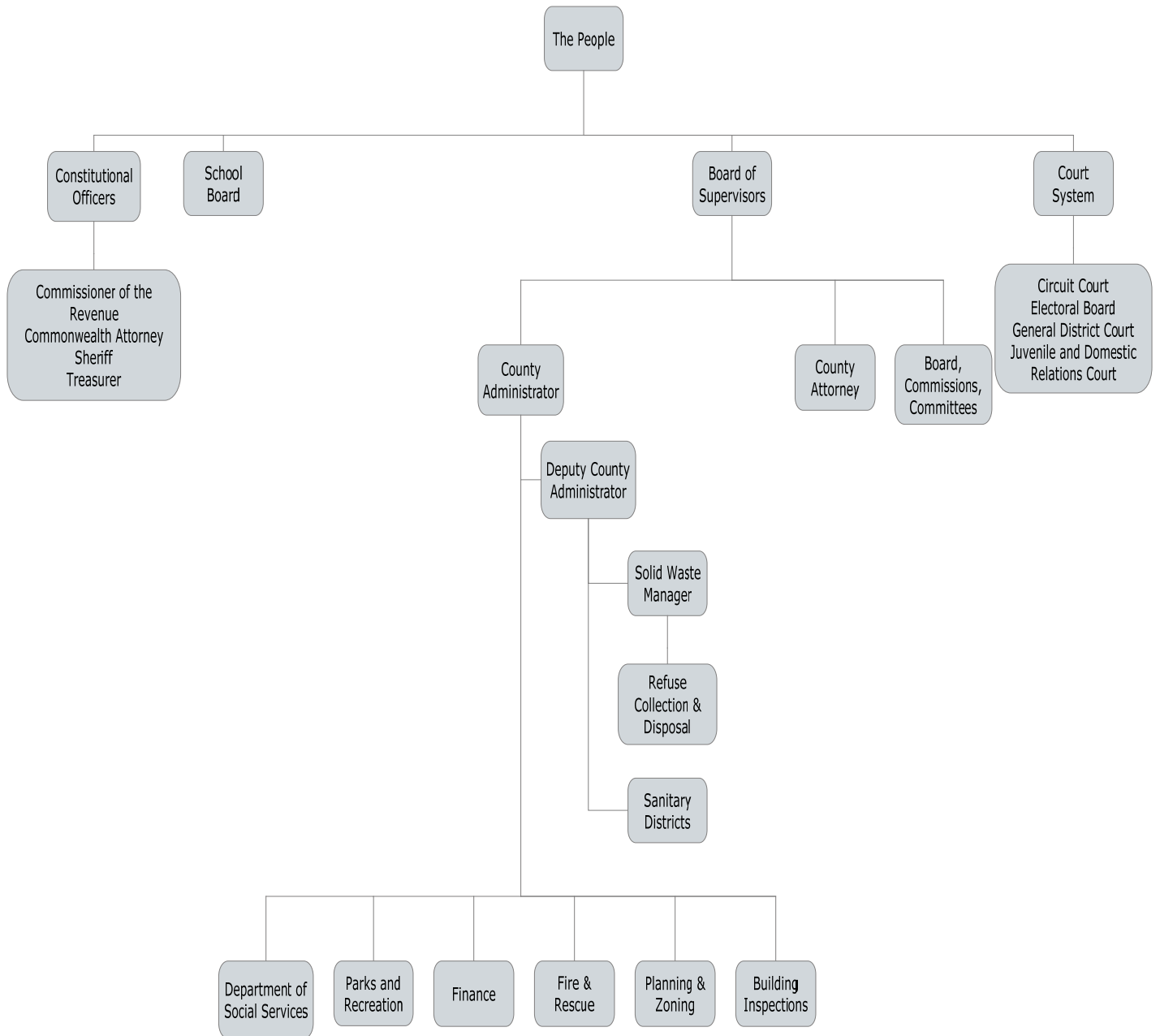
Catherine R. Bower, Chair
Donna L. McEathron
C. Douglas Rosen
Arnold M. Williams, Jr.
James S. Wells

Advisory Board for Warren County Social Services

William W. Crawford, Chair
Christine C. Hartman
Vincent Bonzagni
Richard L. Swanson
Robert M. Cullers

Other Officials

Judge of Circuit Court.....	Dennis L. Hupp
Chief Judge of Circuit Court	Clifford L. Athey
Judge of Circuit Court.....	Ronald L. Napier
Clerk of Circuit Court	Daryl L. Funk
Chief Judge of General District Court	W. Dale Houff
Judge of Juvenile and Domestic.....	William W. Sharp
Commonwealth's Attorney	Brian M. Madden
Commissioner of Revenue	Sherry T. Sours
Treasurer	Wanda F. Bryant
Sheriff	Daniel T. McEathron
Superintendent of Schools.....	L. Gregory Drescher
Director of Social Services.....	Helen Elizabeth Reavis
County Attorney.....	Daniel N. Whitten
County Administrator	Douglas P. Stanley
Director of Finance	Andre T. Fletcher





Government Finance Officers Association

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**Warren County
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
The Board of Supervisors
County of Warren, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, 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 did not audit the financial statements of the Industrial Development Authority which represent 57 percent of the assets, 14 percent of the total net pension and 2.7 percent of total revenues of the aggregated discretely presented component units. Those statements were audited by other auditors whose report therein has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, 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 27-35, 114-116, and 117-122 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 Warren, 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 basic financial statements.

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

Other Information (continued)

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2017

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Management's Discussion and Analysis

As the financial management team of the County of Warren, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County of Warren for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

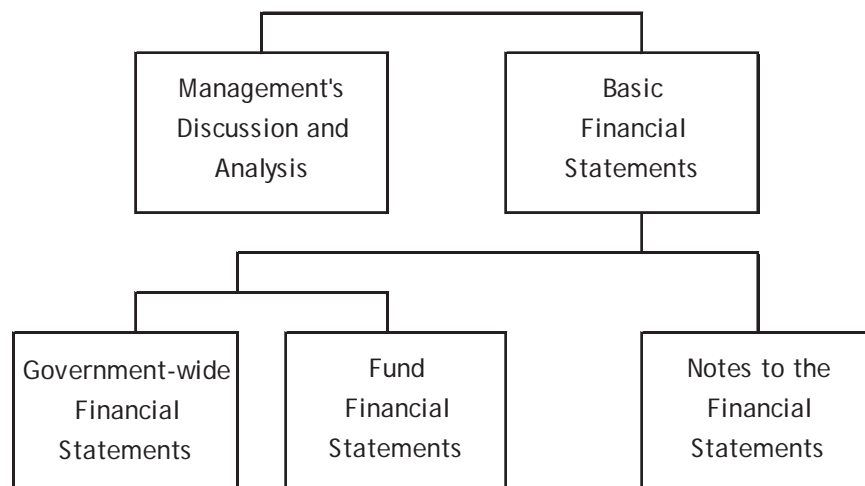
- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$77,993,634 (net position), an increase of \$3,395,776.
- As of the close of the current fiscal year, the County of Warren's governmental funds (excluding the School Bond Construction Fund) reported a combined ending fund balances of \$35,904,623 a decrease of \$461,590 from the prior year. The majority of the balance (\$35,112,330) is available for spending at the government's discretion (unassigned, assigned or committed).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,767,047.
- The County's total long-term obligations (Note 7) decreased by \$4,890,918 during the current fiscal year, mainly due to principle payments in the amount of \$5,438,442 and no new issuance of general obligation or lease revenue bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other information that will enhance the reader's understanding of the financial condition of the County of Warren.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2 on pages 41 through 43) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 11 on pages 46 through 54) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government and provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the fiduciary fund statements.

The next section of the basic financial statements is the Notes to Financial Statements. The notes explain in detail some of the data contained in these statements. After the notes, supplementary information is provided to show details about the County's individual funds.

Government-Wide Financial Statements

The government-wide financial statements, namely the Statement of Net Position and the Statement of Activities, are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and the County's total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The second category is the component unit. Although legally separate from the County, the Industrial Development Authority is important to the County because the County exercises control over its Board of Directors by appointing the members. The Industrial Development Authority issues separate financial statements.

Although the School Board is a component unit, approximately 52% (58% when including all school debt service) of the budget for the County of Warren is designated for the public schools. The members of the School Board are elected.

The government-wide financial statements are on pages 41 through 43 of this report.

Fund Financial Statements

The fund financial statements (pages 46 through 54) provide a more detailed look at the County's most significant activities. 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 Warren, like all other governmental entities in Virginia, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements. All of the funds of County of Warren are categorized as governmental funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give readers a detailed short-term view that helps them determine if there are more or fewer financial resources available to finance the County's programs. The relationship between government-wide activities (reported in the Statement of Net Position and the Statement of Activities) and the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds is described in Exhibits 4 and 6 which is a reconciliation that is a part of the fund financial statements.

The County of Warren adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the appropriation resolution and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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. The notes to the financial statements are on pages 55 through 111 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County of Warren's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 114 through 122 of this report.

Government-Wide Financial Analysis

The County of Warren's Net Position
Figure 2

	Governmental Activities	
	2017	2016
Current and other assets	\$ 70,943,402	\$ 99,803,120
Capital assets	182,802,512	159,100,896
Total assets	<u>\$ 253,745,914</u>	<u>\$ 258,904,016</u>
Deferred outflows of resources	<u>6,371,837</u>	<u>5,997,560</u>
Long-term liabilities outstanding	\$ 161,370,704	\$ 166,261,622
Other liabilities	4,115,446	7,662,540
Total liabilities	<u>\$ 165,486,150</u>	<u>\$ 173,924,162</u>
Deferred inflows of resources	<u>16,637,967</u>	<u>16,379,556</u>
Net position:		
Net investment in capital assets	\$ 47,493,851	\$ 50,390,918
Restricted	1,102,483	609,053
Unrestricted	29,397,300	23,597,887
Total net position	<u><u>\$ 77,993,634</u></u>	<u><u>\$ 74,597,858</u></u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the County of Warren exceeded liabilities and deferred inflows of resources by \$77,993,634 as of June 30, 2017, compared to \$74,597,858 as of June 30, 2016. Sixty percent of net position reflects the County's investment in capital assets (e.g. land, buildings, machinery, vehicles, and equipment) less any related debt still outstanding that was issued to acquire those items. The County of Warren uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Warren's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position (\$29,397,300) may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the County's financial operations influenced the total unrestricted governmental net position:

- Collection of real property and personal property taxes exceeded the amount budgeted by \$683,782 and \$1,062,316, respectively.
- Revenue from use of money exceeded the budgeted amount by \$75,794 in FY 2017 due to the slight increase in the interest rate on funds the County has invested.
- Public service corporation tax revenue was less than the final budget by \$241,226.
- Revenue from building permits exceeded the budget by \$34,178, showing some signs of growth in new home construction and an increase in construction activity.
- Recordation tax revenue exceeded the amount budgeted by \$67,921 due to an increase in growth in new home construction and real estate transfers.
- Revenue from business licenses exceeded the budgeted amount by \$37,612 and local sales and use taxes were under budget by \$92,603.

Government-Wide Financial Analysis: (Continued)

County of Warren Changes in Net Position Figure 3

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 3,391,844	\$ 3,269,889
Operating grants and contributions	7,422,626	7,541,835
Capital grants and contributions	1,096,324	795,626
General revenues:		
Property taxes	48,028,934	46,462,723
Other taxes	7,841,098	7,255,632
Grants and contributions not restricted to specific programs	5,781,070	5,672,279
Other	1,928,430	1,253,409
Total revenues	<u>\$ 75,490,326</u>	<u>\$ 72,251,393</u>
Expenses:		
General government administration	\$ 3,871,325	\$ 3,833,474
Judicial administration	2,392,659	2,311,765
Public safety	14,860,539	15,056,861
Public works	10,922,208	8,652,338
Health and welfare	6,947,264	6,465,553
Parks, recreation and cultural	3,713,029	3,565,915
Community development	1,348,846	1,287,614
Education	22,500,264	33,441,555
Interest and other fiscal charges	5,538,416	5,436,533
Total expenses	<u>\$ 72,094,550</u>	<u>\$ 80,051,608</u>
Increase in net position	\$ 3,395,776	\$ (7,800,215)
Net position, July 1	<u>74,597,858</u>	<u>82,398,073</u>
Net position, June 30	<u>\$ 77,993,634</u>	<u>\$ 74,597,858</u>

Financial Analysis of the County's Funds

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

Governmental Funds

The focus of the County of Warren's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County of Warren's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds: (Continued)

The general fund is the chief operating fund of the County of Warren. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,736,735, an increase of \$25,951 from last year. The general fund portion of the governmental fund balances totaled \$15,736,735, or 33%. Just about two fifths, or 39%, consisted of \$18,242,800 in funds committed by the Board of Supervisors to fund capital and other special projects. The School Bond Construction fund balance of \$11,398,242 represents the 3rd largest component or 24% of the total governmental fund balances.

The school bond construction fund reported a decrease of \$25,739,730. The decrease in fund balance during FY 2016-2017 is a result of the County using bond proceeds received in a prior fiscal year to complete the building of its second middle school. The school was opened in FY 2017-2018. Note 14 further details the projects for which funds are committed.

The nonmajor funds reported a collective increase of \$669,581. The majority of the increase is reported in the sanitary district fund (\$176,151) and the proffers fund (\$490,906).

At June 30, 2017, the governmental funds of County of Warren reported a combined fund balance of \$47,302,865 (Exhibit 5), a decrease of \$26,201,321 from last year. This change mainly resulted from the payment of construction costs of the second middle school.

General Fund Budgetary Highlights

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original appropriation resolution once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Included in the budget for FY 2016-2017, there were miscellaneous capital items (various park projects and compactor/transfer station projects) to be funded from this unreserved fund balance which would reduce the fund balance by \$1,399,281. During the course of the year, the Warren County School Board requested to use some of its surplus from prior years in the amount of \$1,040,724. The total of these approved uses of fund balance totaled \$2,959,631. Due to sound fiscal management, fund balance for the general fund was actually \$2,984,520 better than projected.

Capital Asset and Debt Administration

Capital Assets

The County of Warren's investment in capital assets for its governmental activities as of June 30, 2017, totals \$182,802,512 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Capital Asset and Debt Administration: (Continued)

County of Warren's Capital Assets Figure 4

Capital Assets (net of depreciation)			
		Governmental Activities	
		2017	2016
Land	\$	13,914,501	\$ 13,914,501
Buildings and improvements		122,361,842	116,204,431
Machinery and equipment		2,080,729	2,366,729
Non-depreciable capital assets		387,070	387,070
Construction in progress		44,058,370	26,228,165
Total	\$	<u>182,802,512</u>	<u>\$ 159,100,896</u>

Additional information on the County's capital assets can be found in Note 6 - Capital Assets of the Basic Financial Statements.

Long-term Debt

As of June 30, 2017, the County of Warren had total bonded debt outstanding of \$139,295,634. General obligation bond debt is backed by the full faith and credit of the County. The table below includes both lease revenue and general obligation bonds.

County of Warren's Outstanding Debt General Obligation and Revenue Bonds Figure 5

		Governmental Activities	
		2017	2016
General obligation and lease revenue bonds	\$	<u>139,295,634</u>	<u>\$ 136,043,076</u>
Total	\$	<u>139,295,634</u>	<u>\$ 136,043,076</u>

As part of its multi-year Capital Funding Plan, in November 2014 the County conducted credit rating calls with each of the three national municipal bond rating agencies: Moody's Investors Service, Standard & Poor's, and Fitch Ratings. Discussions with each of the agencies covered financial, economic, debt-related, and management-related issues among others. Without exception, all three agencies were favorably impressed with the fiscal health of the County, the diligence and stability of staff and elected officials and the overall vibrancy of the County economy as evidenced by the strong investment grade General Obligation bond ratings secured from the agencies: Moody's: Aa2, S&P: AA, FITCH: AA+. With these assigned ratings, the County continued its steady progression of rating upgrades that began back in the early 2000's. November 2016 Fitch Ratings increased the County GO Bond rating from a AA to a AA+ rating. This rating along with the others will help to ensure that the County is able to maximize its borrowing ability in the future.

Additional information regarding the County of Warren's long-term debt can be found in Note 7 - Debt of this report.

Economic Factors and Next Year's Budgets and Rates

As the Washington Metropolitan area has continued to expand, the County and the surrounding areas have continued to experience residential growth pressures and an influx of new homeowners, somewhat offset by fuel costs which make commuting to work in the Northern Virginia area less attractive to County residents.

Increasing the industrial/commercial tax base in an effort to minimize the tax burden on residents continues to be a top priority of the County. Over the past few years a number of large industrial projects have opened in the Route 340/522 Corridor of the County including:

Industrial Development Projects						
Park/Company	Land Acquisition	Construction Investment	Jobs	Salary	Bldg Size	Total Investment
<i>Stephens Park</i>						
Atlantic Skyline	\$ 975,000	\$ 11,025,000	25	\$ 50,000+	85,000SF	\$ 12,000,000
Interbake	6,000,000	29,000,000	321	10.75/hr. +	199,210SF	35,000,000
Baugh SYSCO	5,732,456	41,638,624	327	11.55/hr. +	830,000SF	47,371,080
Toray		45,000,000	145	40,000+	48,000SF	45,000,000
<i>Kelley Park</i>						
LeHew LLC	858,000	6,642,000	0	n/a	200,000SF	7,500,000
KIP LLC	595,800	3,000,000	10	11.50/hr. +	50,000SF	3,595,800
Rapp Electric Co-Op	5,500,000	650,000	76	\$ 50,000+	30,000SF	6,150,000
LeHew 14.1 Acres	1,514,500	4,000,000	110	n/a	30,000SF	5,514,500
Total	\$ 21,175,756	\$ 140,955,624	1014			\$ 162,131,380

Source: County Administration

Commercial development has grown significantly over the past four years as the Crooked Run (220,000 SF) and Riverton Commons (450,000 SF) shopping centers have been developed. These two shopping centers are providing significant sales, meals, and real estate taxes to the community. In 2016 a 17,918 SF Aldi Grocery Store and an Urgent Care facility were completed in the Riverton Commons Shopping Center.

In September 2017, the County, EDA, Crooked Run North, LLC, and North River Square, LLC entered into a public-private partnership to improve access to the west side of Route 340/522 immediately north of the Crooked Run Shopping Center. The project will add a southbound lane and right-turn lane into the sites, adding a northbound left turn lane for the crossover, and replace the stormwater pipe under Route 340/522 just north of the Country Club Road intersection. The project would allow for commercial access of the subject property including an estimated five commercial pad sites.

Royal Farms received its permit from the County in November 2017 to construct a 5,166 SF - 16 fuel pump (8 two-sided) convenience store on the site adjacent to Wells Fargo. It is anticipated that the project will be completed by summer 2018.

The County is still working with the developer of Crooked Run on Phase II, which will necessitate the construction of a bridge structure and access road. This project is currently being designed by VDOT, and the County has received \$5 million in VDOT revenue sharing funds to construct the project. In October 2017, the Board requested an additional \$5 million in matching funds to finance the project. It is contemplated to complete the project through the EDA.

Residential growth in Warren County has maintained a steady and healthy pace over the past ten years. While new home starts reached an all-time high in calendar year 2004 with 425 permits issued, the average since 2005 has been 167 permits per year. The housing construction market bottomed out in 2010 with 51 new home starts. Since that time the County has seen a steady increase each year to 145 starts in 2016. We anticipate that 2017 will mark the seventh straight year of an increase in new starts.

Economic Factors and Next Year's Budgets and Rates: (Continued)

The project that has had the largest single impact on the County's tax base is Dominion Power's Warren County Power Plant. During the first full year of construction, (FY 2013-14), Dominion paid the County about \$1 million in property tax. In FY 2014-15, property tax payments increased to \$5,209,348.17 and \$6,106,341.20 in FY 2015-16. Now that construction has been completed, the County expects to receive a financial benefit of approximately \$5.0-5.2 million per year. As part of the incentive package for the project, the County agreed to contribute up to \$1 million per year for years 6-10 to offset the facility's water and sewer fees. Construction work provided approximately 1,500 jobs at the peak of construction. Dominion employs approximately 50 full-time staff members and 8 private contractors on-site. During outages, additional 80-150 contractors are brought in depending on the work being performed. In total, Dominion has invested approximately \$825 million in constructing the facility.

After a 15-year remediation clean-up as an EPA Superfund site, approximately 147 acres of the former Avtex Fibers industrial site has been released for redevelopment as a clean, environmentally-friendly mixed use commercial park as the Royal Phoenix property, which is owned by EDA. The EDA sold the first 30-acre portion of the site to ITFederal, a data processing center, which plans to construct a mixed-use facility that will create 600 new jobs on the site. EDA also sold 5.24 acres to the Town of Front Royal for a new police headquarters.

The following key economic indicators reflect the growth and prosperity of the County.

Unemployment:

- Warren County's unemployment rate in October 2017 was 3.4% which was significantly improved over the 4.0% of October 2016. The rate of 3.4% was slightly lower than the unemployment rate of 3.5% for Virginia but significantly lower than the national average of 3.9% as of October 2017.
- New jobs. The County added approximately 170 new jobs last year.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities

The FY 2017-2018 budget process again proved to be a difficult one given the slowdown in construction in the area and continued State budget cuts. Projected revenues for the General Fund and School Operating Fund (excluding use of Fund Balance) are slightly more (4.2%) than those of FY 2016-2017. The increase results mainly from an expected increase in property taxes due to the upcoming opening of the 2nd middle school. The FY 2017-2018 Budget was adopted with a real estate tax rate for calendar year 2017 of \$0.65 per \$100 of assessed value, which is an increase of \$0.03. The \$0.03 increase was designated for the operation of the new Warren County Middle School. All other tax rates and fees for services impacting FY 2017-2018 revenue remained the same as the previous year.

Budgeted expenditures in the General Fund (excluding the local appropriation to the school fund) amounted to \$50,533,943.

The General Fund budget also includes \$1,711,586 for Enterprise Zone Grants. This amount includes the total estimated amount of real estate and machinery and tools taxes to be paid by qualifying businesses. The unused portion will be used by the County to fund school capital improvements, including debt service on the 2004 bonds.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Douglas P. Stanley, County Administrator, County of Warren, 220 N. Commerce Avenue, Front Royal, VA 22630.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2017

	Primary Government	Component Unit	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 31,582,465	\$ 8,144,904	\$ 1,535,292
Investments in property	-	-	8,674,595
Receivables (net of allowance for uncollectibles):			
Taxes receivable	19,413,355	-	-
Accounts receivable	385,953	63,000	110
Notes receivable	-	-	10,182,452
Interest receivable	-	-	101,502
External parties	5,000	-	-
Due from component unit	3,258,702	-	-
Due from other governmental units	2,753,911	1,760,832	-
Prepaid items	30,312	-	8,340
Restricted assets:			
Cash and cash equivalents	13,513,704	-	380
Net pension asset	-	64,009	-
Capital assets (net of accumulated depreciation):			
Land	13,914,501	1,656,064	-
Non-depreciable assets	387,070	-	-
Buildings and improvements	120,007,107	13,839,395	2,053,477
Improvements other than buildings	2,354,735	-	-
Machinery and equipment	2,080,729	1,611,494	-
Construction in progress	44,058,370	-	13,241,798
Total assets	<u>\$ 253,745,914</u>	<u>\$ 27,139,698</u>	<u>\$ 35,797,946</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 4,527,705	\$ -	\$ -
Post measurement date employer pension contributions	909,186	4,718,133	-
Net difference of actual and expected pension plan earnings	934,946	3,173,428	-
Difference of actual and expected experience - pension	-	5,766	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	242,000	-
Total deferred outflows of resources	<u>\$ 6,371,837</u>	<u>\$ 8,139,327</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 2,896,582	\$ 222,120	\$ 2,051,276
Accrued liabilities	-	4,760,646	53,465
Customers' deposits	10,355	-	7,806
Accrued interest payable	1,204,883	-	55,594
Due to primary government	-	3,258,702	-
Unearned revenue	3,626	-	3,146,859
Long-term liabilities:			
Due within one year	7,054,327	153,013	12,310,874
Due in more than one year	154,316,377	53,954,818	14,446,093
Total liabilities	<u>\$ 165,486,150</u>	<u>\$ 62,349,299</u>	<u>\$ 32,071,967</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 16,074,961	\$ -	\$ -
Difference of actual and expected experience - pension	563,006	1,814,061	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,705,000	-
Total deferred inflows of resources	<u>\$ 16,637,967</u>	<u>\$ 3,519,061</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 47,493,851	\$ 17,106,953	\$ 1,100,450
Restricted:			
Scholarships	-	-	380
Public safety	76,469	-	-
Proffers	1,026,014	-	-
Unrestricted	29,397,300	(47,696,288)	2,625,149
Total net position	<u>\$ 77,993,634</u>	<u>\$ (30,589,335)</u>	<u>\$ 3,725,979</u>

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

COUNTY OF WARREN, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,871,325	\$ 236,808	\$ 308,608	\$ -
Judicial administration	2,392,659	185,489	698,790	-
Public safety	14,860,539	1,211,691	2,377,654	34,128
Public works	10,922,208	1,096,644	21,511	507,036
Health and welfare	6,947,264	-	3,756,521	-
Education	22,500,264	-	127,960	-
Parks, recreation, and cultural	3,713,029	439,608	25,000	100,769
Community development	1,348,846	221,604	106,582	454,391
Interest and other fiscal charges on long-term debt	5,538,416	-	-	-
Total governmental activities	<u>\$ 72,094,550</u>	<u>\$ 3,391,844</u>	<u>\$ 7,422,626</u>	<u>\$ 1,096,324</u>
Total primary government	<u>\$ 72,094,550</u>	<u>\$ 3,391,844</u>	<u>\$ 7,422,626</u>	<u>\$ 1,096,324</u>
COMPONENT UNITS:				
School Board	\$ 55,465,991	\$ 1,593,723	\$ 32,539,856	\$ 61,269
Industrial Development Authority	1,599,268	183,207	-	141,390
Total component units	<u>\$ 57,065,259</u>	<u>\$ 1,776,930</u>	<u>\$ 32,539,856</u>	<u>\$ 202,659</u>

General revenues:

General property taxes
Local sales and use taxes
Consumers' utility taxes
Business licenses
Motor vehicle licenses
Meals tax
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Payment from Warren County
Grants and contributions not restricted to specific programs
Gain on disposal of assets
Total general revenues
Change in net position
Net position - beginning
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Unit	
		Industrial
Governmental Activities	School Board	Development Authority

\$ (3,325,909)
 (1,508,380)
 (11,237,066)
 (9,297,017)
 (3,190,743)
 (22,372,304)
 (3,147,652)
 (566,269)
 (5,538,416)
\$ (60,183,756)

\$ (21,271,143) \$ -
 - (1,274,671)
\$ (21,271,143) \$ (1,274,671)

\$ 48,028,934	\$ -	\$ -
3,707,397	-	-
764,170	-	-
837,612	-	-
870,764	-	-
940,928	-	-
720,227	-	-
741,230	41,983	414,440
1,187,200	317,346	5,786
-	20,192,768	427,542
5,781,070	-	-
-	-	338,437
<u>\$ 63,579,532</u>	<u>\$ 20,552,097</u>	<u>\$ 1,186,205</u>
\$ 3,395,776	\$ (719,046)	\$ (88,466)
74,597,858	(29,870,289)	3,814,445
<u>\$ 77,993,634</u>	<u>\$ (30,589,335)</u>	<u>\$ 3,725,979</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2017

	General	Special Projects	School Bond Construction	Total Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 12,468,539	\$ 18,242,800	\$ -	\$ 842,033	\$ 31,553,372
Receivables (net of allowance for uncollectibles):					
Taxes receivable	17,825,516	-	-	1,587,839	19,413,355
Accounts receivable	385,953	-	-	-	385,953
External parties	5,000	-	-	-	5,000
Due from other funds	320	-	-	-	320
Due from component unit	3,258,702	-	-	-	3,258,702
Due from other governmental units	2,753,911	-	-	-	2,753,911
Prepaid items	30,312	-	-	-	30,312
Restricted assets:					
Cash and cash equivalents	-	-	12,411,221	1,102,483	13,513,704
Total assets	<u>\$ 36,728,253</u>	<u>\$ 18,242,800</u>	<u>\$ 12,411,221</u>	<u>\$ 3,532,355</u>	<u>\$ 70,914,629</u>
LIABILITIES					
Accounts payable	\$ 1,846,186	\$ -	\$ 1,012,979	\$ 37,416	\$ 2,896,581
Customers' deposits	10,355	-	-	-	10,355
Due to other funds	-	-	-	320	320
Unearned revenue	3,626	-	-	-	3,626
Total liabilities	<u>\$ 1,860,167</u>	<u>\$ -</u>	<u>\$ 1,012,979</u>	<u>\$ 37,736</u>	<u>\$ 2,910,882</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 19,101,039	\$ -	\$ -	\$ 1,599,843	\$ 20,700,882
Total deferred inflows of resources	<u>\$ 19,101,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,843</u>	<u>\$ 20,700,882</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	\$ 30,312	\$ -	\$ -	\$ -	\$ 30,312
Restricted:					
Construction	-	-	11,398,242	1,026,014	12,424,256
Public safety	-	-	-	76,469	76,469
Committed:					
Capital improvements (Note 14)	-	18,242,800	-	-	18,242,800
Sanitary districts - roads, etc.	-	-	-	792,293	792,293
Unassigned	15,736,735	-	-	-	15,736,735
Total fund balances	<u>\$ 15,767,047</u>	<u>\$ 18,242,800</u>	<u>\$ 11,398,242</u>	<u>\$ 1,894,776</u>	<u>\$ 47,302,865</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,728,253</u>	<u>\$ 18,242,800</u>	<u>\$ 12,411,221</u>	<u>\$ 3,532,355</u>	<u>\$ 70,914,629</u>

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 47,302,865

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 216,263,740	
Accumulated depreciation	<u>(33,461,228)</u>	182,802,512

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

Unavailable property taxes	\$ 4,625,915	
Items related to measurement of net pension liability - deferred inflows	<u>(563,006)</u>	4,062,909

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.

909,186

Certain items related to the net pension liability are not available or payable in the current period and, therefore, are not reported in the funds.

Items related to measurement of net pension liability - deferred outflows		934,946
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Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

29,098

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

Bonds payable	(139,595,634)	
Deferred charge on refunding	4,527,705	
Issuance premium	(10,983,988)	
Accrued interest payable	(1,204,883)	
Capital lease obligations	(954,986)	
Compensated absences	(1,409,277)	
Landfill closure & postclosure liability	(625,323)	
Net pension liability	(4,188,196)	
Net OPEB obligation	<u>(3,613,300)</u>	<u>(158,047,882)</u>

Net position of governmental activities	\$ <u>77,993,634</u>
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The notes to the financial statements are an integral part of this statement.

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

	General	Special Projects	School Bond Construction	County Capital Projects	Total Nonmajor Governmental Funds	Total
REVENUES						
General property taxes	\$ 46,321,827	\$ -	\$ -	\$ -	\$ 1,815,840	\$ 48,137,667
Other local taxes	7,841,098	-	-	-	-	7,841,098
Permits, privilege fees, and regulatory licenses	525,014	-	-	-	-	525,014
Fines and forfeitures	103,806	-	-	-	-	103,806
Revenue from the use of money and property	567,204	-	165,800	8,226	-	741,230
Charges for services	2,763,023	-	-	-	-	2,763,023
Miscellaneous	771,606	-	-	-	585,592	1,357,198
Recovered costs	93,762	-	-	-	-	93,762
Intergovernmental:						
Local government	375,200	-	-	-	-	375,200
Commonwealth	11,123,111	-	-	-	9,067	11,132,178
Federal	2,792,642	-	-	-	-	2,792,642
Total revenues	\$ 73,278,293	\$ -	\$ 165,800	\$ 8,226	\$ 2,410,499	\$ 75,862,818
EXPENDITURES						
Current:						
General government administration	\$ 2,902,896	\$ -	\$ -	\$ -	\$ -	\$ 2,902,896
Judicial administration	2,285,963	-	-	-	-	2,285,963
Public safety	14,464,542	-	-	-	6,543	14,471,085
Public works	3,850,875	-	-	-	1,340,404	5,191,279
Health and welfare	6,628,743	-	-	-	-	6,628,743
Education	20,228,390	-	-	-	-	20,228,390
Parks, recreation, and cultural	3,437,329	-	-	-	-	3,437,329
Community development	1,093,351	-	-	-	-	1,093,351
Nondepartmental	515,049	-	-	-	-	515,049
Capital projects	7,566,581	-	25,905,530	-	-	33,472,111
Debt service:						
Principal retirement	5,619,214	-	-	-	30,000	5,649,214
Interest and other fiscal charges	6,012,980	-	-	-	5,748	6,018,728
Total expenditures	\$ 74,605,913	\$ -	\$ 25,905,530	\$ -	\$ 1,382,695	\$ 101,894,138
Excess (deficiency) of revenues over (under) expenditures	\$ (1,327,620)	\$ -	\$ (25,739,730)	\$ 8,226	\$ 1,027,804	\$ (26,031,320)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 4,972,303	\$ 3,711,771	\$ -	\$ -	\$ -	\$ 8,684,074
Transfers out	(3,619,794)	(1,181,162)	-	(3,694,895)	(358,223)	(8,854,074)
Total other financing sources (uses)	1,352,509	2,530,609	-	(3,694,895)	(358,223)	(170,000)
Net change in fund balances	\$ 24,889	\$ 2,530,609	\$ (25,739,730)	\$ (3,686,669)	\$ 669,581	\$ (26,201,320)
Fund balances - beginning	15,742,158	15,712,191	37,137,972	3,686,669	1,225,195	73,504,185
Fund balances - ending	\$ 15,767,047	\$ 18,242,800	\$ 11,398,242	\$ -	\$ 1,894,776	\$ 47,302,865

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

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

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

Net change in fund balances - total governmental funds	\$	(26,201,320)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are adjustments related to capital assets reported in the current period.

Capital asset additions	\$ 27,492,434	
Depreciation expense	<u>(3,790,817)</u>	23,701,617

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

Property taxes	\$ (108,741)	
Change in deferred inflows related to the measurement of the net pension liability	<u>780,382</u>	671,641

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.

(Increase) decrease in landfill closure and postclosure liability	\$ (8,025)	
Increase (decrease) in deferred amount on refunding	(313,239)	
Principal payments	<u>5,649,214</u>	5,327,950

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following are the details of these adjustments:

(Increase) decrease accrued interest payable	\$ (40,957)	
(Increase) decrease in net OPEB obligation	(321,800)	
(Increase) decrease in net pension liability	(1,207,169)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	934,946	
Increase (decrease) in deferred outflows - pension contributions subsequent to measurement date	(247,430)	
Discount and premium amortization	834,508	
(Increase) decrease in compensated absences	<u>(55,810)</u>	(103,712)

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

Insurance premiums, internal service fund - reported as charges for services on Exhibit 2	\$ 23	
Insurance claims, internal service fund - reported as expense in the respective function on Exhibit 2	<u>(423)</u>	(400)

Change in net position of governmental activities	\$	<u><u>3,395,776</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Internal Service Fund
June 30, 2017

	Health Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 29,098
Total assets	<u>\$ 29,098</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET POSITION	
Unrestricted	\$ 29,098
Total net position	<u><u>\$ 29,098</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund
For the Year Ended June 30, 2017

	<u>Health Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 23
Total operating revenues	<u>\$ 23</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 170,423
Total operating expenses	<u>\$ 170,423</u>
Operating income (loss)	<u>\$ (170,400)</u>
Income before transfers	<u>\$ (170,400)</u>
Transfers in	<u>\$ 170,000</u>
Change in net position	<u>\$ (400)</u>
Total net position - beginning	<u>29,498</u>
Total net position - ending	<u><u>\$ 29,098</u></u>

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

Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2017

	<u>Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 23
Payments for claims	<u>(408,979)</u>
Net cash provided by (used for) operating activities	<u>\$ (408,956)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>170,000</u>
Net cash provided by (used for) noncapital financing activities	<u>170,000</u>
Net increase (decrease) in cash and cash equivalents	\$ (238,956)
Cash and cash equivalents - beginning	<u>268,054</u>
Cash and cash equivalents - ending	<u><u>\$ 29,098</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (170,400)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in IBNR	<u>\$ (238,556)</u>
Total adjustments	<u>\$ (238,556)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (408,956)</u></u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 245,134	\$ 227,695
Due from other governmental units	-	827,716
Total assets	<u>\$ 245,134</u>	<u>\$ 1,055,411</u>
LIABILITIES		
Accounts payable	\$ -	\$ 16,185
Amounts held for social services clients	-	17,419
Due to general fund	-	672,636
Due to other governmental units	-	160,080
Amounts held for others	-	189,091
Total liabilities	<u>\$ -</u>	<u>\$ 1,055,411</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 245,134</u>	

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2017

	Private- Purpose Trust
ADDITIONS	
Revenue from the use of money	\$ 580
Miscellaneous	<u>19,949</u>
Total additions	<u>\$ 20,529</u>
DEDUCTIONS	
Scholarships	<u>\$ 12,250</u>
Total deductions	<u>\$ 12,250</u>
Change in net position	\$ 8,279
Net position - beginning	<u>236,855</u>
Net position - ending	<u><u>\$ 245,134</u></u>

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Warren, Virginia operates under a traditional form of government with a Board of Supervisors, county administrator, and elected constitutional officers. It provides its citizens with services relating to public safety, public works, health and welfare services, education, community and economic development, and judicial and general administrative services.

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

These financial statements present the County (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Warren County Public Schools:

Warren County Public Schools (the "Schools") are responsible for elementary and secondary education within the County providing a benefit only to the Primary Government. The Schools are fiscally dependent on the County because the Schools' operational and capital budgets are approved by the County Board of Supervisors. In addition, the Schools are prohibited from issuing bonded debt without the approval of the County Board of Supervisors. The primary funding sources of the Schools are state and federal grants and significant appropriations from the primary government (County). The Schools do not have separate taxing authority.

The Schools report an operating fund and three special revenue funds (cafeteria, textbook, and vocational building funds), one capital projects fund (school capital improvements fund), all of which are accounted for as governmental funds. The Schools report one internal service fund (self-insurance fund) as a proprietary fund. Warren County Public Schools does not issue separate financial statements.

Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia:

The Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia (the "Authority") was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Front Royal and the Board of Supervisors of the County to be effective on December 21, 1967 pursuant to the provisions of the Economic Development and Revenue Bond Act. The Authority is governed by seven directors appointed by the Town of Front Royal and the County. The Authority is fiscally dependent on the County. County contributions accounted for approximately 29 percent of the Industrial Development Authority's revenues during fiscal year 2017. The Authority is accounted for as a proprietary fund and uses the accrual basis of accounting.

Complete financial statements of the Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia may be obtained at the Authority's administrative offices.

A. Government-wide and Fund Financial Statements

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

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

A. Government-wide and Fund Financial Statements: (Continued)

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

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

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

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

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

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.

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

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

B. Other Related Organizations

Included in the County's Financial Report

None

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

Fiduciary funds have no measurement focus and use the accrual basis of accounting for purposes of asset and liability recognition.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

Proprietary funds (internal service 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 internal service funds are insurance premiums. Operating expenses include insurance claims and other expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the general fund as a major governmental fund.

The general fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the component unit school board. The General Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Funds - The Capital Projects Funds account for and report 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 reports the Special Projects, School Bond Construction and County Capital Projects fund as major capital projects funds.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds: (Continued)

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the following funds: Drug Forfeiture, Proffers, and Sanitary Districts. All of the above funds are reported as nonmajor funds.

- 2. Fiduciary Funds - (Trust and Agency Funds)** - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include private purpose trust and agency funds. Private purpose trust funds utilize the accrual basis of accounting as described in the proprietary funds presentation. Agency funds utilize the accrual basis of accounting described in the governmental fund presentation. Fiduciary funds are not included in the government-wide financial statements. The following private-purpose trust funds are reported: Woodward Cook Scholarship Fund, the Elizabeth P. Denny Scholarship Fund, the Warren County Education Foundation Fund, the Louise Bolling Scholarship Fund, the Winnie Nicholls Scholarship Fund, and the Thompson Scholarship Fund. The following agency funds are reported: Special Welfare Fund, Undistributed Local Sales Tax Fund, Flexible Spending Fund, Northern Warren Fire Department Building Fund, Northern Warren Fire Department Fund, Shenandoah Farms Volunteer Fire Department Fund, South Warren Volunteer Fire Department Fund, Shenandoah Shores Volunteer Fire Department Fund, Linden Volunteer Fire Department Fund, and the Fortsmouth Volunteer Fire Department Fund.

- 3. Proprietary Funds** - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds of the County consist of the Internal Service Funds.

Internal Service Funds - account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal Service Funds consist of Health Insurance Fund reported by the Primary Government and the Component Unit-School Board.

D. 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. The budget is legally enacted through passage of appropriation resolutions.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

4. The appropriations resolutions place legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County Departments.
7. Both the original and amended budget are presented in the accompanying financial statements.
8. The following General Fund departments reported actual expenditures in excess of appropriations: (Reference Exhibit 12):
 - Emergency services
 - Various capital projects
 - Community contributions
 - Air show
 - Insurance - Nondepartmental

Additionally the following nonmajor and Component Unit funds reported actual expenditures in excess of appropriations:

- Drug forfeiture fund
- School capital improvements fund
- School textbook fund
- Cafeteria fund
- Vocational building fund

E. Cash and Cash Equivalents

The County's cash and cash equivalents consist of demand deposits and certificates of deposits with an initial maturity date of less than three months.

F. 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.

G. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using the historical collection data and, in certain cases, specific account analysis. The allowance attributed to property taxes amounted to \$1,401,863 at June 30, 2017.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

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

H. Capital Assets

Capital assets, which include property, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life of multiple years. Such assets are recorded at historical cost or estimated historical cost using the consumer price inflationary index. Donated capital assets are recorded at acquisition value as of the date of donation.

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

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

Buildings and improvements	50 years
Vehicles	5 years
School buses	12 years
Equipment	5 to 7 years
Land improvements	20 years

I. Bond Issue Costs

Bond issue costs are expensed as incurred.

J. Compensated Absences

County and school employees earn vacation and sick leave at various rates up to a specified amount of days. Accumulated vacation and a calculated portion of sick leave is paid upon termination. All vacation and sick pay is accrued when incurred in the government-wide financial statements. At June 30, 2017, leave liabilities of the County amounted to \$800,149 of outstanding vacation accruals, \$435,770 of outstanding compensatory time and \$173,358 of outstanding sick accruals, representing a net increase of \$55,810. At June 30, 2017, leave liabilities of the Schools amounted to \$730,549 of outstanding vacation accruals, \$366,150 of personal leave time and \$433,432 of outstanding sick accruals, representing a net increase of \$14,933.

K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

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

L. 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 a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

M. 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)

N. Net Position Flow Assumption

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. One item is the 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. The other items are comprised of certain items related to the measurement of the net pension liability. These include the difference of actual and expected experience related to net pension liability, net difference of actual and expected pension plan earnings and changes in proportion and differences between employer contributions and proportionate share of contributions. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on the pension items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, net difference of actual and expected experience and changes in proportion and differences between the employer contributions and proportionate share of contributions to the cost-sharing teacher pension plan. For more detailed information on the pension items, reference the pension note.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

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

P. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Warren, Virginia's Retirement Plan and the additions to/deductions from the County of Warren, Virginia's Retirement Plan 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.

Q. Property Taxes Receivable

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in one installment on December 5th. The County bills and collects its own property taxes.

R. Restricted Assets

The County reports restricted assets (cash) in the amount of \$13,513,704 (Exhibit 1). The cash is restricted for specific capital projects as a result of proffers received, unspent bond proceeds for construction and for public safety.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

The County does not have an investment policy that addresses the various types of risks related to investments.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAA _m	AAA	AA+	AA	AA-
U.S. Government Money Market Fund	\$ 512,613	\$ -	\$ -	\$ -	\$ -
State Non-Arbitrage Program	12,406,945	-	-	-	-
Fixed Income - Municipal/Public Bonds	-	969,582	1,725,478	445,905	210,317
Fixed Income - U.S. Agency Securities	-	-	3,601,251	-	-
Fixed Income - U.S. Treasury Notes	-	-	3,704,483	-	-
Total	\$ 12,919,558	\$ 969,582	\$ 9,031,212	\$ 445,905	\$ 210,317

Interest Rate Risk

Investment Type	Investment Maturity*			
	Fair Value	Less than 1	1 -5 Years	5 - 10 Years
U.S. Government Money Market Fund	\$ 512,613	\$ 512,613	\$ -	\$ -
State Non-Arbitrage Program	12,406,945	12,406,945	-	-
Fixed Income - U.S. Treasury Notes	3,704,483	-	3,704,483	-
Fixed Income - Municipal/Public Bonds	3,351,282	-	2,773,059	578,223
Fixed Income - U.S. Agency Securities	3,601,251	-	3,601,251	-
Total investments	\$ 23,576,574	\$ 12,919,558	\$ 10,078,793	\$ 578,223

* Weighted average maturity in years.

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools: (Continued)

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

Fair Value Measurements

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The County reports the following information related to its investments:

Fair Value Measurements at Reporting Date Using

	Total June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Money Market Fund	\$ 512,613	\$ 512,613	\$ -	\$ -
Fixed Income - Municipal/Public Bonds	3,351,282	3,351,282	-	-
Fixed Income - U.S. Agency Securities	3,601,251	3,601,251	-	-
Fixed Income - U.S. Treasury Notes	<u>3,704,483</u>	<u>3,704,483</u>	<u>-</u>	<u>-</u>
Total	\$ <u>11,169,629</u>	\$ <u>11,169,629</u>	\$ <u>-</u>	\$ <u>-</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 3—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
Major funds:		
General	\$ 5,320	\$ -
Nonmajor governmental funds:		
Sanitary districts	-	320
Agency funds:		
Flexible spending fund	-	5,000
Total	<u>\$ 5,320</u>	<u>\$ 5,320</u>

Interfund receivables and payables represent obligations between funds.

Interfund transfers for the year ended June 30, 2017 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major governmental funds:		
General	\$ 4,972,303	\$ 3,619,794
Special projects	3,711,771	1,181,162
County capital projects fund	-	3,694,895
School operating fund	312,000	1,418,796
School cafeteria fund	1,418,796	-
Nonmajor governmental funds:		
Sanitary districts	-	358,223
Internal service fund:		
School board health insurance fund	-	312,000
County health insurance fund	170,000	-
Total	<u>\$ 10,584,870</u>	<u>\$ 10,584,870</u>

Transfers between major funds and other nonmajor governmental funds were primarily to support operations of the funds.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 4—DUE FROM/TO AND TRANSFERS FROM/TO PRIMARY GOVERNMENT AND COMPONENT UNITS:

Due from/to balances between the County and its component units at June 30, 2017, were as follows:

	<u>Due From</u>	<u>Due To</u>
Primary government:		
General	\$ <u> -</u>	\$ <u> 3,258,702 </u>
Component units:		
Warren County School Board	\$ <u> 3,258,702 </u>	\$ <u> -</u>

The School Board reports a payable to the Primary Government resulting from appropriated local funds in excess of net school expenditures.

Contributions from the Primary Government to the School Board Component Unit for school operations for the year ended June 30, 2017 were as follows:

	<u>Contributions To</u>	<u>Contributions From</u>
Primary government:		
General	\$ <u> -</u>	\$ <u> 20,192,768 </u>
School Board component unit:		
School operating fund	19,516,212	-
School capital improvements fund	<u> 676,556 </u>	<u> -</u>
	\$ <u> 20,192,768 </u>	\$ <u> 20,192,768 </u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from/to other governmental units are as follows at June 30, 2017:

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>School Board</u>
Commonwealth of Virginia:		
Virginia Public Assistance funds	\$ 102,946	\$ -
Local sales tax	667,636	-
State sales tax	-	1,176,455
Shared expenses - constitutional officers	300,732	-
Recordation tax refunds	35,451	-
Miscellaneous grants	321,548	-
Comprehensive services act	174,770	-
Rolling stock	47,029	-
VDOT Revenue Sharing	507,165	-
Communication tax	138,200	-
School resource officer reimbursement	14,892	-
Federal Government:		
Virginia Public Assistance funds	172,885	-
Crime victim assistance grant	14,434	-
Bulletproof vest partnership	6,903	-
Airport improvement grant	249,320	-
School operating fund grants	-	584,377
Total due from other governmental units	\$ <u>2,753,911</u>	\$ <u>1,760,832</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 6—CAPITAL ASSETS:

Primary Government:

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 13,914,501	\$ -	\$ -	\$ 13,914,501
Construction in progress	26,228,165	27,273,910	9,443,705	44,058,370
Other non-depreciable assets	387,070	-	-	387,070
	<u>40,529,736</u>	<u>27,273,910</u>	<u>9,443,705</u>	<u>58,359,941</u>
Total capital assets not being depreciated	\$ 40,529,736	\$ 27,273,910	\$ 9,443,705	\$ 58,359,941
Capital assets being depreciated:				
Buildings and improvements	\$ 136,683,609	\$ 9,013,264	\$ -	\$ 145,696,873
Improvements other than buildings	2,909,945	430,440	-	3,340,385
Machinery, equipment and vehicles	8,648,017	218,524	-	8,866,541
	<u>148,241,571</u>	<u>9,662,228</u>	<u>-</u>	<u>157,903,799</u>
Total capital assets being depreciated	\$ 148,241,571	\$ 9,662,228	\$ -	\$ 157,903,799
Less: accumulated depreciation:				
Buildings and improvements	\$ 22,570,492	\$ 3,119,274	\$ -	25,689,766
Improvements other than buildings	818,631	167,019	-	985,650
Machinery, equipment and vehicles	6,281,288	504,524	-	6,785,812
Total accumulated depreciation	<u>29,670,411</u>	<u>3,790,817</u>	<u>-</u>	<u>33,461,228</u>
Net capital assets governmental activities	<u>\$ 159,100,896</u>	<u>\$ 33,145,321</u>	<u>\$ 9,443,705</u>	<u>\$ 182,802,512</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit—School Board:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,656,064	\$ -	\$ -	\$ 1,656,064
Total capital assets not being depreciated	\$ 1,656,064	\$ -	\$ -	\$ 1,656,064
Capital assets being depreciated:				
Buildings and improvements	\$ 24,841,639	\$ -	\$ -	\$ 24,841,639
Machinery, equipment and vehicles	8,197,243	136,529	6,500	8,327,272
Total capital assets being depreciated	\$ 33,038,882	\$ 136,529	\$ 6,500	\$ 33,168,911
Less: accumulated depreciation:				
Buildings and improvements	\$ 10,543,106	\$ 459,138	\$ -	\$ 11,002,244
Machinery, equipment and vehicles	6,313,353	408,925	6,500	6,715,778
Total accumulated depreciation	\$ 16,856,459	\$ 868,063	\$ 6,500	\$ 17,718,022
Net capital assets component unit school board	\$ 17,838,487	\$ (731,534)	\$ -	\$ 17,106,953

- 1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The net effect on the County of Warren, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$126,415,013 are reported in the Primary Government for financial reporting purposes.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government administration	\$ 232,430
Judicial administration	95,331
Public safety	603,719
Public works	115,043
Health and welfare	341,950
Education	2,037,688
Parks, recreation and cultural	106,363
Community Development	258,293
Total Governmental activities	\$ 3,790,817
Component Unit School Board	\$ 868,063

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government and Component Unit—School Board:

The following is a summary of changes in long-term obligations for the primary government and school board for the year ended June 30, 2017.

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Primary Government:					
General obligation and lease					
revenue bonds	\$ 51,938,076	\$ -	\$ 1,908,442	\$ 50,029,634	\$ 1,977,430
Lease revenue bonds	92,796,000	-	3,530,000	89,266,000	3,897,000
Revenue bonds	330,000	-	30,000	300,000	30,000
Compensated absences	1,353,467	55,810	-	1,409,277	140,928
Net OPEB obligation	3,291,500	482,000	160,200	3,613,300	-
Net pension liability	2,981,027	3,796,788	2,589,619	4,188,196	-
Landfill postclosure costs	617,298	8,025	-	625,323	-
Capital leases	1,135,758	-	180,772	954,986	184,569
Totals	<u>\$ 154,443,126</u>	<u>\$ 4,342,623</u>	<u>\$ 8,399,033</u>	<u>\$ 150,386,716</u>	<u>\$ 6,229,927</u>
Premium on bonds	<u>\$ 11,818,496</u>	<u>\$ -</u>	<u>\$ 834,508</u>	<u>\$ 10,983,988</u>	<u>\$ 824,400</u>
Total for financial statement presentation - Primary Government	<u>\$ 166,261,622</u>	<u>\$ 4,342,623</u>	<u>\$ 9,233,541</u>	<u>\$ 161,370,704</u>	<u>\$ 7,054,327</u>
Component Unit - School Board:					
Compensated absences	\$ 1,515,198	\$ 988,249	\$ 973,316	\$ 1,530,131	\$ 153,013
Net pension liability	47,008,000	12,013,000	7,607,000	51,414,000	-
Net OPEB obligation	1,008,700	281,700	126,700	1,163,700	-
Total School Board	<u>\$ 49,531,898</u>	<u>\$ 13,282,949</u>	<u>\$ 8,707,016</u>	<u>\$ 54,107,831</u>	<u>\$ 153,013</u>

The general fund and school operating and cafeteria funds are used to fund the liability for compensated absences, net pension liability and OPEB obligation, for the County and School Board, respectively.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government and Component Unit School Board: (Continued)

Details of the primary government's debt at June 30, 2017 are as follows:

	<u>Amount Outstanding</u>
<u>General obligation bonds</u>	
\$13,416,124 (including premium of \$686,698) general obligation school bonds issued November 8, 2007, payable in variable amounts; interest rate of 5.1% through July 15, 2028.	\$ 7,477,634
\$3,692,300 general obligation refunding bonds issued December 16, 2009 to completely defease the outstanding balance of the \$3.5 million general obligation bonds issued on December 15, 1998 and provide financing for courthouse improvements. The refunding general obligation bonds are payable in variable amounts; interest rate of 3.09% through December 2023.	1,912,000
\$42,440,000 general obligation bonds issued December 9, 2014 with a premium of \$2,601,367, payable in semi-annual installments in variable amounts, with variable interest rates of 3.0% to 5.0% through December 30, 2039. The bonds were issued to finance various school projects including the design and construction of a second middle school.	40,640,000
Total general obligation bonds	\$ <u>50,029,634</u>
<u>Lease Revenue Bonds:</u>	
\$45,700,000 lease revenue refunding bonds Series 2011B, issued November 16, 2011, payable in variable amounts; with variable interest rates of 2.125% to 5.125%, through October 1, 2028. The bonds were issued to partially refund Series 2004B lease revenue bonds and refund the outstanding balance of the Series 2009 lease revenue refunding bonds for an economic gain of \$3,013,688.	37,390,000
\$31,300,000 lease revenue refunding bonds Series 2012A, issued June 13, 2012, payable in variable amounts; with variable interest rates of 4.524% to 5.125%, through April 1, 2035. The bonds were issued to partially refund the Series 2004B lease revenue bonds for an economic gain of \$2,342,981.	31,300,000

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government and Component Unit School Board: (Continued)

Details of the primary government's debt at June 30, 2017 are as follows: (Continued)

	<u>Amount Outstanding</u>
<u>Lease Revenue Bonds: (Continued)</u>	
\$5,885,000 lease revenue bonds Series 2014B issued August 13, 2014 with a premium of \$696,727, payable in variable amounts; with variable interest rates of 1.895% to 5.125%, through October 1, 2034. The bonds were issued to finance the Leach Run Parkway, jointly with the Town of Front Royal, VA.	\$ 5,510,000
\$8,691,000 taxable qualified energy conservation revenue bond issued February 24, 2016, payable annually in variable amounts; with a fixed interest rate of 4.1%, through August 15, 2036. The bonds were issued to finance energy efficient improvements in Warren County Schools.	8,691,000
\$7,635,000 lease revenue refunding bonds Series 2013B, issued June 12, 2013, payable in variable amounts; with a fixed interest rate of 2.58%, through September 1, 2028. The bonds were issued to current refund the Series 2010 general obligation bonds that were due and payable in full in March 2014.	6,375,000
Total lease revenue bonds	\$ <u>89,266,000</u>
<u>Revenue Bonds:</u>	
\$600,000 Variable rate demand revenue bonds Series 2005A, issued May 24, 2007, payable in annual fixed principal amount of \$30,000, with interest at a variable rate through June 2027.	300,000
Total revenue bonds	\$ <u>300,000</u>

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

Year Ending June 30,	County Obligations			
	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 5,904,430	\$ 5,963,861	\$ 184,569	\$ 24,793
2019	6,129,398	5,723,080	188,479	20,883
2020	6,363,174	5,478,384	115,567	17,064
2021	6,492,880	5,213,515	106,890	13,926
2022	6,734,748	4,929,862	110,045	12,772
2023-2027	37,821,684	19,609,710	249,436	15,967
2028-2032	35,265,320	11,093,815	-	-
2033-2037	27,334,000	4,019,421	-	-
2038-2040	7,550,000	461,200	-	-
Total	\$ <u>139,595,634</u>	\$ <u>62,492,848</u>	\$ <u>954,986</u>	\$ <u>105,405</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 8—CAPITAL LEASES:

Primary Government and Component Unit—School Board:

Capital leases

The County has entered into various lease agreements as the lessee for financing the acquisition of vehicles for use in the sheriff's department, recreation and parks, and the general government; equipment for county administration and the recreation and parks department; and lease purchase of a building. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The school board has entered into a lease agreement for financing the acquisition of school buses.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Governmental</u> <u>Activities</u>
2018	\$ 209,362
2019	209,362
2020	132,631
2021	120,817
2022	122,817
2023	120,817
2024	48,195
2025	48,195
2026	<u>48,195</u>
Total minimum lease payments	\$ 1,060,391
Less: amount representing interest	<u>105,405</u>
Present value of minimum lease payments	<u><u>\$ 954,986</u></u>

The capital lease agreements outstanding at June 30, 2017 represented capital assets as follows:

<u>Asset(s) Description</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book</u> <u>Value</u>
Equipment	\$ 1,216,984	\$ 312,600	\$ 904,384
Building and improvements	<u>419,096</u>	<u>58,673</u>	<u>360,423</u>
Total	<u><u>\$ 1,636,080</u></u>	<u><u>\$ 371,273</u></u>	<u><u>\$ 1,264,807</u></u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multi-Employer Pension Plan
Administering Entity: Virginia Retirement System (VRS)

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a 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
<p>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.</p>	<p>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.</p>	<p>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")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • 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 9—PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>*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.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 9—PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <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.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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	102	84
Inactive members:		
Vested inactive members	39	33
Non-vested inactive members	44	85
Inactive members active elsewhere in VRS	121	39
Total inactive members	204	157
Active members	223	108
Total covered employees	529	349

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 9.02% 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 \$909,186 and \$1,156,616 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 4.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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 \$93,424 and \$144,913 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability/Asset

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

Actuarial Assumptions - General Employees

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

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

* 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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (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%.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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	\$ 37,990,329	\$ 35,009,302	\$ 2,981,027
Changes for the year:			
Service cost	\$ 1,176,281	\$ -	\$ 1,176,281
Interest	2,598,660	-	2,598,660
Differences between expected and actual experience	(332,064)	-	(332,064)
Contributions - employer	-	1,156,426	(1,156,426)
Contributions - employee	-	482,585	(482,585)
Net investment income	-	618,544	(618,544)
Benefit payments, including refunds of employee contributions	(1,733,230)	(1,733,230)	-
Administrative expenses	-	(21,587)	21,587
Other changes	-	(260)	260
Net changes	\$ 1,709,647	\$ 502,478	\$ 1,207,169
Balances at June 30, 2016	\$ 39,699,976	\$ 35,511,780	\$ 4,188,196

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 8,952,810	\$ 9,201,873	\$ (249,063)
Changes for the year:			
Service cost	\$ 207,929	\$ -	\$ 207,929
Interest	606,765	-	606,765
Differences between expected and actual experience	(246,769)	-	(246,769)
Contributions - employer	-	144,630	(144,630)
Contributions - employee	-	90,844	(90,844)
Net investment income	-	153,305	(153,305)
Benefit payments, including refunds of employee contributions	(569,479)	(569,479)	-
Administrative expenses	-	(5,842)	5,842
Other changes	-	(66)	66
Net changes	\$ (1,554)	\$ (186,608)	\$ 185,054
Balances at June 30, 2016	\$ 8,951,256	\$ 9,015,265	\$ (64,009)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County of Warren			
Net Pension Liability (Asset)	\$ 9,596,229	\$ 4,188,196	\$ (269,620)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 918,265	\$ (64,009)	\$ (893,045)

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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 \$648,267 and \$5,019, 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	\$ -	\$ 563,006	\$ 5,766	\$ 148,061
Net difference between projected and actual earnings on pension plan investments	934,946	-	236,428	-
Employer contributions subsequent to the measurement date	909,186	-	93,424	-
Total	<u>\$ 1,844,132</u>	<u>\$ 563,006</u>	<u>\$ 335,618</u>	<u>\$ 148,061</u>

\$909,186 and \$93,424 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ (219,347)	\$ (92,505)
2019	(219,346)	(47,588)
2020	445,024	138,441
2021	365,609	95,785
2022	-	-
Thereafter	-	-

NOTE 9—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 school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$720,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$4,624,709 and \$3,906,383 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 \$51,414,000 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 .36687% as compared to .37438% at June 30, 2015.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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 \$4,051,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,666,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	242,000	1,705,000
Net difference between projected and actual earnings on pension plan investments	2,937,000	-
Employer contributions subsequent to the measurement date	4,624,709	-
Total	\$ 7,803,709	\$ 3,371,000

\$4,624,709 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2018	\$ (714,000)
2019	(714,000)
2020	885,000
2021	532,000
2022	(181,000)
Thereafter	-

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

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

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

Net Pension Liability

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

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employers' Net Pension Liability (Asset)	\$	<u>14,014,115</u>
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.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability (Asset)	\$	73,290,000	\$	51,414,000
				\$ 33,393,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <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.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 10—UNAVAILABLE/UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred inflows of resources 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.

Primary Government - Deferred Inflows of Resources

General fund:

Delinquent taxes not collected within 60 days	\$	4,018,365
Prepaid property taxes - property taxes paid in advance		1,796,905
2nd half property tax assessments		13,285,769

Sanitary districts fund:

Delinquent taxes not collected within 60 days		607,556
Prepaid property taxes - property taxes paid in advance		36,550
2nd half property tax assessments		955,737

Total deferred inflows of resources - governmental funds (Exhibit 3)	\$	<u><u>20,700,882</u></u>
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Primary Government - Unearned Revenue

Unearned grant revenue:

General fund	\$	<u>3,626</u>
Total unearned revenue - governmental funds (Exhibit 3)	\$	<u><u>3,626</u></u>

NOTE 11—COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The County had the following significant construction contract commitments for capital projects as of June 30, 2017:

<u>Project</u>	<u>Outstanding Commitment</u>
Warren County Public Schools - Energy Improvements	\$ 1,849,173
Second Middle School - Construction	177,260

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 12—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County has closed a previously operated solid waste landfill and transfer station in such a manner as to comply with laws and regulations administered by the United States Environmental Protection Agency and Virginia Department of Waste Management State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for after closure. The \$625,323 reported as landfill closure care, postclosure care and corrective action liability at June 30, 2017, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. Closure, postclosure and corrective action liabilities represented \$8,677, \$357,353 and \$259,293, respectively. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has demonstrated financial assurance requirements for postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. The County intends to fund these costs from accumulated funds held in the general fund. The liability the County provides financial assurance is different than the actual liability reported in the financial statements due to actual costs expended.

NOTE 13—SURETY BONDS:

	<u>Amount</u>
VA Department of General Services:	
Daryl L. Funk, Clerk of the Circuit Court	\$ 400,000
Wanda Bryant, Treasurer	400,000
Sherry T. Sours, Commissioner of the Revenue	3,000
Daniel T. McEathron, Sheriff	30,000
All Social Service Employees - Blanket Bond	100,000
Virginia School Board Association Pool:	
All School Board Employees - Blanket Bond	50,000
Fidelity and Deposit Company of Maryland:	
Greg Drescher, Superintendent, Deputy Clerk of the School Board	10,000
Robert H. Ballentine, Finance Director, Clerk of the School Board	10,000

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 14—COMMITTED FUND BALANCE—SPECIAL PROJECTS FUND:

	<u>Amount</u>
Permanent Reserves (Twice-a-year billing)	3,979,604
School Capital Improvements	1,907,416
Enterprise Zone Set Aside (School Capital Improvements)	538,281
RSW Regional Jail	148,921
Ressie Jeffries Renovation Project	3,319,840
Sanitary Districts	1,314,961
VDOT (Revenue Sharing)	496,785
Dominion Reserve (Water Payment)	630,000
Landfill	112,292
Miscellaneous	1,501,632
Parks & Recreation	542,326
Police, Fire and Rescue	1,012,791
Solid Waste	1,440,422
Elections	115,123
Social Services	84,742
Buildings & Grounds - Improvements	130,627
Reassessment	248,524
Vehicles	204,359
Gypsy Moth Program	94,538
Circuit Court	77,996
Planning	65,448
Septage Receiving Facility	246,163
Juvenile Detention Facility	30,009
Total Special Projects Fund	<u>\$ 18,242,800</u>

NOTE 15—RISK MANAGEMENT:

Primary Government

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries a broad range of insurance coverage, which management considers prudent for the protection of the County's assets and operations. Coverage currently includes \$5,000,000 commercial general liability, \$5,000,000 automobile liability, and \$3,000,000 public officials liability. The property policy provides insurance coverage for all of the County's real and personal property up to the replacement cost value of the asset.

The Schools are exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries a broad range of insurance coverage, which management considers prudent for the protection of the Schools assets and operations. Coverage currently includes \$2,000,000 commercial general liability, \$2,000,000 automobile liability, and \$2,000,000 public official liability. The property policy provides insurance coverage for all of the Schools' real and personal property up to the replacement cost value of the asset.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE:

Background

Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This addresses how local governments should account for and report their costs related to postemployment health-care and 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 postemployment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

County:

A. Plan Description

In addition to the pension benefits described in Note 9, the County provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits under a single-employer postemployment benefit plan. Individuals hired before July 1, 2013 and who retire from County with service eligible for VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 10 years of service with the County, will receive a subsidy contribution from 50% - 100% based on years of service, for their health insurance premium until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 50%, 75%, or 100% of the health insurance premium for retirees with 10-14, 15-19, or 20 plus years of service, respectively. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

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

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$482,000 for fiscal year 2017. The County has paid \$160,200 towards this obligation during the fiscal year. 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 (or funding excess) over a period not to exceed thirty years.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The estimated contributions are based on projected medical premium payments, County contributions and credit for the implicit rate subsidy made during the year for the retirees by the County. The following table shows the components of the County's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$	487,300
Interest on net OPEB obligation		131,700
Adjustment to annual required contribution		(137,000)
Annual OPEB cost (expense)	\$	482,000
Contributions made		(160,200)
Increase in net OPEB obligation	\$	321,800
Net OPEB obligation, beginning of year		3,291,500
Net OPEB obligation, end of year	\$	3,613,300

For 2017, the County's cash payment of \$160,200 was \$321,800 less than the 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 two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 624,900	31%	\$ 2,889,000
June 30, 2016	650,500	38%	3,291,500
June 30, 2017	482,000	33%	3,613,300

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:

Actuarial accrued liability (AAL)	\$	6,105,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		6,105,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		7,914,900
UAAL as a percentage of covered payroll		77.13%

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

County: (Continued)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Under these methods, inactive participants have no normal cost, and their 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.

Assumptions

Discount rate (unfunded)	4.00%
Inflation rate	2.50%
Amortization period	30 years
Healthcare trend rate	7% - 5%
Projected salary increases	N/A

The unfunded accrued actuarial liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at the date of the valuation was 30 years.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**School Board:****A. Plan Description**

In addition to the pension benefits described in Note 9, the School Board provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from the School Board with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) including 5 years of service with the School Board are eligible for health insurance benefits under the School Board's plan for active employees. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay the full premium for health insurance coverage. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$281,700 for fiscal year 2017. The School Board has paid \$126,700 towards this obligation during the fiscal year. The School Board 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 (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the School Board's net OPEB obligation.

Annual required contribution	\$ 283,400
Interest on net OPEB obligation	40,300
Adjustment to annual required contribution	<u>(42,000)</u>
Annual OPEB cost (expense)	\$ 281,700
Contributions made	<u>(126,700)</u>
Increase in net OPEB obligation	155,000
Net OPEB obligation, beginning of year	<u>1,008,700</u>
Net OPEB obligation, end of year	<u><u>\$ 1,163,700</u></u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

School Board: (Continued)

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

For 2017, the School Board's expected cash payment of \$126,700 was \$155,000 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 286,900	42%	\$ 876,300
June 30, 2016	297,900	56%	1,008,700
June 30, 2017	281,700	45%	1,163,700

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:

Actuarial accrued liability (AAL)	\$ 2,723,300
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,723,300
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	28,969,300
UAAL as a percentage of covered payroll	9.40%

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

School Board: (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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

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

Under these methods, inactive participants have no normal cost, and their 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.

Discount rate (unfunded)	4.00%
Inflation rate	2.50%
Amortization period	30 years
Healthcare trend rate	7% - 5%
Projected salary increases	N/A

The unfunded accrued actuarial liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at the date of the valuation was 30 years.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

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 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

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.

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 \$355,326, \$297,015 and \$294,319, respectively, and equaled the required contributions for each year.

NOTE 17—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.

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

NOTE 17—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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, improve 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.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund

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

	Budgeted Amounts			Variance with - Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 44,479,925	\$ 44,879,589	\$ 46,321,827	\$ 1,442,238
Other local taxes	7,752,000	7,817,928	7,841,098	23,170
Permits, privilege fees, and regulatory licenses	474,000	485,400	525,014	39,614
Fines and forfeitures	100,000	100,000	103,806	3,806
Revenue from the use of money and property	436,680	492,637	567,204	74,567
Charges for services	3,055,668	3,055,668	2,763,023	(292,645)
Miscellaneous	232,500	814,272	771,606	(42,666)
Recovered costs	58,000	82,107	93,762	11,655
Intergovernmental:				
Local government	-	375,200	375,200	-
Commonwealth	10,915,173	11,687,458	11,123,111	(564,347)
Federal	1,638,360	2,400,708	2,792,642	391,934
Total revenues	\$ 69,142,306	\$ 72,190,967	\$ 73,278,293	\$ 1,087,326
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 223,207	\$ 313,351	\$ 308,627	\$ 4,724
County administrator	681,862	713,161	707,089	6,072
County attorney	317,810	231,756	184,992	46,764
Commissioner of revenue	665,288	664,322	624,052	40,270
Reassessment	125,000	844	844	-
Treasurer	525,310	525,310	510,537	14,773
Finance and purchasing	383,348	363,348	337,517	25,831
Electoral board and officials	289,204	252,498	229,238	23,260
Total general government administration	\$ 3,211,029	\$ 3,064,590	\$ 2,902,896	\$ 161,694
Judicial administration				
Circuit court	\$ 32,450	\$ 32,450	\$ 20,145	\$ 12,305
General district court	22,245	22,245	16,311	5,934
Special magistrates	7,050	7,050	4,937	2,113
Clerk of the circuit court	548,142	579,835	534,817	45,018
Juvenile and domestic relations court	20,200	20,200	16,146	4,054
Sheriff - courts	1,039,129	986,420	945,096	41,324
Law library	24,000	24,000	7,375	16,625
Commonwealth's attorney	775,382	776,755	741,136	35,619
Total judicial administration	\$ 2,468,598	\$ 2,448,955	\$ 2,285,963	\$ 162,992
Public safety				
Sheriff - law enforcement	\$ 4,126,624	\$ 4,373,530	\$ 4,301,337	\$ 72,193
E - 911 system	531,633	474,156	432,207	41,949
Other fire and rescue costs	80,000	41,761	33,742	8,019
Cost recovery fees	300,100	149,344	143,817	5,527
Cost recovery reimbursement to fire companies	70,000	70,000	68,074	1,926
Contributions to fire and rescue squads	950,710	891,677	881,924	9,753
Emergency services	2,430,070	2,736,568	2,827,767	(91,199)
Disaster reimbursement	-	144,744	144,744	-
Regional jail	4,250,000	4,101,079	4,101,079	-
Probation office	62,207	62,207	60,801	1,406
Juvenile detention center	309,765	303,495	302,947	548
Building	577,064	570,821	559,372	11,449
Animal control	633,118	622,613	606,091	16,522
Medical examiner	500	500	640	(140)
Total public safety	\$ 14,321,791	\$ 14,542,495	\$ 14,464,542	\$ 77,953

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

Expenditures (Continued)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public works				
Streets and highways	\$ 26,000	\$ 21,145	\$ 11,935	\$ 9,210
Refuse collection	821,060	833,116	794,550	38,566
Refuse disposal	2,419,797	2,164,586	2,106,998	57,588
General properties	956,222	964,413	937,392	27,021
Total public works	\$ 4,223,079	\$ 3,983,260	\$ 3,850,875	\$ 132,385
Health and welfare				
Local health department	\$ 337,935	\$ 344,389	\$ 344,389	\$ -
Northwestern community services	318,855	318,855	318,855	-
Warren association for retarded citizens	2,500	2,500	2,500	-
Public assistance and welfare administration	3,995,978	3,996,131	3,733,301	262,830
Shenandoah area agency on aging	54,000	54,000	54,000	-
Warren county council on domestic violence	10,000	10,000	10,000	-
Other social services	52,512	46,704	46,704	-
Property tax relief for the elderly and handicapped	-	-	369,354	(369,354)
Comprehensive Services Act	1,879,841	1,794,841	1,749,640	45,201
Total health and welfare	\$ 6,651,621	\$ 6,567,420	\$ 6,628,743	\$ (61,323)
Education				
Contribution to local school board	\$ 22,717,526	\$ 21,881,074	\$ 20,192,768	\$ 1,688,306
Contributions to community college	35,622	35,622	35,622	-
Total education	\$ 22,753,148	\$ 21,916,696	\$ 20,228,390	\$ 1,688,306
Parks, recreation, and cultural				
Programs and operations	\$ 2,202,930	\$ 2,192,524	\$ 2,165,322	\$ 27,202
Golf club operations	327,282	328,180	306,715	21,465
Browntown community center	2,500	2,500	2,500	-
Blue ridge arts council	10,000	10,000	10,000	-
Heritage society	-	3,970	3,970	-
4-H center	3,000	3,000	3,000	-
Other cultural enrichment	-	500	500	-
Contribution to Samuels Public Library	945,322	945,322	945,322	-
Total parks, recreation and cultural	\$ 3,491,034	\$ 3,485,996	\$ 3,437,329	\$ 48,667
Community development				
Planning and zoning administration	\$ 406,275	\$ 406,275	\$ 390,677	\$ 15,598
Enterprise zone grant - IDA	1,414,770	-	-	-
340/522 water and sewer project - IDA	268,740	268,740	268,739	1
Industrial development authority	117,261	117,261	117,261	-
Other contributions	550	565	50,226	(49,661)
Contribution to soil and water conservation district	11,000	11,000	11,000	-
Abandoned vehicle program	24,500	24,500	6,480	18,020
Air show	-	4,680	26,919	(22,239)
Airport Commission operations	186,444	119,028	113,906	5,122
VPI extension service	115,622	115,622	108,143	7,479
Total community development	\$ 2,545,162	\$ 1,067,671	\$ 1,093,351	\$ (25,680)
Nondepartmental				
Retiree medical insurance and unemployment insurance	\$ 107,812	\$ 107,812	\$ 97,456	\$ 10,356
Route 340/522 Revenue Sharing Agreement Payment	236,831	236,831	227,874	8,957
Central equipment and maintenance	170,725	190,845	189,719	1,126
Other nondepartmental	867,495	27,522	-	27,522
Total nondepartmental	\$ 1,382,863	\$ 563,010	\$ 515,049	\$ 47,961

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

Expenditures (Continued)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital projects				
Economic development	\$ 106,489	\$ 106,489	\$ 106,489	\$ -
Soccer fields	75,000	106,258	106,258	-
Fishnet property	150,000	100,390	100,390	-
Bing crosby stadium renovations	15,000	17,661	17,661	-
Route 522 beautification project	-	18,654	18,654	-
Eagles Landing road project	-	3,507	3,507	-
Airport capital projects	-	492,614	563,259	(70,645)
Eastham Park	25,000	2,956	2,956	-
Building improvement fund	133,960	70,706	70,706	-
Purchase of second street property	100,000	70,617	70,617	-
Revenue sharing projects	250,000	904,573	904,573	-
20 year capital improvement plan	50,000	-	-	-
Leach Run Parkway	55,399	4,222,042	4,222,707	(665)
Simpsons Landing	-	185	185	-
Health and Human Services building	100,000	206,876	206,876	-
Court holding cells	-	96,788	96,788	-
School renovations	-	180,126	170,103	10,023
Other capital projects	465,000	845,878	904,852	(58,974)
Total capital projects	\$ 1,525,848	\$ 7,446,320	\$ 7,566,581	\$ (120,261)
Debt service				
Principal retirement	\$ 5,619,214	\$ 5,619,214	\$ 5,619,214	\$ -
Interest	2,286,520	5,995,338	6,012,980	(17,642)
Total debt service	\$ 7,905,734	\$ 11,614,552	\$ 11,632,194	\$ (17,642)
Total expenditures	\$ 70,479,907	\$ 76,700,965	\$ 74,605,913	\$ 2,095,052
Excess (deficiency) of revenues over (under) expenditures	\$ (1,337,601)	\$ (4,509,998)	\$ (1,327,620)	\$ 3,182,378
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 4,976,057	\$ 4,972,303	\$ (3,754)
Transfers out	(161,680)	(3,443,162)	(3,619,794)	(176,632)
Total other financing sources (uses)	\$ (61,680)	\$ 1,532,895	\$ 1,352,509	\$ (180,386)
Net change in fund balances	\$ (1,399,281)	\$ (2,977,103)	\$ 24,889	\$ 3,001,992
Fund balances - beginning	1,399,281	2,832,359	15,742,158	12,909,799
Fund balances - ending	\$ -	\$ (144,744)	\$ 15,767,047	\$ 15,911,791

All budget amounts are recorded in accordance with accounting principles generally accepted in the United States of America.

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,176,281	\$ 1,258,260	\$ 1,300,026
Interest	2,598,660	2,491,805	2,333,930
Differences between expected and actual experience	(332,064)	(626,648)	-
Benefit payments, including refunds of employee contributions	(1,733,230)	(1,460,618)	(1,296,578)
Net change in total pension liability	\$ 1,709,647	\$ 1,662,799	\$ 2,337,378
Total pension liability - beginning	37,990,329	36,327,530	33,990,152
Total pension liability - ending (a)	<u>\$ 39,699,976</u>	<u>\$ 37,990,329</u>	<u>\$ 36,327,530</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,156,426	\$ 1,111,161	\$ 1,212,641
Contributions - employee	482,585	485,091	486,779
Net investment income	618,544	1,536,746	4,527,083
Benefit payments, including refunds of employee contributions	(1,733,230)	(1,460,618)	(1,296,578)
Administrative expense	(21,587)	(20,580)	(23,831)
Other	(260)	(327)	239
Net change in plan fiduciary net position	\$ 502,478	\$ 1,651,473	\$ 4,906,333
Plan fiduciary net position - beginning	35,009,302	33,357,829	28,451,496
Plan fiduciary net position - ending (b)	<u>\$ 35,511,780</u>	<u>\$ 35,009,302</u>	<u>\$ 33,357,829</u>
County's net pension liability - ending (a) - (b)	\$ 4,188,196	\$ 2,981,027	\$ 2,969,701
Plan fiduciary net position as a percentage of the total pension liability	89.45%	92.15%	91.83%
Covered payroll	\$ 9,824,708	\$ 9,411,440	\$ 9,756,199
County's net pension liability as a percentage of covered payroll	42.63%	31.67%	30.44%

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

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 207,929	\$ 362,362	\$ 363,215
Interest	606,765	580,063	550,481
Differences between expected and actual experience	(246,769)	15,972	-
Benefit payments, including refunds of employee contributions	(569,479)	(584,416)	(397,751)
Net change in total pension liability	\$ (1,554)	\$ 373,981	\$ 515,945
Total pension liability - beginning	8,952,810	8,578,829	8,062,884
Total pension liability - ending (a)	\$ 8,951,256	\$ 8,952,810	\$ 8,578,829
 Plan fiduciary net position			
Contributions - employer	\$ 144,630	\$ 193,055	\$ 330,326
Contributions - employee	90,844	122,376	152,969
Net investment income	153,305	411,657	1,232,240
Benefit payments, including refunds of employee contributions	(569,479)	(584,416)	(397,751)
Administrative expense	(5,842)	(5,814)	(6,502)
Other	(66)	(85)	65
Net change in plan fiduciary net position	\$ (186,608)	\$ 136,773	\$ 1,311,347
Plan fiduciary net position - beginning	9,201,873	9,065,100	7,753,753
Plan fiduciary net position - ending (b)	\$ 9,015,265	\$ 9,201,873	\$ 9,065,100
 School Division's net pension liability (asset) - ending (a) - (b)	\$ (64,009)	\$ (249,063)	\$ (486,271)
 Plan fiduciary net position as a percentage of the total pension liability	100.72%	102.78%	105.67%
 Covered payroll	\$ 1,917,874	\$ 2,519,459	\$ 3,059,236
 School Division's net pension liability (asset) as a percentage of covered payroll	-3.34%	-9.89%	-15.90%

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
For the Year Ended June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.36687%	0.37348%	0.38456%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 51,414,000	\$ 47,008,000	\$ 46,473,000
Employer's Covered Payroll	27,973,986	27,765,923	28,102,102
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.79%	169.30%	165.37%
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.

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2017	\$ 909,186	\$ 909,186	\$ -	\$ 10,291,665	8.83%
2016	1,156,616	1,156,616	-	9,824,708	11.77%
2015	1,116,197	1,116,197	-	9,411,440	11.86%
2014	1,213,671	1,213,671	-	9,756,199	12.44%
2013	1,141,529	1,141,529	-	9,176,281	12.44%
2012	855,686	855,686	-	8,687,175	9.85%
2011	871,107	871,107	-	8,843,723	9.85%
2010	741,266	741,266	-	8,741,347	8.48%
2009	740,948	740,948	-	8,737,589	8.48%
2008	676,610	676,610	-	8,468,207	7.99%
Component Unit School Board (nonprofessional)					
2017	\$ 93,424	\$ 93,424	\$ -	\$ 1,973,870	4.73%
2016	144,913	144,913	-	1,917,874	7.56%
2015	196,770	196,770	-	2,519,459	7.81%
2014	330,703	330,703	-	3,059,236	10.81%
2013	319,901	319,901	-	2,959,307	10.81%
2012	240,422	240,422	-	2,917,748	8.24%
2011	227,316	227,316	-	2,758,693	8.24%
2010	214,337	214,337	-	2,787,217	7.69%
2009	216,343	216,343	-	2,813,309	7.69%
2008	196,337	196,337	-	2,667,620	7.36%
Component Unit School Board (professional) *					
2017	\$ 4,624,709	\$ 4,624,709	\$ -	\$ 28,925,850	15.99%
2016	3,906,383	3,906,383	-	27,973,986	13.96%
2015	4,026,059	4,026,059	-	27,765,923	14.50%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates 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
Last Three Valuation Periods

County:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
7/1/2014	\$ -	\$ 6,903,000	\$ 6,903,000	0.00%	\$ 8,479,800	81.41%
7/1/2014*	-	7,329,500	7,329,500	0.00%	8,479,800	86.43%
7/1/2016	-	6,105,000	6,105,000	0.00%	7,914,900	77.13%

School Board:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
7/1/2014	\$ -	\$ 2,701,100	\$ 2,701,100	0.00%	\$ 27,707,600	9.75%
7/1/2014*	-	2,864,900	2,864,900	0.00%	27,707,600	10.34%
7/1/2016	-	2,723,300	2,723,300	0.00%	28,969,300	9.40%

* A rollforward computation using the actuarial valuation dated July 1, 2014.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Bond Construction Fund
For the Year Ended June 30, 2017

	School Bond Construction Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 165,800	\$ 165,800
Total revenues	\$ -	\$ -	\$ 165,800	\$ 165,800
EXPENDITURES				
Capital projects	\$ -	\$ 117,961	\$ 25,905,530	\$ (25,787,569)
Total expenditures	\$ -	\$ 117,961	\$ 25,905,530	\$ (25,787,569)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (117,961)	\$ (25,739,730)	\$ (25,621,769)
Net change in fund balances	\$ -	\$ (117,961)	\$ (25,739,730)	\$ (25,621,769)
Fund balances - beginning	-	3,686,669	37,137,972	33,451,303
Fund balances - ending	\$ -	\$ 3,568,708	\$ 11,398,242	\$ 7,829,534

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

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 8,226	\$ 8,226	\$ -
Total revenues	\$ -	\$ 8,226	\$ 8,226	\$ -
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 8,226	\$ 8,226	\$ -
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (3,694,895)	\$ (3,694,895)	\$ -
Total other financing sources (uses)	\$ -	\$ (3,694,895)	\$ (3,694,895)	\$ -
Net change in fund balances	\$ -	\$ (3,686,669)	\$ (3,686,669)	\$ -
Fund balances - beginning	-	3,686,669	3,686,669	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 842,033	\$ 842,033
Receivables (net of allowance for uncollectibles):		
Taxes receivable	1,587,839	1,587,839
Restricted assets:		
Cash and cash equivalents	1,102,483	1,102,483
Total assets	<u>\$ 3,532,355</u>	<u>\$ 3,532,355</u>
LIABILITIES		
Accounts payable	\$ 37,416	\$ 37,416
Due to other funds	320	320
Total liabilities	<u>\$ 37,736</u>	<u>\$ 37,736</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 1,599,843	\$ 1,599,843
Total deferred inflows of resources	<u>\$ 1,599,843</u>	<u>\$ 1,599,843</u>
FUND BALANCES		
Restricted:		
Construction	\$ 1,026,014	\$ 1,026,014
Public safety	76,469	76,469
Committed:		
Sanitary districts - roads, etc.	792,293	792,293
Total fund balances	<u>\$ 1,894,776</u>	<u>\$ 1,894,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,532,355</u>	<u>\$ 3,532,355</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
General property taxes	\$ 1,815,840	\$ 1,815,840
Miscellaneous	585,592	585,592
Intergovernmental:		
Commonwealth	9,067	9,067
Total revenues	<u>\$ 2,410,499</u>	<u>\$ 2,410,499</u>
EXPENDITURES		
Current:		
Public safety	\$ 6,543	\$ 6,543
Public works	1,340,404	1,340,404
Debt service:		
Principal retirement	30,000	30,000
Interest and other fiscal charges	5,748	5,748
Total expenditures	<u>\$ 1,382,695</u>	<u>\$ 1,382,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,027,804</u>	<u>\$ 1,027,804</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	\$ (358,223)	\$ (358,223)
Total other financing sources (uses)	<u>\$ (358,223)</u>	<u>\$ (358,223)</u>
Net change in fund balances	\$ 669,581	\$ 669,581
Fund balances - beginning	1,225,195	1,225,195
Fund balances - ending	<u><u>\$ 1,894,776</u></u>	<u><u>\$ 1,894,776</u></u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<u>Drug Forfeiture</u>	<u>Proffers</u>	<u>Sanitary Districts</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 842,033	\$ 842,033
Receivables (net of allowance for uncollectibles):				
Taxes receivable	-	-	1,587,839	1,587,839
Restricted assets:				
Cash and cash equivalents	76,469	1,026,014	-	1,102,483
Total assets	<u>\$ 76,469</u>	<u>\$ 1,026,014</u>	<u>\$ 2,429,872</u>	<u>\$ 3,532,355</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 37,416	\$ 37,416
Due to other funds	-	-	320	320
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,736</u>	<u>\$ 37,736</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ -	\$ -	\$ 1,599,843	\$ 1,599,843
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,843</u>	<u>\$ 1,599,843</u>
FUND BALANCES				
Restricted:				
Construction	\$ -	\$ 1,026,014	\$ -	\$ 1,026,014
Public safety	76,469	-	-	76,469
Committed:				
Sanitary districts - roads, etc.	-	-	792,293	792,293
Total fund balances	<u>\$ 76,469</u>	<u>\$ 1,026,014</u>	<u>\$ 792,293</u>	<u>\$ 1,894,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 76,469</u>	<u>\$ 1,026,014</u>	<u>\$ 2,429,872</u>	<u>\$ 3,532,355</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Drug Forfeiture	Proffers	Sanitary Districts	Total
REVENUES				
General property taxes	\$ -	\$ -	\$ 1,815,840	\$ 1,815,840
Miscellaneous	-	490,906	94,686	585,592
Intergovernmental:				
Commonwealth	9,067	-	-	9,067
Total revenues	<u>\$ 9,067</u>	<u>\$ 490,906</u>	<u>\$ 1,910,526</u>	<u>\$ 2,410,499</u>
EXPENDITURES				
Current:				
Public safety	\$ 6,543	\$ -	\$ -	\$ 6,543
Public works	-	-	1,340,404	1,340,404
Debt service:				
Principal retirement	-	-	30,000	30,000
Interest and other fiscal charges	-	-	5,748	5,748
Total expenditures	<u>\$ 6,543</u>	<u>\$ -</u>	<u>\$ 1,376,152</u>	<u>\$ 1,382,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,524</u>	<u>\$ 490,906</u>	<u>\$ 534,374</u>	<u>\$ 1,027,804</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (358,223)	\$ (358,223)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (358,223)</u>	<u>\$ (358,223)</u>
Net change in fund balances	\$ 2,524	\$ 490,906	\$ 176,151	\$ 669,581
Fund balances - beginning	73,945	535,108	616,142	1,225,195
Fund balances - ending	<u>\$ 76,469</u>	<u>\$ 1,026,014</u>	<u>\$ 792,293</u>	<u>\$ 1,894,776</u>

COUNTY OF WARREN, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Drug Forfeiture			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	9,067	9,067
Total revenues	\$ -	\$ -	\$ 9,067	\$ 9,067
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 6,543	\$ (6,543)
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 6,543	\$ (6,543)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,524	\$ 2,524
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 2,524	\$ 2,524
Fund balances - beginning	-	-	73,945	73,945
Fund balances - ending	\$ -	\$ -	\$ 76,469	\$ 76,469

Proffers				Sanitary Districts			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 1,892,428	\$ 1,892,428	\$ 1,815,840	\$ (76,588)
-	-	490,906	490,906	-	-	94,686	94,686
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 490,906	\$ 490,906	\$ 1,892,428	\$ 1,892,428	\$ 1,910,526	\$ 18,098
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,757,428	1,488,071	1,340,404	147,667
-	-	-	-	30,000	30,000	30,000	-
-	-	-	-	5,000	5,748	5,748	-
\$ -	\$ -	\$ -	\$ -	\$ 1,792,428	\$ 1,523,819	\$ 1,376,152	\$ 147,667
\$ -	\$ -	\$ 490,906	\$ 490,906	\$ 100,000	\$ 368,609	\$ 534,374	\$ 165,765
\$ -	\$ -	\$ -	\$ -	\$ (100,000)	\$ (368,609)	\$ (358,223)	\$ 10,386
\$ -	\$ -	\$ -	\$ -	\$ (100,000)	\$ (368,609)	\$ (358,223)	\$ 10,386
\$ -	\$ -	\$ 490,906	\$ 490,906	\$ -	\$ -	\$ 176,151	\$ 176,151
-	-	535,108	535,108	-	-	616,142	616,142
\$ -	\$ -	\$ 1,026,014	\$ 1,026,014	\$ -	\$ -	\$ 792,293	\$ 792,293

Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2017

	Private-purpose Trust Funds						
	Woodward Cook Scholarship	Louise Bolling Scholarship	Elizabeth P. Denny Scholarship	Warren County Education Foundation	Thompson Scholarship	Winnie Nicholls Scholarship	Total
ASSETS							
Cash and cash equivalents	\$ 9	\$ 6,958	\$ 73,403	\$ 169,868	\$ (7,719)	\$ 2,615	\$ 245,134
Total assets	<u>\$ 9</u>	<u>\$ 6,958</u>	<u>\$ 73,403</u>	<u>\$ 169,868</u>	<u>\$ (7,719)</u>	<u>\$ 2,615</u>	<u>\$ 245,134</u>
NET POSITION							
Held in trust for:							
Reserved for scholarships	\$ 9	\$ 6,958	\$ 73,403	\$ 169,868	\$ (7,719)	\$ 2,615	\$ 245,134
Total net position	<u>\$ 9</u>	<u>\$ 6,958</u>	<u>\$ 73,403</u>	<u>\$ 169,868</u>	<u>\$ (7,719)</u>	<u>\$ 2,615</u>	<u>\$ 245,134</u>

Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
For the Fiscal Year Ended June 30, 2017

	Private-purpose Trust Funds						
	Woodward Cook Scholarship	Louise Bolling Scholarship	Elizabeth P. Denny Scholarship	Warren County Education Foundation	Thompson Scholarship	Winnie Nicholls Scholarship	Total
ADDITIONS							
Revenue from the use of money	\$ 1	\$ -	\$ -	\$ 579	\$ -	\$ -	\$ 580
Miscellaneous	-	-	-	9,800	10,124	25	19,949
Total additions	\$ 1	\$ -	\$ -	\$ 10,379	\$ 10,124	\$ 25	\$ 20,529
DEDUCTIONS							
Scholarships	\$ -	\$ -	\$ 1,000	\$ 2,250	\$ 9,000	\$ -	\$ 12,250
Total deductions	\$ -	\$ -	\$ 1,000	\$ 2,250	\$ 9,000	\$ -	\$ 12,250
Change in net position	\$ 1	\$ -	\$ (1,000)	\$ 8,129	\$ 1,124	\$ 25	\$ 8,279
Total net position - beginning	8	6,958	74,403	161,739	(8,843)	2,590	236,855
Total net position - ending	\$ 9	\$ 6,958	\$ 73,403	\$ 169,868	\$ (7,719)	\$ 2,615	\$ 245,134

COUNTY OF WARREN, VIRGINIA

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2017

	Agency Funds					
	Special Welfare Fund	Undistributed Local Sales Tax Fund	Flexible Spending Fund	North Warren Fire Department Building Fund	North Warren Fire Department Fund	Shenandoah Farms Vol. Fire Department Fund
ASSETS						
Cash and cash equivalents	\$ 17,419	\$ -	\$ 15,362	\$ 38,575	\$ 32,580	\$ 98,825
Due from other governmental units	-	827,716	-	-	-	-
Total assets	<u>\$ 17,419</u>	<u>\$ 827,716</u>	<u>\$ 15,362</u>	<u>\$ 38,575</u>	<u>\$ 32,580</u>	<u>\$ 98,825</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,768	\$ 8,736
Amounts held for social services clients	17,419	-	-	-	-	-
Due to general fund	-	667,636	5,000	-	-	-
Due to other governmental units	-	160,080	-	-	-	-
Amounts held for others	-	-	10,362	38,575	30,812	90,089
Total liabilities	<u>\$ 17,419</u>	<u>\$ 827,716</u>	<u>\$ 15,362</u>	<u>\$ 38,575</u>	<u>\$ 32,580</u>	<u>\$ 98,825</u>

South Warren Vol. Fire Department Fund	Shenandoah Shores Vol. Fire Department Fund	Linden Vol. Fire Department Fund	Fortsmouth Vol. Fire Department Fund	Total
\$ 16,648	\$ (2,676)	\$ (25,597)	\$ 36,559	\$ 227,695
-	-	-	-	827,716
<u>\$ 16,648</u>	<u>\$ (2,676)</u>	<u>\$ (25,597)</u>	<u>\$ 36,559</u>	<u>\$ 1,055,411</u>
\$ 3,062	\$ 1,125	\$ 802	\$ 692	\$ 16,185
-	-	-	-	17,419
-	-	-	-	672,636
-	-	-	-	160,080
13,586	(3,801)	(26,399)	35,867	189,091
<u>\$ 16,648</u>	<u>\$ (2,676)</u>	<u>\$ (25,597)</u>	<u>\$ 36,559</u>	<u>\$ 1,055,411</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 18,353	\$ 15,018	\$ 15,952	\$ 17,419
Total assets	<u>\$ 18,353</u>	<u>\$ 15,018</u>	<u>\$ 15,952</u>	<u>\$ 17,419</u>
LIABILITIES				
Amounts held for social services clients	\$ 18,353	\$ 15,018	\$ 15,952	\$ 17,419
Total liabilities	<u>\$ 18,353</u>	<u>\$ 15,018</u>	<u>\$ 15,952</u>	<u>\$ 17,419</u>
Undistributed Local Sales Tax Fund:				
ASSETS				
Due from other governmental units	\$ 774,174	\$ 4,634,224	\$ 4,580,682	\$ 827,716
Total assets	<u>\$ 774,174</u>	<u>\$ 4,634,224</u>	<u>\$ 4,580,682</u>	<u>\$ 827,716</u>
LIABILITIES				
Due to other governmental units	\$ 144,809	\$ 926,827	\$ 911,556	\$ 160,080
Due to general fund	629,365	3,707,397	3,669,126	667,636
Total liabilities	<u>\$ 774,174</u>	<u>\$ 4,634,224</u>	<u>\$ 4,580,682</u>	<u>\$ 827,716</u>
Flexible Spending Fund:				
ASSETS				
Cash and cash equivalents	\$ 12,916	\$ 2,446	\$ -	\$ 15,362
Total assets	<u>\$ 12,916</u>	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 15,362</u>
LIABILITIES				
Due to general fund	\$ 5,000	\$ -	\$ -	\$ 5,000
Amounts held for others	7,916	2,446	-	10,362
Total liabilities	<u>\$ 12,916</u>	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 15,362</u>
North Warren Fire Department Building Fund:				
ASSETS				
Cash and cash equivalents	\$ 25,109	\$ 13,466	\$ -	\$ 38,575
Total assets	<u>\$ 25,109</u>	<u>\$ 13,466</u>	<u>\$ -</u>	<u>\$ 38,575</u>
LIABILITIES				
Amounts held for others	\$ 25,109	\$ 13,466	\$ -	\$ 38,575
Total liabilities	<u>\$ 25,109</u>	<u>\$ 13,466</u>	<u>\$ -</u>	<u>\$ 38,575</u>
North Warren Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ 17,609	\$ 64,602	\$ 49,631	\$ 32,580
Total assets	<u>\$ 17,609</u>	<u>\$ 64,602</u>	<u>\$ 49,631</u>	<u>\$ 32,580</u>
LIABILITIES				
Amounts held for others	\$ 15,785	\$ 64,602	\$ 49,575	\$ 30,812
Accounts payable	1,824	1,768	1,824	1,768
Total liabilities	<u>\$ 17,609</u>	<u>\$ 66,370</u>	<u>\$ 51,399</u>	<u>\$ 32,580</u>
Shenandoah Farms Volunteer Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ 59,823	\$ 92,458	\$ 53,456	\$ 98,825
Total assets	<u>\$ 59,823</u>	<u>\$ 92,458</u>	<u>\$ 53,456</u>	<u>\$ 98,825</u>
LIABILITIES				
Amounts held for others	\$ 56,476	\$ 92,458	\$ 58,845	\$ 90,089
Accounts payable	3,347	8,736	3,347	8,736
Total liabilities	<u>\$ 59,823</u>	<u>\$ 101,194</u>	<u>\$ 62,192</u>	<u>\$ 98,825</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
South Warren Volunteer Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ 14,560	\$ 68,179	\$ 66,091	\$ 16,648
Total assets	<u>\$ 14,560</u>	<u>\$ 68,179</u>	<u>\$ 66,091</u>	<u>\$ 16,648</u>
LIABILITIES				
Amounts held for others	\$ 9,971	\$ 68,179	\$ 64,564	\$ 13,586
Accounts payable	4,589	3,062	4,589	3,062
Total liabilities	<u>\$ 14,560</u>	<u>\$ 71,241</u>	<u>\$ 69,153</u>	<u>\$ 16,648</u>
Shenandoah Shores Volunteer Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ (3,041)	\$ 64,602	\$ 64,237	\$ (2,676)
Total assets	<u>\$ (3,041)</u>	<u>\$ 64,602</u>	<u>\$ 64,237</u>	<u>\$ (2,676)</u>
LIABILITIES				
Amounts held for others	\$ (3,250)	\$ 64,602	\$ 65,153	\$ (3,801)
Accounts payable	209	1,125	209	1,125
Total liabilities	<u>\$ (3,041)</u>	<u>\$ 65,727</u>	<u>\$ 65,362</u>	<u>\$ (2,676)</u>
Linden Volunteer Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ (18,826)	\$ 64,602	\$ 71,373	\$ (25,597)
Total assets	<u>\$ (18,826)</u>	<u>\$ 64,602</u>	<u>\$ 71,373</u>	<u>\$ (25,597)</u>
LIABILITIES				
Amounts held for others	\$ (19,792)	\$ 64,602	\$ 71,209	\$ (26,399)
Accounts payable	966	802	966	802
Total liabilities	<u>\$ (18,826)</u>	<u>\$ 65,404</u>	<u>\$ 72,175</u>	<u>\$ (25,597)</u>
Fortsmouth Volunteer Fire Department Fund:				
ASSETS				
Cash and cash equivalents	\$ 32,437	\$ 64,602	\$ 60,480	\$ 36,559
Total assets	<u>\$ 32,437</u>	<u>\$ 64,602</u>	<u>\$ 60,480</u>	<u>\$ 36,559</u>
LIABILITIES				
Amounts held for others	\$ 30,693	\$ 64,602	\$ 59,428	\$ 35,867
Accounts payable	1,744	692	1,744	692
Total liabilities	<u>\$ 32,437</u>	<u>\$ 65,294</u>	<u>\$ 61,172</u>	<u>\$ 36,559</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 158,940	\$ 449,975	\$ 381,220	\$ 227,695
Due from other governmental units	774,174	4,634,224	4,580,682	827,716
Total assets	<u>\$ 933,114</u>	<u>\$ 5,084,199</u>	<u>\$ 4,961,902</u>	<u>\$ 1,055,411</u>
LIABILITIES				
Accounts payable	\$ 12,679	\$ 16,185	\$ 12,679	\$ 16,185
Amounts held for social services clients	18,353	15,018	15,952	17,419
Due to general fund	634,365	3,707,397	3,669,126	672,636
Due to other governmental units	144,809	926,827	911,556	160,080
Amounts held for others	122,908	434,957	368,774	189,091
Total liabilities	<u>\$ 933,114</u>	<u>\$ 5,100,384</u>	<u>\$ 4,978,087</u>	<u>\$ 1,055,411</u>

Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2017

	School Operating Fund	School Cafeteria Fund	Capital Improvements Fund	Vocational Building Fund	School Textbook Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,287,015	\$ 1,141,705	\$ 453,326	\$ 78,534	\$ 73,583	\$ 8,034,163
Receivables (net of allowance for uncollectibles):						
Accounts receivable	63,000	-	-	-	-	63,000
Due from other funds	-	83,015	-	-	-	83,015
Due from other governmental units	1,760,832	-	-	-	-	1,760,832
Total assets	<u>\$ 8,110,847</u>	<u>\$ 1,224,720</u>	<u>\$ 453,326</u>	<u>\$ 78,534</u>	<u>\$ 73,583</u>	<u>\$ 9,941,010</u>
LIABILITIES						
Accounts payable	\$ 125,715	\$ 33,708	\$ 62,696	\$ -	\$ -	\$ 222,119
Accrued liabilities	4,643,415	117,231	-	-	-	4,760,646
Due to other funds	83,015	-	-	-	-	83,015
Due to primary government	3,258,702	-	-	-	-	3,258,702
Total liabilities	<u>\$ 8,110,847</u>	<u>\$ 150,939</u>	<u>\$ 62,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,324,482</u>
FUND BALANCES						
Committed:						
Education - capital improvements	\$ -	\$ -	\$ 440,630	\$ 78,534	\$ -	\$ 519,164
Assigned:						
Education	-	1,073,781	-	-	23,583	1,097,364
Total fund balances	<u>\$ -</u>	<u>\$ 1,073,781</u>	<u>\$ 440,630</u>	<u>\$ 78,534</u>	<u>\$ 23,583</u>	<u>\$ 1,616,528</u>
Total liabilities and fund balances	<u>\$ 8,110,847</u>	<u>\$ 1,224,720</u>	<u>\$ 503,326</u>	<u>\$ 78,534</u>	<u>\$ 23,583</u>	<u>\$ 9,941,010</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 1,616,528

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 34,824,975	
Accumulated depreciation	<u>(17,718,022)</u>	17,106,953

The net pension asset is not an available resource and, therefore, is not reported in the funds - Nonprofessional group 64,009

Certain items related to the net pension liability are not available or payable in the current period and, therefore, are not reported in the funds.

Deferred outflow of resources - net differences of actual and expected pension plan earnings 3,421,194

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

Items related to measurement of net pension liability/asset - deferred inflows (3,519,062)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 110,741

Pension contributions subsequent to the measurement date will be an increase to or a reduction to the net pension asset or liability in the next fiscal year and, therefore, are not reported in the funds. 4,718,133

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

Compensated absences	\$ (1,530,131)	
Net pension liability - teachers cost-sharing pool	(51,414,000)	
Net OPEB obligation	<u>(1,163,700)</u>	(54,107,831)

Net position of governmental activities \$ (30,589,335)

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	Capital Improvements Fund	Vocational Building Fund	School Textbook Fund	Total Governmental Funds
REVENUES						
Revenue from the use of money and property	\$ 41,198	\$ -	\$ -	\$ -	\$ -	\$ 41,198
Charges for services	276,321	1,317,402	-	-	-	1,593,723
Miscellaneous	317,344	-	-	-	-	317,344
Intergovernmental:						
Local government	19,516,212	-	676,556	-	-	20,192,768
Commonwealth	28,209,331	-	-	-	-	28,209,331
Federal	4,391,795	-	-	-	-	4,391,795
Total revenues	<u>\$ 52,752,201</u>	<u>\$ 1,317,402</u>	<u>\$ 676,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,746,159</u>
EXPENDITURES						
Current:						
Education	\$ 51,462,108	\$ 2,911,484	\$ -	\$ 18,138	\$ 42,357	\$ 54,434,087
Capital projects	183,297	-	594,017	-	-	777,314
Total expenditures	<u>\$ 51,645,405</u>	<u>\$ 2,911,484</u>	<u>\$ 594,017</u>	<u>\$ 18,138</u>	<u>\$ 42,357</u>	<u>\$ 55,211,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,106,796</u>	<u>\$ (1,594,082)</u>	<u>\$ 82,539</u>	<u>\$ (18,138)</u>	<u>\$ (42,357)</u>	<u>\$ (465,242)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 312,000	\$ 1,418,796	\$ -	\$ -	\$ -	\$ 1,730,796
Transfers out	(1,418,796)	-	-	-	-	(1,418,796)
Total other financing sources (uses)	<u>\$ (1,106,796)</u>	<u>\$ 1,418,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,000</u>
Net change in fund balances	\$ -	\$ (175,286)	\$ 82,539	\$ (18,138)	\$ (42,357)	\$ (153,242)
Fund balances - beginning	-	1,249,067	358,091	96,672	65,940	1,769,770
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,073,781</u>	<u>\$ 440,630</u>	<u>\$ 78,534</u>	<u>\$ 23,583</u>	<u>\$ 1,616,528</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (153,242)

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 following are adjustments related to capital assets reported in the current period.

Capital asset additions	136,529	
Depreciation expense	<u>(868,063)</u>	(731,534)

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

Change in deferred inflows related to the measurement of the net pension liability/asset 1,167,340

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.

(Increase) decrease in net OPEB obligation	(155,000)	
(Increase) decrease in net pension liability - teachers cost-sharing pool	(4,406,000)	
Increase (decrease) in net pension asset - nonprofessional group	(185,054)	
Increase (decrease) in deferred outflows of resources related to pension	4,077,161	
(Increase) decrease in compensated absences	<u>(14,933)</u>	(683,826)

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

Change in net position of governmental activities \$ (719,046)

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			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 40,000	\$ 40,000	\$ 41,198	\$ 1,198
Charges for services	275,791	275,791	276,321	530
Miscellaneous	505,800	611,198	317,344	(293,854)
Intergovernmental:				
Local government	22,112,944	21,204,518	19,516,212	(1,688,306)
Commonwealth	28,093,701	28,328,079	28,209,331	(118,748)
Federal	2,148,898	2,459,643	4,391,795	1,932,152
Total revenues	\$ 53,177,134	\$ 52,919,229	\$ 52,752,201	\$ (167,028)
EXPENDITURES				
Current:				
Education	\$ 53,177,134	\$ 52,919,229	\$ 51,462,108	\$ 1,457,121
Capital projects	-	-	183,297	(183,297)
Total expenditures	\$ 53,177,134	\$ 52,919,229	\$ 51,645,405	\$ 1,273,824
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,106,796	\$ 1,106,796
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 312,000	\$ 312,000
Transfers out	-	-	(1,418,796)	(1,418,796)
Total other financing sources (uses)	\$ -	\$ -	\$ (1,106,796)	\$ (1,106,796)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Improvements Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,213,945	1,213,945	1,317,402	103,457	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	676,556	676,556	-
49,378	49,378	-	(49,378)	-	-	-	-
211,258	211,258	-	(211,258)	-	-	-	-
\$ 1,474,581	\$ 1,474,581	\$ 1,317,402	\$ (157,179)	\$ -	\$ 676,556	\$ 676,556	\$ -
\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	676,556	594,017	82,539
\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)	\$ -	\$ 676,556	\$ 594,017	\$ 82,539
\$ (1,179,320)	\$ (1,179,320)	\$ (1,594,082)	\$ (414,762)	\$ -	\$ -	\$ 82,539	\$ 82,539
\$ 1,179,320	\$ 1,179,320	\$ 1,418,796	\$ 239,476	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
\$ 1,179,320	\$ 1,179,320	\$ 1,418,796	\$ 239,476	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ (175,286)	\$ (175,286)	\$ -	\$ -	\$ 82,539	\$ 82,539
-	-	1,249,067	1,249,067	-	-	358,091	358,091
\$ -	\$ -	\$ 1,073,781	\$ 1,073,781	\$ -	\$ -	\$ 440,630	\$ 440,630

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

	Vocational Building Fund				School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		Original	Final			
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental:								
Local government	-	-	-	-	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES								
Current:								
Education	\$ -	\$ -	\$ 18,138	\$ (18,138)	\$ -	\$ -	\$ 42,357	\$ (42,357)
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 18,138	\$ (18,138)	\$ -	\$ -	\$ 42,357	\$ (42,357)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (18,138)	\$ (18,138)	\$ -	\$ -	\$ (42,357)	\$ (42,357)
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ (18,138)	\$ (18,138)	\$ -	\$ -	\$ (42,357)	\$ (42,357)
Fund balances - beginning	-	-	96,672	96,672	-	-	65,940	65,940
Fund balances - ending	\$ -	\$ -	\$ 78,534	\$ 78,534	\$ -	\$ -	\$ 23,583	\$ 23,583

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

	Health Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 110,741
Total assets	<u>\$ 110,741</u>
 NET POSITION	
Unrestricted	\$ 110,741
Total net position	<u><u>\$ 110,741</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	<u>Health Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 5,595,343
Total operating revenues	<u>\$ 5,595,343</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 5,601,913
Total operating expenses	<u>\$ 5,601,913</u>
Operating income (loss)	<u>\$ (6,570)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 786
Total nonoperating revenues (expenses)	<u>\$ 786</u>
Income before transfers	<u>\$ (5,784)</u>
Transfers out	\$ (312,000)
Change in net position	<u>\$ (317,784)</u>
Total net position - beginning	428,525
Total net position - ending	<u><u>\$ 110,741</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2017

	<u>Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 5,595,343
Payments for claims	<u>(5,601,913)</u>
Net cash provided by (used for) operating activities	<u>\$ (6,570)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ <u>(312,000)</u>
Net cash provided (used) by noncapital financing activities	<u>\$ (312,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ <u>786</u>
Net cash provided by (used for) investing activities	<u>\$ 786</u>
Net increase (decrease) in cash and cash equivalents	\$ (317,784)
Cash and cash equivalents - beginning	<u>428,525</u>
Cash and cash equivalents - ending	<u><u>\$ 110,741</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (6,570)
Net cash provided by (used for) operating activities	<u><u>\$ (6,570)</u></u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

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	\$ 25,361,147	\$ 25,468,811	\$ 26,152,593	\$ 683,782
Real and personal public service corporation taxes	6,950,700	6,950,700	6,709,474	(241,226)
Personal property taxes	10,083,780	10,083,780	11,146,096	1,062,316
Mobile home taxes	7,798	7,798	8,449	651
Machinery and tools taxes	1,250,000	1,542,000	1,239,029	(302,971)
Rollback taxes	-	-	68,808	68,808
Mineral rights	1,500	1,500	2,027	527
Penalties	475,000	475,000	528,343	53,343
Interest	350,000	350,000	467,008	117,008
Total general property taxes	\$ 44,479,925	\$ 44,879,589	\$ 46,321,827	\$ 1,442,238
Other local taxes:				
Local sales and use taxes	\$ 3,800,000	\$ 3,800,000	\$ 3,707,397	\$ (92,603)
Consumers' utility taxes	750,000	750,000	764,170	14,170
E-911 telephone taxes	45,000	45,000	45,728	728
Business license taxes	800,000	800,000	837,612	37,612
Motor vehicle licenses	875,000	875,000	870,764	(4,236)
Taxes on recordation and wills	532,000	532,000	599,921	67,921
Hotel and motel room taxes	75,000	75,000	74,578	(422)
Meal taxes	875,000	940,928	940,928	-
Total other local taxes	\$ 7,752,000	\$ 7,817,928	\$ 7,841,098	\$ 23,170
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 47,500	\$ 47,500	\$ 43,320	\$ (4,180)
Building and related permits	275,000	286,400	320,578	34,178
Zoning, subdivision fees and rezoning permits	25,000	25,000	43,356	18,356
Land use application fees	-	-	230	230
Transfer fees	1,500	1,500	1,487	(13)
Weapon permits	20,000	20,000	25,569	5,569
Bank franchise fees	10,000	10,000	8,687	(1,313)
Septage fees	95,000	95,000	78,110	(16,890)
Other fees	-	-	3,677	3,677
Total permits, privilege fees, and regulatory licenses	\$ 474,000	\$ 485,400	\$ 525,014	\$ 39,614
Fines and forfeitures:				
Court fines and forfeitures	\$ 100,000	\$ 100,000	\$ 93,073	\$ (6,927)
Other fines	-	-	10,733	10,733
Total fines and forfeitures	\$ 100,000	\$ 100,000	\$ 103,806	\$ 3,806
Revenue from use of money and property:				
Revenue from use of money	\$ 75,000	\$ 130,957	\$ 206,751	\$ 75,794
Revenue from use of property	361,680	361,680	360,453	(1,227)
Total revenue from use of money and property	\$ 436,680	\$ 492,637	\$ 567,204	\$ 74,567
Charges for services:				
Sheriff's fees	\$ -	\$ -	\$ 2,396	\$ 2,396
Courthouse security fees	140,000	140,000	50,563	(89,437)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Administrative fee	\$ 200,000	\$ 200,000	\$ 212,027	\$ 12,027
Charges for Commonwealth's Attorney	4,277	4,277	3,451	(826)
Airport hangar rental fees and fuel sales	186,444	186,444	175,867	(10,577)
Charges for sanitation and waste removal	1,050,000	1,050,000	1,015,989	(34,011)
Charges for other and sale of maps	-	-	15,393	15,393
Golf club membership dues, golf fees, shop sales	247,016	247,016	141,861	(105,155)
Parks and rec user fees	333,131	333,131	297,747	(35,384)
Charges for air show	-	-	664	664
Courthouse maintenance fees	60,000	60,000	35,745	(24,255)
Cost recovery	810,800	810,800	795,327	(15,473)
Charges for law library	24,000	24,000	13,436	(10,564)
Other court charges	-	-	2,557	2,557
Total charges for services	\$ 3,055,668	\$ 3,055,668	\$ 2,763,023	\$ (292,645)
Miscellaneous:				
Miscellaneous	\$ 182,500	\$ 764,272	\$ 694,282	\$ (69,990)
Sale of recyclable materials	50,000	50,000	77,324	27,324
Total miscellaneous	\$ 232,500	\$ 814,272	\$ 771,606	\$ (42,666)
Recovered costs:				
Other recovered costs	\$ 40,000	\$ 64,107	\$ 64,107	\$ -
Expenditure refunds	18,000	18,000	29,655	11,655
Total recovered costs	\$ 58,000	\$ 82,107	\$ 93,762	\$ 11,655
Total revenue from local sources	\$ 56,588,773	\$ 57,727,601	\$ 58,987,340	\$ 1,259,739
Intergovernmental:				
Revenue from Local Government				
Town of Front Royal - project costs	\$ -	\$ 375,200	\$ 375,200	\$ -
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 60,000	\$ 60,000	\$ 66,584	\$ 6,584
Mobile home titling tax	1,000	1,000	5,397	4,397
State recordation tax	140,000	140,000	150,391	10,391
Personal property tax relief funds	4,541,220	4,541,220	4,541,220	-
Communication taxes	900,000	900,000	840,626	(59,374)
Total noncategorical aid	\$ 5,642,220	\$ 5,642,220	\$ 5,604,218	\$ (38,002)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 404,685	\$ 404,685	\$ 380,206	\$ (24,479)
Sheriff	1,674,344	1,674,344	1,635,751	(38,593)
Commissioner of revenue	146,228	146,228	142,999	(3,229)
Treasurer	108,328	108,328	106,518	(1,810)
Registrar/electoral board	40,000	40,000	41,896	1,896
Clerk of the Circuit Court	301,788	301,788	298,650	(3,138)
Total shared expenses	\$ 2,675,373	\$ 2,675,373	\$ 2,606,020	\$ (69,353)
Other categorical aid:				
Welfare administration and public assistance	\$ 1,331,916	\$ 1,331,916	\$ 990,541	\$ (341,375)
Comprehensive services act	1,040,442	1,040,442	896,190	(144,252)
Emergency medical services	40,300	40,300	34,128	(6,172)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

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 Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Litter control grant	\$ -	\$ 13,056	\$ 13,056	\$ -
Technology trust funds	-	17,229	19,934	2,705
Abandoned vehicle program	20,000	20,000	3,900	(16,100)
VA domestic violence victims grant	45,000	45,000	64,151	19,151
Victim-witness grant	6,389	6,389	20,105	13,716
Fire programs funds	46,033	47,785	75,076	27,291
Juvenile crime control	35,000	35,000	36,630	1,630
Airport grants	-	49,539	47,241	(2,298)
Disaster relief	-	36,599	36,599	-
Revenue sharing	-	145,130	145,130	-
Other categorical aid	32,500	541,480	530,192	(11,288)
Total other categorical aid	\$ 2,597,580	\$ 3,369,865	\$ 2,912,873	\$ (456,992)
Total categorical aid	\$ 5,272,953	\$ 6,045,238	\$ 5,518,893	\$ (526,345)
Total revenue from the Commonwealth	\$ 10,915,173	\$ 11,687,458	\$ 11,123,111	\$ (564,347)
Revenue from the Federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 50,000	\$ 50,000	\$ 53,232	\$ 3,232
Interest subsidy - Qualified Energy Conservation Bonds	-	123,620	123,620	-
Total noncategorical aid	\$ 50,000	\$ 173,620	\$ 176,852	\$ 3,232
Categorical aid:				
Welfare administration and public assistance	\$ 1,530,749	\$ 1,530,749	\$ 1,869,790	\$ 339,041
Juvenile justice and delinquency prevention	-	7,192	7,192	-
Emergency management performance grant	-	6,935	6,935	-
Disaster grants - Public Assistance	-	161,467	161,467	-
Bulletproof vest program	-	6,903	6,903	-
Community Development Block Grant	-	-	49,661	49,661
Crime victims assistance	57,611	57,611	57,611	-
Ed Byrne justice assistance grant	-	1,056	1,056	-
Airport improvement program	-	454,391	454,391	-
Other federal categorical aid	-	784	784	-
Total categorical aid	\$ 1,588,360	\$ 2,227,088	\$ 2,615,790	\$ 388,702
Total revenue from the federal government	\$ 1,638,360	\$ 2,400,708	\$ 2,792,642	\$ 391,934
Total General Fund	\$ 69,142,306	\$ 72,190,967	\$ 73,278,293	\$ 1,087,326
Special Revenue Funds:				
Drug Forfeiture Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Drug forfeiture funds	\$ -	\$ -	\$ 9,067	\$ 9,067
Total categorical aid	\$ -	\$ -	\$ 9,067	\$ 9,067
Total revenue from the Commonwealth	\$ -	\$ -	\$ 9,067	\$ 9,067
Total Drug Forfeiture Fund	\$ -	\$ -	\$ 9,067	\$ 9,067

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Proffers Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 490,906	\$ 490,906
Total miscellaneous	\$ -	\$ -	\$ 490,906	\$ 490,906
Total revenue from local sources	\$ -	\$ -	\$ 490,906	\$ 490,906
Total Proffers Fund	\$ -	\$ -	\$ 490,906	\$ 490,906
Sanitary District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,892,428	\$ 1,892,428	\$ 1,815,840	\$ (76,588)
Total general property taxes	\$ 1,892,428	\$ 1,892,428	\$ 1,815,840	\$ (76,588)
Miscellaneous:				
New construction fee	\$ -	\$ -	\$ 94,686	\$ 94,686
Total miscellaneous	\$ -	\$ -	\$ 94,686	\$ 94,686
Total revenue from local sources	\$ 1,892,428	\$ 1,892,428	\$ 1,910,526	\$ 18,098
Total Sanitary District Fund	\$ 1,892,428	\$ 1,892,428	\$ 1,910,526	\$ 18,098
Capital Projects Funds:				
School Bond Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 165,800	\$ 165,800
Total revenue from use of money and property	\$ -	\$ -	\$ 165,800	\$ 165,800
Total revenue from local sources	\$ -	\$ -	\$ 165,800	\$ 165,800
Total School Bond Construction Fund	\$ -	\$ -	\$ 165,800	\$ 165,800
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 8,226	\$ 8,226	\$ -
Total revenue from use of money and property	-	8,226	8,226	-
Total revenue from local sources	\$ -	\$ 8,226	\$ 8,226	\$ -
Total County Capital Projects Fund	\$ -	\$ 8,226	\$ 8,226	\$ -
Total Primary Government	\$ 71,034,734	\$ 74,091,621	\$ 75,862,818	\$ 1,771,197
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	\$ 40,000	\$ 40,000	\$ 41,198	\$ 1,198
Total revenue from use of money and property	\$ 40,000	\$ 40,000	\$ 41,198	\$ 1,198
Charges for services:				
Other charges for services	\$ 275,791	\$ 275,791	\$ 276,321	\$ 530
Total charges for services	\$ 275,791	\$ 275,791	\$ 276,321	\$ 530

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

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)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 505,800	\$ 611,198	\$ 317,344	\$ (293,854)
Total miscellaneous	\$ 505,800	\$ 611,198	\$ 317,344	\$ (293,854)
Total revenue from local sources	\$ 821,591	\$ 926,989	\$ 634,863	\$ (292,126)
Intergovernmental:				
Revenues from local governments:				
Contribution from Warren, Virginia	\$ 22,112,944	\$ 21,204,518	\$ 19,516,212	\$ (1,688,306)
Total revenues from local governments	\$ 22,112,944	\$ 21,204,518	\$ 19,516,212	\$ (1,688,306)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,717,425	\$ 6,717,425	\$ 6,523,945	\$ (193,480)
Basic school aid	13,597,934	13,597,934	13,701,456	103,522
Remedial summer education	23,279	23,279	4,775	(18,504)
Gifted and talented	155,579	155,579	154,757	(822)
Remedial education	498,488	498,488	495,853	(2,635)
Special education	131,357	131,357	25,368	(105,989)
Textbook payment	348,560	348,560	346,718	(1,842)
Vocational SOQ payments	331,659	331,659	314,976	(16,683)
Social security fringe benefits	869,972	869,972	865,374	(4,598)
Retirement fringe benefits	1,797,096	1,797,096	1,787,598	(9,498)
Group life insurance benefits	53,976	53,976	60,008	6,032
State lottery payments	-	-	21,689	21,689
Early reading intervention	81,705	81,705	147,900	66,195
Jail education	134,334	134,334	123,312	(11,022)
GED program	15,717	15,717	16,835	1,118
School food	-	-	28,644	28,644
Special education - foster children	-	-	8,971	8,971
At risk payments	472,995	472,995	545,846	72,851
Technology	258,000	258,000	258,000	-
Standards of Learning algebra readiness	57,314	76,623	59,416	(17,207)
Mentor teacher program	7,002	7,002	7,476	474
English as a second language	67,751	67,751	35,366	(32,385)
K-3 initiative	568,800	568,800	551,053	(17,747)
Homebound education	1,498,638	1,498,638	1,490,718	(7,920)
Other state funds	406,120	621,189	633,277	12,088
Total categorical aid	\$ 28,093,701	\$ 28,328,079	\$ 28,209,331	\$ (118,748)
Total revenue from the Commonwealth	\$ 28,093,701	\$ 28,328,079	\$ 28,209,331	\$ (118,748)
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ -	\$ 1,042	\$ 1,042
Title I; Grants to local educational agencies	738,986	919,971	1,284,803	364,832
Title VI-B; Special education grants to states	1,119,064	1,119,064	1,156,961	37,897
Title VI-B; Special education preschool grants	28,049	28,049	29,588	1,539
Vocational education	77,177	77,177	83,579	6,402

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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: (Continued)				
Categorical aid: (Continued)				
Title II, Part D; Enhancing state grants	\$ 173,824	\$ 173,824	\$ -	\$ (173,824)
English language acquisition grant	11,798	11,798	13,474	1,676
Twenty-first century community learning centers	-	129,760	105,383	(24,377)
Title II Part A; Improving teacher quality state grants	-	-	161,973	161,973
National school lunch and breakfast program	-	-	1,551,762	1,551,762
Advanced placement program	-	-	3,230	3,230
Total categorical aid	<u>\$ 2,148,898</u>	<u>\$ 2,459,643</u>	<u>\$ 4,391,795</u>	<u>\$ 1,932,152</u>
Total revenue from the federal government	<u>\$ 2,148,898</u>	<u>\$ 2,459,643</u>	<u>\$ 4,391,795</u>	<u>\$ 1,932,152</u>
Total School Operating Fund	<u>\$ 53,177,134</u>	<u>\$ 52,919,229</u>	<u>\$ 52,752,201</u>	<u>\$ (167,028)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 1,213,945	\$ 1,213,945	\$ 1,317,402	\$ 103,457
Total charges for services	<u>\$ 1,213,945</u>	<u>\$ 1,213,945</u>	<u>\$ 1,317,402</u>	<u>\$ 103,457</u>
Total revenue from local sources	<u>\$ 1,213,945</u>	<u>\$ 1,213,945</u>	<u>\$ 1,317,402</u>	<u>\$ 103,457</u>
Intergovernmental:				
Categorical aid:				
School food program grant	\$ 49,378	\$ 49,378	\$ -	\$ (49,378)
Total categorical aid	<u>\$ 49,378</u>	<u>\$ 49,378</u>	<u>\$ -</u>	<u>\$ (49,378)</u>
Total revenue from the Commonwealth	<u>\$ 49,378</u>	<u>\$ 49,378</u>	<u>\$ -</u>	<u>\$ (49,378)</u>
Total School Cafeteria Fund	<u>\$ 1,474,581</u>	<u>\$ 1,474,581</u>	<u>\$ 1,317,402</u>	<u>\$ (157,179)</u>
Capital Improvements Fund				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Warren, Virginia	\$ -	\$ 676,556	\$ 676,556	\$ -
Total revenues from local governments	<u>\$ -</u>	<u>\$ 676,556</u>	<u>\$ 676,556</u>	<u>\$ -</u>
Total Capital Improvements Fund	<u>\$ -</u>	<u>\$ 676,556</u>	<u>\$ 676,556</u>	<u>\$ -</u>
Total Component Unit - School Board	<u>\$ 54,651,715</u>	<u>\$ 55,070,366</u>	<u>\$ 54,746,159</u>	<u>\$ (324,207)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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	\$ 223,207	\$ 313,351	\$ 308,627	\$ 4,724
General and financial administration:				
County administrator	\$ 681,862	\$ 713,161	\$ 707,089	\$ 6,072
County attorney	317,810	231,756	184,992	46,764
Commissioner of revenue	665,288	664,322	624,052	40,270
Reassessment	125,000	844	844	-
Treasurer	525,310	525,310	510,537	14,773
Finance and purchasing	383,348	363,348	337,517	25,831
Total general and financial administration	\$ 2,698,618	\$ 2,498,741	\$ 2,365,031	\$ 133,710
Board of elections:				
Electoral board and officials	\$ 289,204	\$ 252,498	\$ 229,238	\$ 23,260
Total board of elections	\$ 289,204	\$ 252,498	\$ 229,238	\$ 23,260
Total general government administration	\$ 3,211,029	\$ 3,064,590	\$ 2,902,896	\$ 161,694
Judicial administration:				
Courts:				
Circuit court	\$ 32,450	\$ 32,450	\$ 20,145	\$ 12,305
General district court	22,245	22,245	16,311	5,934
Special magistrates	7,050	7,050	4,937	2,113
Clerk of the circuit court	548,142	579,835	534,817	45,018
Juvenile and domestic relations court	20,200	20,200	16,146	4,054
Sheriff - court security	1,039,129	986,420	945,096	41,324
Law library	24,000	24,000	7,375	16,625
Total courts	\$ 1,693,216	\$ 1,672,200	\$ 1,544,827	\$ 127,373
Commonwealth's attorney:				
Commonwealth's attorney	\$ 775,382	\$ 776,755	\$ 741,136	\$ 35,619
Total commonwealth's attorney	\$ 775,382	\$ 776,755	\$ 741,136	\$ 35,619
Total judicial administration	\$ 2,468,598	\$ 2,448,955	\$ 2,285,963	\$ 162,992
Public safety:				
Law enforcement and emergency services:				
Sheriff - law enforcement	\$ 4,126,624	\$ 4,373,530	\$ 4,301,337	\$ 72,193
E - 911 system	531,633	474,156	432,207	41,949
Total law enforcement and emergency services	\$ 4,658,257	\$ 4,847,686	\$ 4,733,544	\$ 114,142
Fire and rescue services:				
Other fire and rescue costs	\$ 300,100	\$ 149,344	\$ 143,817	\$ 5,527
Cost recovery fees	80,000	41,761	33,742	8,019
Cost recovery reimbursement to fire companies	70,000	70,000	68,074	1,926
Contributions to fire and rescue squads	950,710	891,677	881,924	9,753
Disaster reimbursement	-	144,744	144,744	-
Emergency services	2,430,070	2,736,568	2,827,767	(91,199)
Total fire and rescue services	\$ 3,830,880	\$ 4,034,094	\$ 4,100,068	\$ (65,974)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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:				
Regional jail	\$ 4,250,000	\$ 4,101,079	\$ 4,101,079	\$ -
Probation office	62,207	62,207	60,801	1,406
Juvenile detention center	309,765	303,495	302,947	548
Total correction and detention	\$ 4,621,972	\$ 4,466,781	\$ 4,464,827	\$ 1,954
Inspections:				
Building	\$ 577,064	\$ 570,821	\$ 559,372	\$ 11,449
Total inspections	\$ 577,064	\$ 570,821	\$ 559,372	\$ 11,449
Other protection:				
Animal control	\$ 633,118	\$ 622,613	\$ 606,091	\$ 16,522
Medical examiner	500	500	640	(140)
Total other protection	\$ 633,618	\$ 623,113	\$ 606,731	\$ 16,382
Total public safety	\$ 14,321,791	\$ 14,542,495	\$ 14,464,542	\$ 77,953
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streets and highways	\$ 26,000	\$ 21,145	\$ 11,935	\$ 9,210
Total maintenance of highways, streets, bridges and sidewalks	\$ 26,000	\$ 21,145	\$ 11,935	\$ 9,210
Sanitation and waste removal:				
Refuse collection	\$ 821,060	\$ 833,116	\$ 794,550	\$ 38,566
Refuse disposal	2,419,797	2,164,586	2,106,998	57,588
Total sanitation and waste removal	\$ 3,240,857	\$ 2,997,702	\$ 2,901,548	\$ 96,154
Maintenance of general buildings and grounds:				
General properties	\$ 956,222	\$ 964,413	\$ 937,392	\$ 27,021
Total maintenance of general buildings and grounds	\$ 956,222	\$ 964,413	\$ 937,392	\$ 27,021
Total public works	\$ 4,223,079	\$ 3,983,260	\$ 3,850,875	\$ 132,385
Health and welfare:				
Health:				
Local health department	\$ 337,935	\$ 344,389	\$ 344,389	\$ -
Total health	\$ 337,935	\$ 344,389	\$ 344,389	\$ -
Mental health and mental retardation:				
Northwestern community services	\$ 318,855	\$ 318,855	\$ 318,855	\$ -
Warren association for retarded citizens	2,500	2,500	2,500	-
Total mental health and mental retardation	\$ 321,355	\$ 321,355	\$ 321,355	\$ -
Welfare:				
Public assistance and welfare administration	\$ 3,995,978	\$ 3,996,131	\$ 3,733,301	\$ 262,830
Shenandoah area agency on aging	54,000	54,000	54,000	-
Warren county council on domestic violence	10,000	10,000	10,000	-
Other social services	52,512	46,704	46,704	-
Property tax relief for the elderly and handicapped	-	-	369,354	(369,354)
Comprehensive Services Act	1,879,841	1,794,841	1,749,640	45,201
Total welfare	\$ 5,992,331	\$ 5,901,676	\$ 5,962,999	\$ (61,323)
Total health and welfare	\$ 6,651,621	\$ 6,567,420	\$ 6,628,743	\$ (61,323)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Contribution to local school board	\$ 22,717,526	\$ 21,881,074	\$ 20,192,768	\$ 1,688,306
Contributions to community college	35,622	35,622	35,622	-
Total education	<u>\$ 22,753,148</u>	<u>\$ 21,916,696</u>	<u>\$ 20,228,390</u>	<u>\$ 1,688,306</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Programs and operations	\$ 2,202,930	\$ 2,192,524	\$ 2,165,322	\$ 27,202
Golf club operations	327,282	328,180	306,715	21,465
Total parks and recreation	<u>\$ 2,530,212</u>	<u>\$ 2,520,704</u>	<u>\$ 2,472,037</u>	<u>\$ 48,667</u>
Cultural enrichment:				
Browntown community center	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Blue ridge arts council	10,000	10,000	10,000	-
Heritage society	-	3,970	3,970	-
4-H center	3,000	3,000	3,000	-
Other cultural enrichment	-	500	500	-
Total cultural enrichment	<u>\$ 15,500</u>	<u>\$ 19,970</u>	<u>\$ 19,970</u>	<u>\$ -</u>
Library:				
Contribution to Samuels Public Library	\$ 945,322	\$ 945,322	\$ 945,322	\$ -
Total library	<u>\$ 945,322</u>	<u>\$ 945,322</u>	<u>\$ 945,322</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 3,491,034</u>	<u>\$ 3,485,996</u>	<u>\$ 3,437,329</u>	<u>\$ 48,667</u>
Community development:				
Planning and community development:				
Planning and zoning administration	\$ 406,275	\$ 406,275	\$ 390,677	\$ 15,598
Enterprise zone grant - IDA	1,414,770	-	-	-
340/522 water and sewer project - IDA	268,740	268,740	268,739	1
Industrial development authority	117,261	117,261	117,261	-
Other contributions	550	565	50,226	(49,661)
Total planning and community development	<u>\$ 2,207,596</u>	<u>\$ 792,841</u>	<u>\$ 826,903</u>	<u>\$ (34,062)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Other environmental management	24,500	24,500	6,480	18,020
Total environmental management	<u>\$ 35,500</u>	<u>\$ 35,500</u>	<u>\$ 17,480</u>	<u>\$ 18,020</u>
Airport:				
Air show	\$ -	\$ 4,680	\$ 26,919	\$ (22,239)
Airport Commission operations	186,444	119,028	113,906	5,122
Total airport	<u>\$ 186,444</u>	<u>\$ 123,708</u>	<u>\$ 140,825</u>	<u>\$ (17,117)</u>
Cooperative extension program:				
VPI extension service	\$ 115,622	\$ 115,622	\$ 108,143	\$ 7,479
Total cooperative extension program	<u>\$ 115,622</u>	<u>\$ 115,622</u>	<u>\$ 108,143</u>	<u>\$ 7,479</u>
Total community development	<u>\$ 2,545,162</u>	<u>\$ 1,067,671</u>	<u>\$ 1,093,351</u>	<u>\$ (25,680)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Retiree medical insurance and unemployment insurance	\$ 107,812	\$ 107,812	\$ 97,456	\$ 10,356
Route 340/522 Revenue Sharing Agreement Payment	236,831	236,831	227,874	8,957
Central equipment and maintenance	170,725	190,845	189,719	1,126
Other nondepartmental	867,495	27,522	-	27,522
Total nondepartmental	<u>\$ 1,382,863</u>	<u>\$ 563,010</u>	<u>\$ 515,049</u>	<u>\$ 47,961</u>
Capital projects:				
Economic development	\$ 106,489	\$ 106,489	\$ 106,489	-
Soccer fields	75,000	106,258	106,258	-
Fishnet property	150,000	100,390	100,390	-
Bing crosby stadium renovations	15,000	17,661	17,661	-
Route 522 beautification project	-	18,654	18,654	-
Eagles Landing road project	-	3,507	3,507	-
Airport capital projects	-	492,614	563,259	(70,645)
Eastham Park	25,000	2,956	2,956	-
Building improvement fund	133,960	70,706	70,706	-
Purchase of second street property	100,000	70,617	70,617	-
Revenue sharing projects	250,000	904,573	904,573	-
20 year capital improvement plan	50,000	-	-	-
Leach Run Parkway	55,399	4,222,042	4,222,707	(665)
Simpsons Landing	-	185	185	-
Health and Human Services building	100,000	206,876	206,876	-
Court holding cells	-	96,788	96,788	-
School renovations	-	180,126	170,103	10,023
Other capital projects	465,000	845,878	904,852	(58,974)
Total capital projects	<u>\$ 1,525,848</u>	<u>\$ 7,446,320</u>	<u>\$ 7,566,581</u>	<u>\$ (120,261)</u>
Debt service:				
Principal retirement	\$ 5,619,214	\$ 5,619,214	\$ 5,619,214	-
Interest and other fiscal charges	2,286,520	5,995,338	6,012,980	(17,642)
Total debt service	<u>\$ 7,905,734</u>	<u>\$ 11,614,552</u>	<u>\$ 11,632,194</u>	<u>\$ (17,642)</u>
Total General Fund	<u>\$ 70,479,907</u>	<u>\$ 76,700,965</u>	<u>\$ 74,605,913</u>	<u>\$ 2,095,052</u>
Special Revenue Funds:				
Drug Forfeiture Fund:				
Public safety				
Other protection				
Drug forfeiture	\$ -	\$ -	\$ 6,543	\$ (6,543)
Total other protection	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,543</u>	<u>\$ (6,543)</u>
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,543</u>	<u>\$ (6,543)</u>
Total Drug Forfeiture Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,543</u>	<u>\$ (6,543)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sanitary Districts Fund:				
Public works				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,757,428	\$ 1,488,071	\$ 1,340,404	\$ 147,667
Total maintenance of highways, streets, bridges and sidewalks	\$ 1,757,428	\$ 1,488,071	\$ 1,340,404	\$ 147,667
Total public works	\$ 1,757,428	\$ 1,488,071	\$ 1,340,404	\$ 147,667
Debt service:				
Principal retirement	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Interest	5,000	5,748	5,748	-
Total debt service	\$ 35,000	\$ 35,748	\$ 35,748	\$ -
Total Sanitary District Fund	\$ 1,792,428	\$ 1,523,819	\$ 1,376,152	\$ 147,667
Capital Projects Fund:				
School Bond Construction Fund:				
Capital projects expenditures:				
School construction	\$ -	\$ 117,961	\$ 25,905,530	\$ (25,787,569)
Total capital projects	\$ -	\$ 117,961	\$ 25,905,530	\$ (25,787,569)
Total School Bond Construction Fund	\$ -	\$ 117,961	\$ 25,905,530	\$ (25,787,569)
Total Primary Government	\$ 72,272,335	\$ 78,342,745	\$ 101,894,138	\$ (23,551,393)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 40,258,892	\$ 40,000,987	\$ 39,337,201	\$ 663,786
Administration, attendance and health	2,194,530	2,194,530	2,038,229	156,301
Pupil transportation	2,736,611	2,736,611	2,482,207	254,404
Operation and maintenance	6,475,532	6,475,532	6,154,182	321,350
Technology	1,511,569	1,511,569	1,450,289	61,280
Total education	\$ 53,177,134	\$ 52,919,229	\$ 51,462,108	\$ 1,457,121
Capital projects:				
School capital projects	\$ -	\$ -	\$ 183,297	\$ (183,297)
Total capital projects	\$ -	\$ -	\$ 183,297	\$ (183,297)
Total School Operating Fund	\$ 53,177,134	\$ 52,919,229	\$ 51,645,405	\$ 1,273,824
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)
Total school food services	\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)
Total education	\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)
Total School Cafeteria Fund	\$ 2,653,901	\$ 2,653,901	\$ 2,911,484	\$ (257,583)
Vocational Building Fund:				
Education:				
Vocational building	\$ -	\$ -	\$ 18,138	\$ (18,138)
Total education	\$ -	\$ -	\$ 18,138	\$ (18,138)
Total Vocational Building Fund	\$ -	\$ -	\$ 18,138	\$ (18,138)
School Textbook Fund:				
Education:				
Textbook expenditures	\$ -	\$ -	\$ 42,357	\$ (42,357)
Total education	\$ -	\$ -	\$ 42,357	\$ (42,357)
Total School Textbook Fund	\$ -	\$ -	\$ 42,357	\$ (42,357)
Capital Improvements Fund:				
Capital projects expenditures:				
School capital projects	\$ -	\$ 676,556	\$ 594,017	\$ 82,539
Total Capital Improvements Fund	\$ -	\$ 676,556	\$ 594,017	\$ 82,539
Total Discretely Presented Component Unit - School Board	\$ 55,831,035	\$ 56,249,686	\$ 55,211,401	\$ 1,038,285

Other Statistical Information

Contents

Tables

Financial Trends

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

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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.

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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 debt in the future.

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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.

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

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COUNTY OF WARREN, VIRGINIA

Table 1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 23,611,594	\$ 23,980,653	\$ 28,433,137	\$ 33,051,889	\$ 39,807,455	\$ 41,283,508	\$ 44,643,308	\$ 50,608,195	\$ 50,390,918	\$ 47,493,851
Restricted	530,100	671,806	404,906	404,906	472,751	462,122	501,786	392,770	609,053	1,102,483
Unrestricted	28,187,733	28,306,617	43,265,839	42,626,162	38,133,808	39,289,581	39,844,691	31,397,108	23,597,887	29,397,300
Total governmental activities net position	\$ 52,329,427	\$ 52,959,076	\$ 72,103,882	\$ 76,082,957	\$ 78,414,014	\$ 81,035,211	\$ 84,989,785	\$ 82,398,073	\$ 74,597,858	\$ 77,993,634
Primary government										
Net investment in capital assets	\$ 23,611,594	\$ 23,980,653	\$ 28,433,137	\$ 33,051,889	\$ 39,807,455	\$ 41,283,508	\$ 44,643,308	\$ 50,608,195	\$ 50,390,918	\$ 47,493,851
Restricted	530,100	671,806	404,906	404,906	472,751	462,122	501,786	392,770	609,053	1,102,483
Unrestricted	28,187,733	28,306,617	43,265,839	42,626,162	38,133,808	39,289,581	39,844,691	31,397,108	23,597,887	29,397,300
Total primary government net position	\$ 52,329,427	\$ 52,959,076	\$ 72,103,882	\$ 76,082,957	\$ 78,414,014	\$ 81,035,211	\$ 84,989,785	\$ 82,398,073	\$ 74,597,858	\$ 77,993,634

COUNTY OF WARREN, VIRGINIA

Table 2
Page 1 of 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government administration	\$ 2,902,924	\$ 3,215,515	\$ 3,151,069	\$ 3,911,301	\$ 4,763,989	\$ 3,325,816	\$ 3,851,326	\$ 3,955,083	\$ 3,833,474	\$ 3,871,325
Judicial administration	1,551,450	1,349,421	1,422,107	1,377,697	1,409,961	1,337,703	1,410,337	1,378,138	2,311,765	2,392,659
Public safety	10,932,498	11,053,220	11,282,726	11,302,344	12,298,117	12,715,103	14,381,005	13,964,875	15,056,861	14,860,539
Public works	4,874,698	4,578,357	4,742,144	5,226,893	4,770,471	5,184,861	6,365,453	6,462,172	8,652,338	10,922,208
Health and welfare	7,904,706	7,814,495	7,701,920	7,072,800	7,693,313	6,372,322	6,329,760	6,270,332	6,465,553	6,947,264
Education	21,134,088	19,282,393	19,142,956	20,702,750	19,409,698	20,616,162	21,089,704	22,694,712	33,441,555	22,500,264
Parks, recreation and cultural	4,588,560	4,339,242	2,755,644	3,681,010	3,154,449	3,321,806	3,488,039	3,802,849	3,565,915	3,713,029
Community development	1,305,378	1,258,578	1,194,165	1,200,522	1,257,830	1,215,861	1,020,028	1,444,078	1,287,614	1,348,846
Non-departmental	123,071	123,990	139,412	136,821	-	-	-	-	-	-
Interest on long-term debt	4,426,329	5,329,882	5,407,080	5,535,466	4,699,187	4,687,949	4,349,138	5,281,135	5,436,533	5,538,416
Total governmental activities expenses	\$ 59,743,702	\$ 58,345,093	\$ 56,939,223	\$ 60,147,604	\$ 59,457,015	\$ 58,777,583	\$ 62,284,790	\$ 65,253,374	\$ 80,051,608	\$ 72,094,550
Total primary government expenses	\$ 59,743,702	\$ 58,345,093	\$ 56,939,223	\$ 60,147,604	\$ 59,457,015	\$ 58,777,583	\$ 62,284,790	\$ 65,253,374	\$ 80,051,608	\$ 72,094,550
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 365,131	\$ 401,650	\$ 459,098	\$ 489,180	\$ 477,385	\$ 173,887	\$ 258,425	\$ 264,237	\$ 267,603	\$ 236,808
Judicial administration	413,847	364,648	363,139	375,716	332,962	248,492	243,901	225,746	216,225	185,489
Public safety	1,986,541	1,924,180	1,901,618	1,919,051	2,299,296	1,266,792	1,341,592	937,881	1,053,953	1,211,691
Public works	1,481,020	1,123,668	1,068,864	951,891	891,139	855,074	965,738	982,071	1,045,223	1,096,644
Health and welfare	38,141	269,513	278,137	250,371	293,177	-	-	-	-	-
Parks, recreation and cultural	512,869	525,998	534,070	549,381	570,267	429,712	423,860	439,677	476,834	439,608
Community development	209,791	179,738	179,771	213,341	241,298	218,494	214,921	206,823	210,051	221,604
Operating grants and contributions	9,725,186	9,620,915	8,915,568	8,784,738	7,984,270	7,533,944	8,402,853	6,693,201	7,541,835	7,422,626
Capital grants and contributions	1,714,549	187,969	234,304	630,340	295,688	261,197	473,284	387,573	795,626	1,096,324
Total governmental activities program revenues	\$ 16,447,075	\$ 14,598,279	\$ 13,934,569	\$ 14,164,009	\$ 13,385,482	\$ 10,987,592	\$ 12,324,574	\$ 10,137,209	\$ 11,607,350	\$ 11,910,794
Total primary government program revenues	\$ 16,447,075	\$ 14,598,279	\$ 13,934,569	\$ 14,164,009	\$ 13,385,482	\$ 10,987,592	\$ 12,324,574	\$ 10,137,209	\$ 11,607,350	\$ 11,910,794
Net (expense) / revenue										
Governmental activities	\$ (43,296,627)	\$ (43,746,814)	\$ (43,004,654)	\$ (45,983,595)	\$ (46,071,533)	\$ (47,789,991)	\$ (49,960,216)	\$ (55,116,165)	\$ (68,444,258)	\$ (60,183,756)
Total primary government net expense	\$ (43,296,627)	\$ (43,746,814)	\$ (43,004,654)	\$ (45,983,595)	\$ (46,071,533)	\$ (47,789,991)	\$ (49,960,216)	\$ (55,116,165)	\$ (68,444,258)	\$ (60,183,756)

COUNTY OF WARREN, VIRGINIA

Table 2
Page 2 of 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 30,282,018	\$ 30,117,767	\$ 49,583,450	\$ 33,922,048	\$ 34,768,063	\$ 35,453,198	\$ 40,170,018	\$ 43,218,932	\$ 46,462,723	\$ 48,028,934
Local sales and use taxes	2,692,913	2,837,283	2,838,297	2,931,450	3,281,603	6,351,573	3,765,595	3,459,402	3,339,288	3,707,397
Taxes on recordation and wills	613,479	450,074	486,031	418,073	321,394	579,111	460,515	371,886	451,634	470,302
Communication taxes (2)	1,022,051	928,624	-	-	-	-	-	-	-	-
Consumer utility taxes	666,366	681,492	670,372	683,604	687,180	692,508	708,592	696,551	649,156	764,170
Business licenses taxes	1,193,715	1,017,697	749,297	569,485	906,752	928,778	858,661	773,355	765,773	837,612
Meals tax (1)	-	628,516	667,916	690,672	724,799	757,306	824,351	874,721	917,662	940,928
Other local taxes	1,075,012	908,094	624,143	775,901	890,048	788,039	913,505	1,099,486	1,132,119	1,120,689
Unrestricted grants and contributions (2)	4,754,973	4,541,517	5,458,531	5,312,483	5,781,049	5,818,324	5,789,093	5,672,161	5,672,279	5,781,070
Unrestricted revenues from use of money and property	1,518,252	1,088,900	861,058	459,208	392,301	373,583	374,038	323,996	519,420	741,230
Miscellaneous	349,774	1,176,499	210,365	4,199,746	649,401	372,120	470,422	359,978	503,214	1,187,200
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	230,775	-
Transfers	-	-	-	-	-	35,740	-	-	-	-
Total governmental activities	\$ 44,168,553	\$ 44,376,463	\$ 62,149,460	\$ 49,962,670	\$ 48,402,590	\$ 52,150,280	\$ 54,334,790	\$ 56,850,468	\$ 60,644,043	\$ 63,579,532
Total primary government	\$ 44,168,553	\$ 44,376,463	\$ 62,149,460	\$ 49,962,670	\$ 48,402,590	\$ 52,150,280	\$ 54,334,790	\$ 56,850,468	\$ 60,644,043	\$ 63,579,532
Change in Net Position										
Governmental activities	\$ 871,926	\$ 629,649	\$ 19,144,806	\$ 3,979,075	\$ 2,331,057	\$ 4,360,289	\$ 4,374,574	\$ 1,734,303	\$ (7,800,215)	\$ 3,395,776
Total primary government	\$ 871,926	\$ 629,649	\$ 19,144,806	\$ 3,979,075	\$ 2,331,057	\$ 4,360,289	\$ 4,374,574	\$ 1,734,303	\$ (7,800,215)	\$ 3,395,776

(1) Prior to fiscal year 2009 meals tax revenue is reported in "other local taxes"

(2) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

(3) The County implemented GASB Statement 63 and 65, effective July 1, 2012 - the implementation required the reclassification of certain expense items

(4) Commencing in fiscal year 2016, expenses related to court security is reported under judicial administration. Previously the costs were reported under public safety.

COUNTY OF WARREN, VIRGINIA

Table 3

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

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General fund										
Unreserved	\$ 17,205,359 \$	15,452,280 \$	17,195,830							
Total general fund	<u>\$ 17,205,359 \$</u>	<u>15,452,280 \$</u>	<u>17,195,830</u>							
All other governmental funds										
Reserved	\$ 2,726,776 \$	22,703,534 \$	12,954,446							
Unreserved, reported in:										
Special revenue funds	126,553	26,645	(54,216)							
Capital projects funds	11,741,182	12,970,305	26,672,946							
Total all other governmental funds	<u>\$ 14,594,511 \$</u>	<u>35,700,484 \$</u>	<u>39,573,176</u>							
General fund										
Nonspendable	\$ - \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	31,374 \$	30,312
Unassigned	13,566,706	13,757,149	17,132,916	17,132,916	16,693,295	15,505,815	15,710,784	15,736,735		
Total general fund	<u>\$ 13,566,706 \$</u>	<u>13,757,149 \$</u>	<u>17,132,916 \$</u>	<u>17,132,916 \$</u>	<u>16,693,295 \$</u>	<u>15,505,815 \$</u>	<u>15,742,158 \$</u>	<u>15,767,047</u>		
All other governmental funds										
Restricted	\$ 4,994,702 \$	726,981 \$	462,122 \$	1,274,248 \$	50,257,532 \$	41,433,694 \$	12,500,725			
Committed	27,769,270	23,205,218	22,852,130	24,285,633	21,044,453	16,328,334	19,035,093			
Assigned	195,965	195,965	153,514	153,514	153,514	-	-			
Unassigned	-	-	(183,904)	(183,904)	-	-	-			
Total all other governmental funds	<u>32,959,937</u>	<u>24,128,164</u>	<u>23,283,862</u>	<u>25,529,491</u>	<u>71,455,499</u>	<u>57,762,028</u>	<u>31,535,818</u>			
Total fund balance, governmental funds	<u>\$ 46,526,643 \$</u>	<u>37,885,313 \$</u>	<u>40,416,778 \$</u>	<u>42,222,786 \$</u>	<u>86,961,314 \$</u>	<u>73,504,186 \$</u>	<u>47,302,865</u>			

(1) The County implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.

COUNTY OF WARREN, VIRGINIA

Table 4

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 29,615,065	\$ 30,304,803	\$ 47,236,991	\$ 33,878,123	\$ 34,090,051	\$ 36,109,920	\$ 39,547,607	\$ 43,189,446	\$ 45,985,664	\$ 48,137,667
Other local taxes (1)	7,263,536	7,451,780	6,036,056	6,069,186	6,811,776	10,097,315	7,531,219	7,275,401	7,255,632	7,841,098
Permits, privilege fees and regulatory licenses	648,763	508,254	506,320	555,982	527,806	665,598	679,907	685,234	818,327	525,014
Fines and forfeitures	62,110	42,395	48,014	49,216	24,776	80,083	97,416	100,564	103,259	103,806
Revenue from use of money and property	1,501,355	1,086,205	861,058	459,208	392,301	373,913	374,038	324,091	519,420	741,230
Charges for services	2,271,201	1,915,160	1,800,540	2,237,108	2,408,251	2,446,770	2,671,114	2,270,637	2,348,303	2,763,023
Miscellaneous	2,014,035	1,172,533	227,306	4,199,744	649,404	372,110	470,423	359,882	1,025,720	1,357,198
Recovered costs	576,439	677,069	553,957	317,422	14,514	83,270	72,885	139,172	65,608	93,762
Intergovernmental:										
Local government	-	-	-	-	-	-	-	-	501,468	375,200
Commonwealth	12,469,533	11,526,007	12,217,113	11,787,400	11,954,053	11,745,823	12,385,077	10,565,562	10,834,673	11,132,178
Federal	2,124,856	2,819,257	2,380,365	2,940,161	2,106,954	1,867,311	2,280,153	2,187,373	2,151,099	2,792,642
Total revenues	\$ 58,546,893	\$ 57,503,463	\$ 71,867,720	\$ 62,493,550	\$ 58,979,886	\$ 63,842,113	\$ 66,109,839	\$ 67,097,362	\$ 71,609,173	\$ 75,862,818
Expenditures										
General government administration	\$ 2,396,688	\$ 2,521,049	\$ 2,450,952	\$ 3,023,745	\$ 2,671,164	\$ 2,680,167	\$ 2,905,847	\$ 3,123,371	\$ 3,211,580	\$ 2,902,896
Judicial administration	1,196,882	1,152,773	1,208,840	1,387,022	1,448,578	1,534,198	1,578,791	1,611,596	2,242,720	2,285,963
Public safety	9,834,048	9,675,347	9,606,720	10,192,987	10,453,211	11,689,025	13,538,746	13,807,508	14,728,230	14,471,085
Public works	4,678,045	4,146,798	4,251,706	4,127,601	4,199,431	4,720,519	4,906,211	5,427,334	5,209,182	5,191,279
Health and welfare	7,448,551	7,351,875	7,280,066	6,688,564	6,706,491	6,245,724	6,213,147	6,313,085	6,444,670	6,628,743
Education	18,616,370	18,875,998	18,901,332	20,687,963	18,643,244	19,150,024	20,039,108	21,498,329	20,728,369	20,228,390
Parks, recreation and cultural	2,243,701	2,277,426	2,565,936	2,779,555	2,828,558	3,036,924	3,451,896	3,410,727	3,299,722	3,437,329
Community development	987,983	975,573	856,205	781,834	734,419	792,613	977,696	1,055,488	1,046,953	1,093,351
Non-departmental	475,784	172,356	182,337	197,336	249,404	235,430	250,523	269,080	276,784	515,049
Capital projects	14,279,414	8,887,092	19,454,905	13,537,702	11,760,452	3,507,383	5,000,468	7,531,305	24,512,900	33,472,111
Debt service										
Principal	1,165,548	1,525,382	3,711,768	4,490,955	3,458,550	3,499,383	11,010,125	5,470,583	6,607,594	5,649,214
Interest	3,813,327	4,819,350	4,964,661	5,231,529	6,758,827	4,478,371	4,591,060	5,429,201	6,554,940	6,018,728
Total expenditures	\$ 67,136,341	\$ 62,381,019	\$ 75,435,428	\$ 73,126,793	\$ 69,912,329	\$ 61,569,761	\$ 74,463,618	\$ 74,947,607	\$ 94,863,644	\$ 101,894,138
Excess of revenues over (under) expenditures	\$ (8,589,448)	\$ (4,877,556)	\$ (3,567,708)	\$ (10,633,243)	\$ (10,932,443)	\$ 2,272,352	\$ (8,353,779)	\$ (7,850,245)	\$ (23,254,471)	\$ (26,031,320)
Other financing sources (uses)										
Transfers in	\$ 12,639,909	\$ 6,429,432	\$ 22,414,429	\$ 15,793,316	\$ 12,805,447	\$ 5,321,020	\$ 7,009,008	\$ 8,363,969	\$ 13,313,568	\$ 8,684,074
Transfers out	(12,673,070)	(6,429,432)	(22,375,833)	(15,721,064)	(12,360,880)	(5,061,907)	(6,849,221)	(8,139,798)	(13,260,255)	(8,854,074)
Issuance of bonds	12,730,401	46,775,450	11,192,300	-	77,000,000	-	10,000,000	48,325,000	8,691,000	-
Premium on bonds issued	686,698	-	-	-	10,859,925	-	-	3,298,094	-	-
Discount on bonds issued	-	(40,000)	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(15,000,000)	(23,000,000)	(2,450,000)	-	(86,013,379)	-	-	-	409,650	-
Issuance capital leases	304,139	495,000	403,054	318,628	-	-	-	741,508	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	643,380	-
Total other financing sources (uses)	\$ (1,311,923)	\$ 24,230,450	\$ 9,183,950	\$ 390,880	\$ 2,291,113	\$ 259,113	\$ 10,159,787	\$ 52,588,773	\$ 9,797,343	\$ (170,000)
Net change in fund balances	\$ (9,901,371)	\$ 19,352,894	\$ 5,616,242	\$ (10,242,363)	\$ (8,641,330)	\$ 2,531,465	\$ 1,806,008	\$ 44,738,528	\$ (13,457,128)	\$ (26,201,320)
Debt service as a percentage of noncapital expenditures	8.55%	10.71%	15.22%	16.08%	16.85%	13.43%	22.07%	15.97%	17.88%	15.68%

- (1) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.
- Includes all primary government funds except for the health insurance fund. Does not include financial activity of the component units.
- (2) Commencing in fiscal year 2016, expenses related to court security is reported under judicial administration. Previously the costs were reported under public safety.

COUNTY OF WARREN, VIRGINIA

Table 5

General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

Fiscal Year	General Government			Health and Welfare			Parks, Recreation, and Cultural			Community Development			Non-departmental			Debt Service			Total
	Administration	Judicial Administration	Public Safety	Public Works	Welfare	Education (2)	Cultural	Development	Non-departmental	Debt Service	Total								
2008	\$ 2,396,688	\$ 1,196,882	\$ 9,834,048	\$ 4,678,045	\$ 7,448,551	\$ 47,741,628	\$ 2,243,701	\$ 987,983	\$ -	\$ 6,915,189	\$ 83,442,715								
2009	2,521,049	1,152,773	9,675,347	4,146,798	7,351,875	48,022,270	2,277,426	975,573	172,356	8,217,033	84,512,500								
2010	2,450,952	1,208,840	9,606,720	4,251,706	7,280,066	47,327,876	2,565,936	856,205	182,337	10,583,442	86,314,080								
2011	3,023,745	1,387,022	10,192,987	4,127,601	6,688,564	47,736,047	2,779,555	781,834	197,336	11,356,255	88,270,946								
2012	2,671,164	1,448,578	10,453,211	4,199,431	6,706,491	46,365,366	2,828,558	734,419	249,404	11,887,803	87,544,425								
2013	2,680,167	1,534,198	11,689,025	4,720,519	6,245,724	49,243,217	3,036,924	1,060,749	235,430	9,512,920	89,958,873								
2014	2,905,847	1,578,791	13,538,746	4,906,211	6,213,147	50,871,698	3,451,896	977,696	250,523	17,070,079	101,764,634								
2015	3,123,371	1,611,596	13,807,508	5,427,334	6,313,085	53,445,414	3,410,727	1,055,488	269,080	11,346,629	99,810,232								
2016	3,211,580	2,242,720	14,728,230	5,209,182	6,444,670	54,041,635	3,299,722	1,046,953	276,784	12,819,206	103,320,682								
2017	2,902,896	2,285,963	14,471,085	5,191,279	6,628,743	54,469,709	3,437,329	1,093,351	515,049	11,667,942	102,663,346								

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

(Does not include activity of the Discretely Presented Component Unit - Industrial Development Authority)

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

Activity of the school self-insurance fund is not reported in the above table.

(3) Commencing in fiscal year 2016, expenses related to court security is reported under judicial administration. Previously the costs were reported under public safety.

COUNTY OF WARREN, VIRGINIA

Table 6

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes (4)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2008	\$ 29,615,065	\$ 7,263,536	\$ 648,763	\$ 62,110	\$ 1,543,815	\$ 3,643,342	\$ 720,142	\$ 576,439	\$ 44,109,698	\$ 88,182,910
2009	30,304,803	7,451,780	508,254	42,395	1,086,849	3,310,229	1,577,659	677,069	43,622,251	88,581,289
2010	47,236,991	6,036,056	506,320	48,014	458,989	3,124,505	546,584	553,957	43,614,828	102,126,244
2011	33,878,123	6,069,186	555,982	49,216	424,507	3,509,824	4,452,764	17,463	42,024,470	90,981,535
2012	34,090,051	6,811,776	527,806	24,776	386,991	3,739,774	885,906	14,514	41,811,690	88,293,284
2013	36,109,920	10,097,315	665,598	80,083	373,913	3,762,802	791,223	45,031	43,652,258	95,578,143
2014	39,547,607	7,531,219	679,907	97,416	372,850	3,975,882	931,270	72,885	44,860,064	98,069,100
2015	43,189,446	7,275,401	685,234	100,564	319,441	3,797,728	691,423	139,172	43,946,990	100,145,399
2016	45,985,664	7,255,632	818,327	103,259	379,854	4,058,886	1,419,020	65,608	45,071,412	105,157,662
2017	48,137,667	7,841,098	822,761	103,806	608,402	4,058,999	1,674,542	93,762	46,901,146	110,242,183

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

(Does not include activity of the Discretely Presented Component Unit - Industrial Development Authority)

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

(3) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public

Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

Activity of the school self-insurance fund is not reported in the above table.

COUNTY OF WARREN, VIRGINIA

Table 7

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	Recordation and Wills Tax	Business License Tax	Communication Tax	Meals Tax (1)	Other Local Taxes (2)	Total
2008	\$ 30,282,018	\$ 2,692,913	\$ 666,366	\$ 613,479	\$ 1,193,715	\$ 1,022,051	\$ -	\$ 1,021,862	\$ 37,492,404
2009	30,117,767	2,837,283	681,492	450,074	1,017,697	928,624	628,516	908,094	37,569,547
2010	49,583,450	2,838,297	670,372	486,031	749,297	932,498	667,916	1,110,174	57,038,035
2011	33,922,049	2,931,450	683,604	313,489	569,485	927,882	690,672	880,485	40,919,116
2012	34,768,063	3,281,603	687,180	321,394	906,752	909,027	724,799	890,048	42,488,866
2013	36,109,920	6,351,573	692,508	579,111	928,778	916,942	757,306	788,039	47,124,177
2014	39,547,607	3,765,595	708,592	460,515	858,661	890,425	824,351	913,505	47,969,251
2015	43,189,446	3,459,402	696,551	482,158	773,357	888,100	871,933	992,000	51,352,947
2016	45,985,664	3,339,288	649,156	571,197	765,773	861,809	917,662	1,012,556	54,103,105
2017	48,137,667	3,707,397	764,170	599,921	837,612	840,626	940,928	991,070	56,819,391

(1) Prior to fiscal year 2009 meals tax revenue is reported in "other local taxes"

(2) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF WARREN, VIRGINIA

Table 8

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

Fiscal Year	Real Estate	Personal Property and Mobile		Machinery and Tools	Public Service		Total Taxable Assessed Value	Overlapping Tax Rate			Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Homes						Town of Front Royal				
								Pers. Prop.	Mach. - Tools	Real Estate		
2008	\$ 4,618,588,000	\$ 426,788,783	\$ 54,714,951	\$ 67,587,582	\$ 5,167,679,316	\$ 0.60	\$ 0.60	\$ 0.07	\$ 5,167,679,316	100.00%		
2009	4,737,808,700	422,529,586	54,831,030	71,830,670	5,286,999,986	0.60	0.60	0.07	5,286,999,986	100.00%		
2010	4,805,941,500	362,529,370	57,578,180	84,239,604	5,310,288,654	0.60	0.60	0.07	5,310,288,654	100.00%		
2011	4,816,929,300	336,375,506	55,042,750	83,128,930	5,291,476,486	0.64	0.64	0.11	5,291,476,486	100.00%		
2012	3,783,054,400	338,756,346	51,946,980	95,214,200	4,268,971,926	0.64	0.64	0.11	4,268,971,926	100.00%		
2013	3,795,435,900	345,186,421	52,915,970	93,483,110	4,287,021,401	0.64	0.64	0.11	4,287,021,401	100.00%		
2014	3,813,780,900	361,209,652	53,266,515	384,518,870	4,612,775,937	0.64	0.64	0.13	4,612,775,937	100.00%		
2015	3,924,829,100	367,502,458	53,266,515	693,556,225	5,039,154,298	0.64	0.64	0.13	5,039,154,298	100.00%		
2016	4,039,047,050	379,410,581	60,371,995	960,963,480	5,439,793,106	0.64	0.64	0.13	5,439,793,106	100.00%		
2017	4,068,221,600	392,547,103	63,065,930	1,072,950,545	5,596,785,178	0.64	0.64	0.135	5,596,785,178	100.00%		

Source: Commissioner of Revenue

Notes: The County implemented semi-annual tax billings in fiscal year 2010.

Fiscal Year 2010 is comprised of the 2009 calendar year assessment.

Fiscal Year 2011 is comprised of the 2010 calendar year assessment.

Fiscal Year 2012 is comprised of the 2011 calendar year assessment.

Fiscal Year 2013 is comprised of the 2012 calendar year assessment.

Fiscal Year 2014 is comprised of the second half of calendar year 2013 and first half of calendar year 2014

Fiscal Year 2015 is comprised of the second half of calendar year 2014 and first half of calendar year 2015

Fiscal Year 2016 is comprised of the second half of calendar year 2015 and first half of calendar year 2016

COUNTY OF WARREN, VIRGINIA

Table 9

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Direct Rates					Machinery and Tools (2)(3)
	Real Estate (3)	Personal Property (2)(3)	Mobile Homes (3)			
2008	\$ 0.45	\$ 3.15	\$ 0.45	\$	1.30	
2009	0.45	3.15	0.45		1.30	
2010	0.46/0.46	4.00/4.00	0.46/0.46		1.30/1.30	
2011	0.46/0.59	4.00/4.00	0.46/0.59		1.30/1.30	
2012	0.59/0.59	4.00/4.00	0.59/0.59		1.30/1.30	
2013	0.59/0.59	4.00/4.00	0.59/0.59		1.30/1.30	
2014	0.59/0.61	4.00/4.00	0.59/0.61		1.30/1.95	
2015	0.61/0.595	4.00/4.00	0.61/0.595		1.95/1.95	
2016	0.595/0.62	4.00/4.00	0.595/0.62		1.95/1.95	
2017	0.62/0.65	4.00/4.00	0.62/0.65		1.95/1.95	

- (1) Per \$100 of assessed value
 (2) In fiscal year 1996, assessments for personal property changed from 40% to 100% of value base. Additionally, value base changed from retail to loan NADA value.
 (3) The County collects taxes semi-annually commencing fiscal year 2010.

COUNTY OF WARREN, VIRGINIA

Table 10

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Original Tax Levy (1,2,4,5)	Collected within the Fiscal			Collections in Subsequent Years (1)	Total Collections to Date	
		Year of the Levy		Percentage of Levy		Amount (1) (2)	Percentage of Levy
		Collections (1,3,4)					
2008	\$ 34,384,133	\$ 33,110,331		96.30%	\$ 620,850	\$ 33,731,181	98.10%
2009	35,112,209	33,718,512		96.03%	1,099,484	34,817,996	99.16%
2010	55,429,700	51,760,893		93.38%	2,355,713	54,116,606	97.63%
2011	37,294,301	35,493,841		95.17%	1,556,406	37,050,247	99.35%
2012	37,825,616	35,949,106		95.04%	1,863,247	37,812,353	99.96%
2013	38,819,912	36,920,536		95.11%	992,147	37,912,683	97.66%
2014	41,713,051	41,073,133		98.47%	554,388	41,627,521	99.79%
2015	44,253,098	43,363,126		97.99%	809,985	44,173,111	99.82%
2016	47,761,913	46,775,488		97.93%	608,500	47,383,988	99.21%
2017	51,446,487	49,128,746		95.49%	-	49,128,746	95.49%

(1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(3) Includes personal property tax relief from the Commonwealth of Virginia.

(4) In fiscal year 2010 the County implemented semi-annual tax billings - tax levy includes calendar year 2009 and first half of 2010 assessment - tax collections includes personal property tax relief for calendar year 2009 only.

(5) Original assessments, does not include supplemental or abatement assessments

COUNTY OF WARREN, VIRGINIA

Table 11
Page 1 of 2

Principal Property Taxpayers - Real Estate
Last Ten Fiscal Years

Taxpayer	Fiscal Year 2017			Fiscal Year 2016			Fiscal Year 2015		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxpayer	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank
Sysco Mdse & Supply Chain Svcs	\$ 64,942,100	1	1.60%	Sysco Mdse & Supply Chain Svcs	\$ 64,942,100	1	1.61%	\$ 65,680,300	1
Family Dollar Services Inc	57,633,600	2	1.42%	Family Dollar Services Inc	57,633,600	2	1.43%	57,413,750	2
Cole FG Front Royal VA LLC	37,719,800	3	0.93%	Cole FG Front Royal VA LLC	37,719,800	3	0.93%	37,016,550	3
Toray Plastics (America) The	31,501,200	4	0.77%	Interbake Foods LLC	21,678,700	4	0.54%	21,953,150	4
Interbake Foods LLC	21,678,700	5	0.53%	Axalta (DuPont Perf. Coatings)	20,164,700	5	0.50%	20,141,450	5
Axalta (DuPont Perf. Coatings)	20,164,700	6	0.50%	Boisseau Family LC (The) et al	17,464,700	6	0.43%	18,481,000	6
Walmart	18,430,800	7	0.45%	Walmart	18,430,800	7	0.46%	16,752,250	7
Boisseau Family LC (The) et al	17,496,200	8	0.43%	Crooked Run LLC	14,880,300	8	0.37%	14,795,500	8
Crooked Run LLC	14,880,300	9	0.37%	Toray Plastics (America) The	15,530,400	9	0.38%	14,796,650	9
JCR Riverton Investors	13,006,300	10	0.32%	Green Mountain Hospitality	11,768,700	10	0.29%	11,073,050	10
	<u>\$ 280,213,800</u>		<u>7.31%</u>		<u>\$ 280,213,800</u>		<u>6.94%</u>	<u>\$ 278,103,650</u>	<u>7.09%</u>
Taxpayer	Fiscal Year 2014			Fiscal Year 2013			Fiscal Year 2012		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxpayer	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank
Baugh Northeast Co-op Inc.	\$ 66,418,500	1	1.74%	Baugh Northeast Co-op Inc.	\$ 66,418,500	1	1.75%	\$ 66,418,500	1
Family Dollar Services Inc	57,173,900	2	1.50%	Family Dollar Services Inc	57,173,900	2	1.51%	57,173,900	2
Cole FG Front Royal VA LLC	36,313,300	3	0.95%	Cole FG Front Royal VA LLC	36,313,300	3	0.96%	36,313,300	3
Interbake Foods LLC	22,227,600	4	0.58%	Interbake Foods LLC	22,227,600	4	0.59%	22,227,600	4
Dupont E I De Nemours & Co.	20,118,200	5	0.53%	Dupont E I De Nemours & Co.	20,118,200	5	0.53%	20,118,200	5
Boisseau Family LC (The) et al	19,528,800	6	0.51%	Boisseau Family LC (The) et al	19,670,400	6	0.52%	19,658,000	6
Walmart	15,073,300	7	0.40%	Walmart	15,073,300	7	0.40%	15,073,300	7
Crooked Run LLC	14,710,700	8	0.39%	Crooked Run LLC	14,710,700	8	0.39%	14,710,700	8
Toray Plastics (America) The	14,062,900	9	0.37%	Toray Plastics (America) The	14,062,900	9	0.37%	14,072,900	9
Winchester Road (E&A) LLC	11,722,500	10	0.31%	Winchester Road (E&A) LLC	11,722,500	10	0.31%	11,722,500	10
	<u>\$ 277,349,700</u>		<u>7.27%</u>		<u>\$ 277,491,300</u>		<u>7.31%</u>	<u>\$ 277,488,900</u>	<u>7.34%</u>

COUNTY OF WARREN, VIRGINIA

Table 11
Page 2 of 2

Principal Property Taxpayers - Real Estate
Last Ten Fiscal Years

Taxpayer	Fiscal Year 2011				Fiscal Year 2010				Fiscal Year 2009			
	Taxable Assessed Valuation	% of Total Assessed Valuation	Rank	Taxpayer	Taxable Assessed Valuation	% of Total Assessed Valuation	Rank	Taxpayer	Taxable Assessed Valuation	% of Total Assessed Valuation	Rank	
Baugh Northeast Co-op Inc.	\$ 66,418,500	1.38%	1	Baugh Northeast Co-op Inc.	\$ 58,871,700	1.22%	1	Baugh Northeast Co-op Inc.	\$ 58,871,700		1	1.24%
Family Dollar Services Inc	57,173,900	1.19%	2	Family Dollar Services Inc	55,554,000		2	Family Dollar Services Inc	55,554,000		2	1.17%
Cole FG Front Royal VA LLC	36,313,300	0.75%	3	Cole FG Front Royal VA LLC	33,730,800		3	Cole FG Front Royal VA LLC	33,730,800		3	0.71%
Interbake Foods LLC	22,227,600	0.46%	4	Dupont E I De Nemours & Co.	21,757,100		5	Dupont E I De Nemours & Co.	21,757,100		5	0.46%
Dupont E I De Nemours & Co.	20,118,200	0.42%	5	Interbake Foods LLC	21,036,200		4	Interbake Foods LLC	21,036,200		4	0.44%
Boisseau Family LC (The) et al	19,658,000	0.41%	6	Boisseau Family LC (The) et al	19,424,400		6	Boisseau Family LC (The) et al	19,424,400		6	0.41%
Crooked Run LLC	16,727,000	0.35%	7	Toray Plastics (America) The	15,194,000		9	Toray Plastics (America) The	15,194,000		7	0.32%
Walmart	15,073,300	0.31%	8	Walmart	14,044,200		8	Walmart	14,044,200		8	0.30%
Toray Plastics (America) The	14,072,900	0.29%	9	Crooked Run LLC	13,891,600		7	Winchester Cold Storage Co.	13,243,100		9	0.28%
Winchester Road (E&A) LLC	11,627,600	0.24%	10	Winchester Cold Storage Co.	13,243,100		10	Crooked Run LLC	11,045,100		10	0.23%
	\$ 279,410,300	5.80%			\$ 266,747,100	6.78%			\$ 263,900,600	5.57%		

Taxpayer	Fiscal Year 2008			
	Taxable Assessed Valuation	% of Total Assessed Valuation	Rank	
Baugh Northeast Co-op Inc.	\$ 58,871,700	1.27%	1	
Family Dollar Services Inc	55,457,700	1.20%	2	
Ferguson Enterprises Inc.	33,730,800	0.73%	3	
Dupont E I De Nemours & Co.	21,764,000	0.47%	4	
Interbake Foods LLC	21,024,400	0.46%	5	
Boisseau Family LC (The) et al	19,424,400	0.42%	6	
Toray Plastics (America) The	15,194,000	0.33%	7	
Winchester Cold Storage Co.	13,271,100	0.29%	8	
Crooked Run LLC	10,600,000	0.23%	9	
Walmart	10,385,300	0.22%	10	
	\$ 259,723,400	5.62%		

Source: Commissioner of Revenue

Notes: The County implemented semi-annual tax billings in fiscal year 2010.

Fiscal Year 2010 is comprised of the 2009 calendar year assessment.

Fiscal Year 2011 is comprised of the 2010 calendar year assessment.

Fiscal Year 2012 is comprised of the 2011 calendar year assessment.

Fiscal Year 2013 is comprised of the 2012 calendar year assessment.

Fiscal Year 2014 is comprised of the second half of calendar year 2013 and first half of calendar year 2014 assessment.

Fiscal Year 2015 is comprised of the second half of calendar year 2014 and first half of calendar year 2015 assessment.

Fiscal Year 2016 is comprised of the second half of calendar year 2015 and first half of calendar year 2016 assessment.

COUNTY OF WARREN, VIRGINIA

Table 12

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Years	Governmental Activities										Percentage of Personal Income (1)	Per Capita (1)	Overlapping Debt (2)	Overlapping Percent			
	General		Lease Revenue and Revenue		Other		Capital		Total Primary Government								
	Obligation Bonds		Bonds		Premium on Bonds	Notes/ Bonds	Leases										
2008	\$	26,429,273	\$	68,265,000	\$	14,769,742	\$	560,780	\$	1,091,323	\$	111,116,118	8.04%	\$	3,028	n/a	n/a
2009		24,468,064		92,040,450		14,709,559		535,424		805,767		132,559,264	9.58%		3,611	n/a	n/a
2010		31,207,549		89,592,428		14,652,267		510,067		729,453		136,691,764	9.63%		3,651	n/a	n/a
2011		28,075,211		87,320,985		14,597,900		482,652		742,336		131,219,084	9.24%		3,482	n/a	n/a
2012		15,521,800		92,468,265		14,546,493		454,145		496,150		123,486,853	8.77%		3,243	n/a	n/a
2013		14,079,600		89,443,928		13,934,950		424,503		307,945		118,190,926	7.72%		3,113	n/a	n/a
2014		14,432,500		87,410,000		13,326,444		393,681		244,670		115,807,295	7.50%		3,000	n/a	n/a
2015		54,817,386		89,230,000		12,679,166		-		844,392		157,570,944	10.20%		4,042	n/a	n/a
2016		51,938,076		93,126,000		11,818,496		-		1,135,758		158,018,330	9.67%		4,043	15,274,979	37%
2017		50,029,634		89,566,000		10,983,988		-		954,986		151,534,608	9.13%		3,868	16,894,846	37%

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Reference the Table of Demographic and Economic Statistics - Table 14

(2) Overlapping debt for those Warren County residents that reside in the Town of Front Royal - general obligation debt

COUNTY OF WARREN, VIRGINIA

Table 13

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

Fiscal Year	Gross Bonded Debt	Net Bonded Debt (3)	Ratio of Net General Obligation		Net Bonded Debt per Capita (1)
			Debt to	Assessed Value (2)	
2008	\$ 109,464,015	\$ 109,464,015	2.12%	\$	2,983
2009	131,218,073	131,218,073	2.48%		3,574
2010	135,452,244	135,452,244	2.55%		3,618
2011	129,994,096	129,994,096	2.46%		3,449
2012	122,536,558	122,536,558	2.87%		3,218
2013	117,458,478	117,458,478	2.74%		3,094
2014	115,168,944	115,168,944	2.50%		2,983
2015	156,726,552	156,726,552	3.11%		4,020
2016	156,882,572	156,882,572	2.88%		4,014
2017	150,579,622	150,579,622	2.69%		3,843

(1) Population data can be found in the Table of Demographic and Economic Statistics - Table 14

(2) See the Table of Assessed Value and Estimated Actual Value of Taxable Property - Table 8

(3) Includes all long-term general obligation bonded debt, lease revenue bonds, excludes capital leases, revenue bonds, OPEB obligation, net pension obligation, landfill related liabilities, notes payable and compensated absences.

The County is not subject to a legal debt margin

The County has no legally pledged revenue sources for long-term debt.

COUNTY OF WARREN, VIRGINIA

Table 14

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	September 30	
					K-12 School Membership	Unemployment Rate
2008	36,695	\$ 1,382,000	\$ 37,661	38	5,273	4.20%
2009	36,713	1,384,000	37,697	38	5,319	6.60%
2010	37,439	1,419,574	37,917	39	5,339	6.61%
2011	37,688	1,419,556	37,666	39	5,340	6.20%
2012	38,077	1,408,315	36,986	39	5,329	5.00%
2013	37,963	1,530,374	39,867	39	5,414	4.90%
2014	38,607	1,544,352	39,907	39	5,408	4.80%
2015	38,987	1,544,352	39,907	39	5,341	4.81%
2016	39,083	1,634,254	41,815	41	5,296	4.10%
2017	39,181	1,659,160	42,374	41	5,277	3.40%

Source: Weldon Cooper Center, Annual school report - prepared by the County, www.census.gov, www.bea.gov

COUNTY OF WARREN, VIRGINIA

Table 15

Principal Employers
Current Year

Employer	Industry	2017		
		Employees	Rank	% of Total Employment
Warren County School Board	Educational Services	500 - 999	1	2.5% - 5.0%
Valley Health System-WMH	Hospitals	500 - 999	2	2.5% - 5.0%
Axalta Coating Systems (Dupont)	Chemical Manufacturing	250 - 499	3	1.3% - 2.5%
Warren County Government	General Government	250 - 499	4	2.1% - 4.2%
Family Dollar Services	Warehousing and Storage	250 - 499	5	2.1% - 4.2%
Wal-Mart	General Merchandise Stores	250 - 499	6	2.1% - 4.2%
Baugh Northeast (Sysco)	Administrative and Support Services	250 - 499	7	2.1% - 4.2%
Interbake Foods LLC	Food Manufacturing	250 - 499	8	2.1% - 4.2%
Ferguson Enterprises Inc	Merchant Wholesalers, Durable Goods	100 - 249	9	0.5% - 1.3%
Town of Front Royal	General Government	100 - 249	10	0.5% - 1.3%
Total Employed		19,815		

Source: Virginia Labor Market Services, Area Profile Summary

Note: Information nine years prior is unavailable. As information is available the data will be reported.

COUNTY OF WARREN, VIRGINIA

Full-Time County Government Employees By Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Government										
Department:										
General government administration	27	29	30	32	32	32	32	34	34	34
Board of Supervisors	0	0	0	0	0	0	0	0	0	0
County Administration	5	5	5	6	6	6	6	7	7	7
County Attorney's Office	2	2	3	3	3	3	3	3	3	3
Office of the Commissioner of Revenue	10	10	10	10	10	10	10	10	10	10
Reassessment	0	0	0	0	0	0	0	0	0	0
Treasurer's Office	6	6	6	7	7	7	7	7	7	7
Finance and Purchasing	3	4	4	4	4	4	4	5	5	5
Elections	1	2	2	2	2	2	2	2	2	2
Judicial administration	16	17	16	15	15	16	16	16	18	19
Circuit Court	0	0	0	0	0	0	0	0	0	0
General District Court	0	0	0	0	0	0	0	0	0	0
Magistrates	0	0	0	0	0	0	0	0	0	0
Juvenile and Domestic Court	0	0	0	0	0	0	0	0	0	0
Clerk of Circuit Court	9	9	8	7	7	8	8	8	9	9
Law Library	0	0	0	0	0	0	0	0	0	1
Commonwealth's Attorney	7	8	8	8	8	8	8	8	9	9
Public safety	124	124	126	125	125	128	130	109	111	112
Sheriff's Office	53	53	55	53	53	54	54	53	53	54
Court Security	0	0	0	2	2	2	2	0	0	0
E-911 System	6	6	6	6	6	6	6	6	7	7
Volunteer Fire and Rescue	0	0	0	0	0	0	0	0	0	0
Corrections	31	31	31	31	31	31	31	10	10	10
Work Release	0	0	0	0	0	0	0	0	0	0
Probation	1	1	1	1	1	1	1	1	1	1
Building Inspections	9	9	7	6	6	6	6	6	7	7
Animal Control	4	4	4	4	4	4	4	4	4	4
Medical Examiner	0	0	0	0	0	0	0	0	0	0
Fire and Rescue Department	20	20	22	22	22	24	26	29	29	29
Cost Recovery	0	0	0	0	0	0	0	0	0	0
Public works	6	8	6	5	5	7	8	10	11	12
Public Works/Sanitary Districts	0	0	0	0	0	0	0	0	0	1
Streets and Highways	0	0	0	0	0	0	0	0	0	0
Refuse Collection	2	4	2	1	0	0	0	0	5	0
Refuse Disposal	2	2	2	2	3	3	4	5	6	5
Building and Grounds	2	2	2	2	2	4	4	5	6	6

COUNTY OF WARREN, VIRGINIA

Full-Time County Government Employees By Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Government: (Continued)										
Department: (Continued)										
Health and welfare	39	39	39	39	39	39	39	42	42	42
Health	0	0	0	0	0	0	0	0	0	0
Mental Health and Retardation	0	0	0	0	0	0	0	0	0	0
Social Services	38	38	38	38	38	38	38	41	41	41
Other Social Services	0	0	0	0	0	0	0	0	0	0
Comprehensive Youth Service Act	1	1	1	1	1	1	1	1	1	1
Education	0	0	0	0	0	0	0	0	0	0
Community College	0	0	0	0	0	0	0	0	0	0
Parks, recreation and cultural	14	15	15	15	14	14	16	18	18	19
Parks and recreation	14	15	15	15	14	14	16	18	18	19
Library Museum Cultural Enrichment	0	0	0	0	0	0	0	0	0	0
Community development	6	5	5	5	5	4	4	5	5	6
Planning and Zoning	5	4	4	4	4	3	3	4	4	5
Economic Development	0	0	0	0	0	0	0	0	0	0
Front Royal/Warren County Airport	0	0	0	0	0	0	0	0	0	0
Environmental Management	0	0	0	0	0	0	0	0	0	0
Gypsy Moth Control	0	0	0	0	0	0	0	0	0	0
VPI Extension Service	1	1	1	1	1	1	1	1	1	1
Total	232	237	237	236	235	240	245	234	239	244
Component Unit - School Board										
Function:										
Education - full-time	763	759	754	754	754	748	750	720	723	742
Total Full-Time Employees	995	996	991	990	989	988	995	954	962	986

Source: Warren County Fiscal Year Budget Documents and other payroll reports

COUNTY OF WARREN, VIRGINIA

Table 17

Operating Indicators By Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety											
Sheriffs department:											
Physical arrests	573	753	749	534	603	779	467	454	369	438	403
Traffic violations	974	1,508	1,507	1,097	853	1,358	1,163	1,523	1,385	1,304	1,111
Court security manhours worked	3,335	3,858	4,228	7,538	7,506	7,520	7,420	7,419	5,083	5,136	4,447
Prisoner transports	1,249	900	694	856	826	959	1,315	579	579	748	445
DUIs	80	94	92	68	64	84	61	64	73	84	49
Fire and rescue:											
Number of calls answered****	7,845	7,860	8,241	7,745	8,357	7,163	5,666	8,137	5,526	5,867	5,962
Building Inspections:											
Permits issued	4,069	3,525	2,403	1,793	1,827	1,815	2,106	2,097	2,178	2,634	2,567
Public works											
General maintenance:											
Trucks/vehicles	2	2	2	2	2	3	3	3	3	3	5
Landfill:											
Refuse collected (tons/day)	98.17	86.77	84.69	78.41	76.44	78.51	78.51	89.96	94.11	99.45	103.64
Parks, recreation and cultural											
Parks and recreation attendees/participants:											
Youth sports participants	943	1,815	1,552	1,640	2,439	2,134	2,663	2,254	3,453	4,292	3,007
Adult sports participants (individuals)	351	1,067	403	172	281	237	241	360	443	644	790
Adult sports participants (teams)	20	23	26	32	26	26	20	22	18	9	4
Dance and crafts - youth and adult	n/a	50	50	50	50	50	50	50	160	233	236
Trips	206	293	322	228	336	102	108	431	178	550	609
CPR, Lifeguard, Dog Obedience classes	52	55	38	57	43	26	26	101	30	21	35
Open special events	92	123	73	109	112	423	1,942	2,351	1,793	1,729	1,988
Component Unit - School Board											
Education:											
School age population***	N/A	6,953	N/A	7,922	7,847	7,847	7,706	7,675	7,567	7,500	7,466
Sept. 30 K-12 school membership	5,332	5,273	5,319	5,339	5,340	5,329	5,414	5,408	5,398	5,309	5,313

Source: Recreation & Parks, Fire and Rescue, Sheriff's Department annual report, Solid Waste receiving facilities' record, and Warren County Fiscal Year 2012-2013 and 2014-2015 Budget Book.

*** Source from Virginia Department of Education and the Weldon Cooper Center, 2008, and 2010-2015 numbers available.

**** 2013 does not include all CAD sheets from dispatch

Capital Asset Statistics By Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government											
Vehicles	4	4	4	3	6	6	6	6	6	4	6
Public safety - insured vehicles											
Law enforcement											
Vehicles	47	53	52	55	61	57	57	65	67	68	74
Other public safety											
Vehicles	3	3	3	2	3	3	3	3	3	2	0
Building inspections											
Vehicles	6	7	6	5	5	5	5	5	6	6	6
Animal control											
Vehicles	4	4	4	5	5	4	4	4	5	4	4
Emergency services											
Vehicles	10	10	11	12	13	13	13	14	15	20	17
Public works											
Refuse											
Vehicles	2	2	2	2	2	1	1	1	2	2	5
Buildings and Grounds											
Vehicles	0	0	0	0	0	2	2	2	2	2	2
Health and welfare											
Department of Social Services											
Vehicles	8	8	8	8	8	8	8	8	8	8	8
Parks, recreation and cultural											
Parks and recreation											
Vehicles	12	12	13	12	13	13	13	14	17	22	23
Community development											
Planning and Zoning											
Vehicles	1	1	1	1	1	1	1	1	1	1	1
Other											
Vehicles	0	1	1	1	1	1	1	1	1	2	4

Source: Finance Department motor vehicle insurance reports

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, 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 Warren, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2017. Our report includes a reference to other auditors who audited the financial statements of Industrial Development Authority, as described in our report on the County of Warren, Virginia's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Warren, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Warren, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Warren, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 30, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Warren, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Warren, 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 the County of Warren, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Warren, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Warren, 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
Charlottesville, Virginia
November 30, 2017

COUNTY OF WARREN, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 5,617
Temporary Assistance for Needy Families	93.558	0400117/0400116	248,848
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500116	736
Low-Income Home Energy Assistance	93.568	0600417/0600416	27,933
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760116	45,663
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116	336
Children's Health Insurance Program	93.767	0540117/0540116	15,287
Foster Care - Title IV-E	93.658	1100117/1100116	245,303
Adoption Assistance	93.659	1120117/1120116	221,947
Social Services Block Grant	93.667	1000117/1000116	211,106
Chafee Education and Training Vouchers Program	93.599	9160116	(240)
Chafee Foster Care Independence Program	93.674	9150117/9150116	1,534
Medical Assistance Program	93.778	1200117/1200116	474,895
Total Department Health and Human Services			\$ 1,498,965
Department of Agriculture:			
Pass-Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food distribution - Summer Food Service Program for Children	10.559	10.559/2015	\$ 2,494
School Breakfast Program	10.553	2017IN109941/201616N109941	335,397
Food distribution - National School Lunch Program	10.555	2017IN109941/201616N109941	180,804
Department of Education:			
National School Lunch Program	10.555	2017IN109941/201616N109941	1,033,067
Subtotal CFDA 10.555			\$ 1,213,871
Subtotal Child Nutrition Cluster			\$ 1,551,762
Schools and Roads - Grants to States	10.665	10.665/2016	\$ 1,042
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040117/0040116/0010116/0010117	370,825
Total Department of Agriculture			\$ 1,923,629
Department of Housing and Urban Development:			
Pass-Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	Not Available	\$ 49,661

COUNTY OF WARREN, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct Payments:			
ATF overtime grant	16.000		\$ 784
Bulletproof Vest Partnership Program	16.607		6,903
Total Department of Justice - Direct Payments			\$ 7,687
Pass-Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	17-W8578VW15	\$ 57,611
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-R1179LO15	1,056
Juvenile Justice and Delinquency Prevention	16.540	16-A3227JJ13	7,192
Total Department of Justice			\$ 73,546
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106		\$ 454,391
Total Department of Transportation			\$ 454,391
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	776XX/799XX	\$ 161,467
Emergency Management Performance Grants	97.042	77601 77501 77502 79901 77801	6,935
Total Department of Homeland Security			\$ 168,402
Department of Education:			
Pass-Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A160046/S010A150046	\$ 1,284,803
Special Education Cluster:			
Special Education Grants to States	84.027	H027A160107/H027A150107	1,156,962
Special Education Preschool Grants	84.173	H173A150112/H173A160112	29,588
Subtotal Special Education Cluster			\$ 1,186,550
Career and Technical Education: Basic Grants to States	84.048	V048A140046/V048A150046	\$ 83,578
English Language Acquisition State Grants	84.365	S365A140046/S365A150046/S365A160046	13,474
Twenty-First Century Community Learning Centers	84.287	S287C150047/S287C160047	105,383
Supporting Effective Instruction State Grant (formerly			
Improving Teacher Quality State Grants)	84.367	S367A140044/S367A160044/S367A150044	161,973
Advanced Placement Programs	84.330	S330B160002	3,230
Total Department of Education			\$ 2,838,991
Total Expenditures of Federal Awards			\$ 7,007,585

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF WARREN, VIRGINIA

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the County of Warren, 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 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 Warren, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Warren, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. 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) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Indirect Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund		\$ 2,792,642
Less: Department of the Interior - Payments in lieu of taxes	15.226	(53,232)
Federal Interest Rate Subsidy - Qualified Energy Conservation Bonds		(123,620)
Total Primary Government		<u>\$ 2,615,790</u>

Component Unit - Warren County School Board:

School operating fund		\$ 4,391,795
Total Component Unit - Warren County School Board		<u>\$ 4,391,795</u>

Total expenditures of federal awards per basic financial statements		<u>\$ 7,007,585</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards		<u>\$ 7,007,585</u>
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COUNTY OF WARREN, 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? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster:
84.027	Special Education State Grant to States
84.173	Special Education Preschool Grant
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None