

COUNTY OF WASHINGTON, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF WASHINGTON, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

COUNTY OF WASHINGTON, VIRGINIA

BOARD OF SUPERVISORS

Randy L. Pennington, Chair
Saul A. Hernandez, Vice-Chair
J. Eddie Copenhaver
Phillip B. McCall
Jason Berry, Clerk
Dr. James E. Baker
Allison B. Mays
Vernon L. Smith

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

Clerk of the Circuit Court..... Patricia S. Moore
Commonwealth's Attorney Joshua S. Cumbow
Commissioner of the Revenue..... Layton David Henry
Treasurer Fred W. Parker
Sheriff Fred P. Newman
Superintendent of Schools Dr. Brian Ratliff
Director of Social Services Randall T. Blevins
County Administrator Jason Berry
Interim Finance Director Kendall Williams
County Attorney Lucy E. Phillips

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Virginia Highlands Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the other component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 82, and 83-89, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Washington, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 by us and other auditors. In our opinion, based on our audit, the procedures as described above and the report of the other auditors, the other supplementary information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of County of Washington, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Washington, Virginia's internal control over financial reporting and compliance.

Robinson, Faimer, Cox Associates

Blacksburg, Virginia
November 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Washington, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights:

- The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,314,696 (net position). Of this amount, \$14,476,951 was considered unrestricted.
- The liabilities and deferred inflows of resources of the School Board component unit exceeded its assets and deferred outflows of resources at the close of the fiscal year by (\$46,760,077) (net position). The negative net position is due largely to the implementation of GASB 68 requiring the reporting of net pension liability as long term debt.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$24,260,595. Of the amount \$14,713,859 was considered unassigned, \$428,438 was considered assigned, \$5,365,144 was considered committed, \$3,685,351 was considered restricted and \$67,803 was considered nonspendable.
- During the year, the County had governmental fund expenditures that were \$1,549,976 more than revenues.

Overview of the Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$23,314,696 at the close of the most recent fiscal year.

A significant portion of the County's net position \$5,152,394 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position \$3,685,351, are subject to restrictions on how they may be used. The remaining balance of net position \$14,476,951 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2016 and 2015.

Statement of Net Position

	Governmental Activities	Governmental Activities
	2016	2015
Current and other assets	\$ 43,064,879	\$ 41,977,215
Capital and other assets	32,663,562	34,102,087
Total assets	<u>\$ 75,728,441</u>	<u>\$ 76,079,302</u>
 Deferred outflows of resources	 <u>\$ 2,969,476</u>	 <u>\$ 1,290,757</u>
 Current and other liabilities	 \$ 2,332,966	 \$ 2,002,773
Long-term liabilities	39,125,646	37,624,098
Total liabilities	<u>\$ 41,458,612</u>	<u>\$ 39,626,871</u>
 Deferred inflows of resources	 <u>\$ 13,924,609</u>	 <u>\$ 14,447,413</u>
 Net position:		
Net investment in capital assets	\$ 5,152,394	\$ 5,588,410
Restricted	3,685,351	2,697,220
Unrestricted	14,476,951	15,010,145
Total net position	<u>\$ 23,314,696</u>	<u>\$ 23,295,775</u>

Statement of Activities

	Governmental Activities 2016	Governmental Activities 2015
Program revenues		
Charges for services	\$ 1,742,312	\$ 1,864,511
Operating grants and contributions	11,012,920	9,378,338
Capital grants and contributions	192,216	233,206
General revenues		
Property taxes	36,955,004	35,963,625
Other taxes	9,569,743	9,294,629
Revenue from use of money and property	136,324	119,508
Miscellaneous	954,452	937,614
Gain on disposal of capital assets	69,390	-
Grants and contributions not restricted to specific programs	4,372,419	4,393,869
Total revenues	<u>65,004,780</u>	<u>62,185,300</u>
Expenses		
General government	3,656,368	3,508,913
Judicial administration	1,593,653	1,602,299
Public safety	11,422,288	11,090,052
Public works	3,378,345	3,729,458
Health and welfare	8,583,706	7,800,245
Education	29,232,848	28,369,156
Parks, recreation and cultural	2,166,884	2,233,396
Community development	3,495,175	2,325,083
Interest on debt	1,456,592	1,077,287
Total expenses	<u>64,985,859</u>	<u>61,735,889</u>
Change in net position	<u>\$ 18,921</u>	<u>\$ 449,411</u>

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

Financial Analysis of the County's Funds

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

Governmental Funds – The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$24,260,595; .3% or \$67,803 constitutes nonspendable fund balance, 15.2% or \$3,685,351 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately 22.1% or \$5,365,144 has been committed by action of the Board of Supervisors and 1.8% or \$428,438 has been assigned by the Board of Supervisors. The remaining balance, \$14,713,859 or 60.6% is unassigned, meaning there is no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$22,532,111 of this amount \$14,713,859 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$1,728,484.

Total governmental fund revenues increased \$2,471,582 and expenditures increased \$2,514,319 over prior year amounts. For fiscal year ended June 30, 2016, expenditures exceeded revenues by \$1,549,976, as compared to the fiscal year ended June 30, 2015, expenditures exceeded revenues by \$1,507,239.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$67,924,014 for fiscal year 2016. The actual revenues were \$65,057,838 which is an unfavorable variance of \$2,866,176. The unfavorable variance is attributed to revenue from fines and forfeitures, recovered costs, and intergovernmental revenues from commonwealth and federal government budgeted for more than the actual amount received. The budgeted expenditures were \$74,728,974 for the County. The actual expenditures were \$65,953,515 which is a favorable variance of \$8,775,459 which is attributed largely to expenditures for all departments budgeted for more than was actually spent.

Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2016 amounts to \$32,663,562 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The main capital expenditures during fiscal year 2016 were for the purchase of vehicles for the sheriff’s department and the purchase of equipment for emergency management.

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

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

Primary Government:	
Compensated absences	\$ 1,438,288
Net OPEB obligation	1,285,760
Net pension liability	7,224,798
General obligation bonds	12,919,162
Lease revenue notes	14,416,756
Landfill post-closure costs	55,838
Literary loans	1,785,044
Total	<u>\$ 39,125,646</u>

Additional information on the County of Washington’s long-term debt can be found in Note 7 of this report.

Economic Factors

The June 2016 unemployment rate for the County of Washington, Virginia was 4.5%, which is a decrease from a rate of 5.4% in June 2015. This is slightly above the state’s average unemployment rate of 4.0% and below the national average rate of 4.9%.

Request for Information

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

Basic Financial Statements

County of Washington, Virginia
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>	<u>Component</u>	
	<u>Governmental</u>	<u>Units</u>	
	<u>Activities</u>	<u>School Board</u>	<u>Other</u>
ASSETS			
Cash and cash equivalents	\$ 23,458,852	\$ 5,945,152	\$ 2,334,820
Investments	193,020	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	16,280,335	-	-
Accounts receivable	573,985	678,531	137,229
Notes receivable	-	-	12,806,305
Rent receivable	-	-	16,865
Grants receivable	-	-	118,437
Due from primary government	-	1,378,430	30,000
Due from other governmental units	2,490,884	2,009,315	30,663
Inventories	-	-	44,825
Prepaid items	67,803	674,796	20,926
Capital assets (net of accumulated depreciation):			
Land	1,828,672	2,819,475	25,818,712
Buildings and system	29,206,716	8,739,958	3,944,987
Improvements other than buildings	98,219	-	7,315,823
Machinery and equipment	1,392,566	5,746,955	385,772
Construction in progress	137,389	67,377	3,049,994
Total assets	<u>\$ 75,728,441</u>	<u>\$ 28,059,989</u>	<u>\$ 56,055,358</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 1,609,794	\$ -	\$ 2,009,547
Items related to measurement of net pension liability	34,488	26,443	131
Pension contributions subsequent to measurement date	1,325,194	5,170,026	13,647
	<u>\$ 2,969,476</u>	<u>\$ 5,196,469</u>	<u>\$ 2,023,325</u>
LIABILITIES			
Accounts payable	\$ 668,233	\$ 177,478	\$ 592,332
Accrued liabilities	-	775,553	-
Accrued wages	74,664	3,888,799	17,490
Accrued interest payable	181,639	-	79,536
Due to component unit	1,408,430	-	-
Long-term liabilities:			
Due within one year	2,337,087	-	1,205,227
Due in more than one year	36,788,559	66,903,366	19,324,088
Total liabilities	<u>\$ 41,458,612</u>	<u>\$ 71,745,196</u>	<u>\$ 21,218,673</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 12,970,155	\$ -	\$ -
Items related to measurement of net pension liability	954,454	8,271,339	7,114
Total deferred inflows of resources	<u>\$ 13,924,609</u>	<u>\$ 8,271,339</u>	<u>\$ 7,114</u>
NET POSITION			
Net investment in capital assets	\$ 5,152,394	\$ 17,373,765	\$ 38,176,715
Restricted	3,685,351	-	-
Unrestricted	14,476,951	(64,133,842)	(1,323,819)
Total net position	<u>\$ 23,314,696</u>	<u>\$ (46,760,077)</u>	<u>\$ 36,852,896</u>

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

County of Washington, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	School Board	Other Component Units
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 3,656,368	\$ 135,293	\$ 397,046	\$ -	\$ (3,124,029)	\$ -	\$ -
Judicial administration	1,593,653	5,992	829,747	-	(757,914)	-	-
Public safety	11,422,288	1,117,055	2,807,625	192,216	(7,305,392)	-	-
Public works	3,378,345	308,323	41,296	-	(3,028,726)	-	-
Health and welfare	8,583,706	-	5,815,064	-	(2,768,642)	-	-
Education	29,232,848	-	-	-	(29,232,848)	-	-
Parks, recreation, and cultural	2,166,884	76,170	176,125	-	(1,914,589)	-	-
Community development	3,495,175	99,479	946,017	-	(2,449,679)	-	-
Interest on long-term debt	1,456,592	-	-	-	(1,456,592)	-	-
Total government activities	\$ 64,985,859	\$ 1,742,312	\$ 11,012,920	\$ 192,216	\$ (52,038,411)	\$ -	\$ -
COMPONENT UNITS:							
School Board	\$ 74,614,612	\$ 2,621,451	\$ 45,453,978	\$ -	\$ -	\$ (26,539,183)	\$ -
Other Component Units	4,278,922	1,274,653	312,000	955,524	-	-	(1,736,745)
Total component units	\$ 78,893,534	\$ 3,896,104	\$ 45,765,978	\$ 955,524	\$ (26,539,183)	\$ -	\$ (1,736,745)
General revenues:							
General property taxes					\$ 36,955,004	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,608,677	-	-
Consumers' utility taxes					1,124,288	-	-
Utility license taxes					154,519	-	-
Motor vehicle licenses					1,090,256	-	-
Bank stock taxes					38,369	-	-
Taxes on recordation and wills					490,791	-	-
Hotel and motel room taxes					62,843	-	-
Unrestricted revenues from use of money and property					136,324	15,398	497,462
Miscellaneous					954,452	1,363,518	109,268
Payments from Washington County					-	28,236,820	1,334,501
Grants and contributions not restricted to specific programs					4,372,419	-	-
Gain on disposal of capital assets					69,390	-	-
Total general revenues					\$ 52,057,332	\$ 29,615,736	\$ 1,941,231
Change in net position					\$ 18,921	\$ 3,076,553	\$ 204,486
Net position - beginning, as restated					23,295,775	(49,836,630)	36,648,410
Net position - ending					\$ 23,314,696	\$ (46,760,077)	\$ 36,852,896

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

County of Washington, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 21,747,617	\$ 62,440	\$ 1,648,795	\$ 23,458,852
Investments	193,020	-	-	193,020
Receivables (net of allowance for uncollectibles):				
Taxes receivable	16,280,335	-	-	16,280,335
Other receivables	573,985	-	-	573,985
Due from other governmental units	2,432,347	58,537	-	2,490,884
Prepaid items	67,803	-	-	67,803
Total assets	<u>\$ 41,295,107</u>	<u>\$ 120,977</u>	<u>\$ 1,648,795</u>	<u>\$ 43,064,879</u>
LIABILITIES				
Accounts payable	\$ 626,945	\$ 41,288	\$ -	\$ 668,233
Accrued wages	74,664	-	-	74,664
Due to component unit	1,408,430	-	-	1,408,430
Total liabilities	<u>\$ 2,110,039</u>	<u>\$ 41,288</u>	<u>\$ -</u>	<u>\$ 2,151,327</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 16,652,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,652,957</u>
Fund balances:				
Nonspendable	\$ 67,803	\$ -	\$ -	\$ 67,803
Restricted	1,956,867	79,689	1,648,795	3,685,351
Committed	5,365,144	-	-	5,365,144
Assigned	428,438	-	-	428,438
Unassigned	14,713,859	-	-	14,713,859
Total fund balances	<u>\$ 22,532,111</u>	<u>\$ 79,689</u>	<u>\$ 1,648,795</u>	<u>\$ 24,260,595</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,295,107</u>	<u>\$ 120,977</u>	<u>\$ 1,648,795</u>	<u>\$ 43,064,879</u>

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

County of Washington, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 24,260,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 1,828,672	
Buildings and system	29,206,716	
Improvements other than buildings	98,219	
Machinery and equipment	1,392,566	
Construction in progress	<u>137,389</u>	32,663,562
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue		3,682,802
Pension contributions subsequent to the measurement date will be a reduction to in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,325,194
Items related to measurement of the net pension liability are considered to be deferred and will be amortized and recognized in pension expense over future years.		
Deferred outflows	34,488	
Deferred inflows	<u>(954,454)</u>	(919,966)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and note	\$ (12,706,899)	
General obligation bond premium	(212,263)	
Literary loans	(1,785,044)	
Lease revenue notes	(13,465,206)	
Lease revenue notes premium	(951,550)	
Deferred charge on refunding	1,609,794	
Landfill post-closure liability	(55,838)	
Net OPEB obligation	(1,285,760)	
Net pension liability	(7,224,798)	
Compensated absences	(1,438,288)	
Accrued interest payable	<u>(181,639)</u>	(37,697,491)
Net position of governmental activities		<u><u>\$ 23,314,696</u></u>

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

County of Washington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 36,911,855	\$ -	\$ -	\$ 36,911,855
Other local taxes	9,569,743	-	-	9,569,743
Permits, privilege fees, and regulatory licenses	185,303	-	-	185,303
Fines and forfeitures	954,757	-	-	954,757
Revenue from the use of money and property	136,324	-	-	136,324
Charges for services	602,252	-	-	602,252
Miscellaneous	954,452	-	-	954,452
Recovered costs	292,731	-	-	292,731
Intergovernmental:				
Commonwealth	12,278,606	127,134	-	12,405,740
Federal	3,171,815	-	-	3,171,815
Total revenues	<u>\$ 65,057,838</u>	<u>\$ 127,134</u>	<u>\$ -</u>	<u>\$ 65,184,972</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,295,436	\$ -	\$ -	\$ 3,295,436
Judicial administration	1,643,657	-	-	1,643,657
Public safety	11,472,090	186,447	-	11,658,537
Public works	3,142,723	75,952	-	3,218,675
Health and welfare	8,661,176	-	-	8,661,176
Education	28,321,347	-	-	28,321,347
Parks, recreation, and cultural	2,110,093	-	-	2,110,093
Community development	3,505,726	-	-	3,505,726
Nondepartmental	454,331	-	-	454,331
Debt service:				
Principal retirement	2,142,313	-	-	2,142,313
Interest and other fiscal charges	1,204,623	519,034	-	1,723,657
Total expenditures	<u>\$ 65,953,515</u>	<u>\$ 781,433</u>	<u>\$ -</u>	<u>\$ 66,734,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (895,677)</u>	<u>\$ (654,299)</u>	<u>\$ -</u>	<u>\$ (1,549,976)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 111,351	\$ -	\$ 775,000	\$ 886,351
Transfers out	(775,000)	(111,351)	-	(886,351)
Issuance of bond premium	-	951,550	-	951,550
Issuance of lease revenue bond	1,612,500	11,852,706	-	13,465,206
Sale of capital assets	128,175	-	-	128,175
Payment to refunding bond agent	-	(13,254,793)	-	(13,254,793)
Total other financing sources (uses)	<u>\$ 1,077,026</u>	<u>\$ (561,888)</u>	<u>\$ 775,000</u>	<u>\$ 1,290,138</u>
Net change in fund balances	\$ 181,349	\$ (1,216,187)	\$ 775,000	\$ (259,838)
Fund balances - beginning	22,350,762	1,295,876	873,795	24,520,433
Fund balances - ending	<u>\$ 22,532,111</u>	<u>\$ 79,689</u>	<u>\$ 1,648,795</u>	<u>\$ 24,260,595</u>

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

County of Washington, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds \$ (259,838)

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

Capital Outlay	\$ 565,809	
Assets transferred to school board (net)	(546,696)	
Depreciation Expense	<u>(1,398,853)</u>	(1,379,740)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (58,785)

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

Property taxes	\$ 43,149	
Change in deferred inflows related to the measurement of the net pension liability	<u>1,252,058</u>	1,295,207

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

Debt issued or incurred:		
Lease revenue notes	\$ (13,465,206)	
Premium on lease revenue notes	(951,550)	
Increase in landfill post-closure liability	(763)	
Deferred amount on refunding	1,609,794	
Principal repayments:		
General obligation bonds and note	1,343,273	
Literary loans	282,023	
Lease revenue notes	12,010,000	
Capital lease	<u>152,016</u>	979,587

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

Amortization of bond premium	\$ 22,159	
Change in compensated absences	4,385	
Change in net OPEB obligation	(146,448)	
Change in net pension liability	(751,437)	
Change in deferred outflows related to pension payments subsequent to the measurement date	34,437	
Change in deferred outflows related to difference between expected and actual experience	34,488	
Change in accrued interest payable	<u>244,906</u>	(557,510)

Change in net position of governmental activities \$ 18,921

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

County of Washington, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>\$ 3,835,655</u>
LIABILITIES	
Current liabilities:	
Incurred but unpaid liability	<u>\$ 775,553</u>
NET POSITION	
Unrestricted	<u>\$ 3,060,102</u>
Total net position	<u><u>\$ 3,060,102</u></u>

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

County of Washington, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	<u>\$ 9,137,117</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>\$ 8,578,486</u>
Operating income (loss)	<u>\$ 558,631</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>\$ 29,554</u>
Change in net position	\$ 588,185
Total net position - beginning	<u>2,471,917</u>
Total net position - ending	<u><u>\$ 3,060,102</u></u>

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

County of Washington, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 9,137,117
Payments for premiums	(8,531,694)
Net cash provided by (used for) operating activities	<u>\$ 605,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 29,554
Net cash provided by (used for) investing activities	<u>\$ 29,554</u>
Net increase (decrease) in cash and cash equivalents	\$ 634,977
Cash and cash equivalents - beginning	3,200,678
Cash and cash equivalents - ending	<u><u>\$ 3,835,655</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 558,631</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ 46,792
Net cash provided by (used for) operating activities	<u><u>\$ 605,423</u></u>

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

County of Washington, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 307,893
Cash in custody of others	13,757
Accounts receivable	4,343
Total assets	\$ 325,993
LIABILITIES	
Amounts held for social services clients	\$ 116,282
Amounts held for school board employee fringe benefits	31,009
Amounts held for soil erosion deposits	17,518
Amounts held for commonwealth attorney collection program	161,184
Total liabilities	\$ 325,993

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

Other Discretely Presented Component Units:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail Authority, Appalachian Juvenile Commission, and the Highlands Community Services. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,640,662 to the Regional Jail, \$231,760 to the Juvenile Commission, and \$348,499 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and fund financial statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

The County reports the following nonmajor governmental fund:

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

The County reports the following internal service fund:

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

Additionally, the County reports the following fund type:

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

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

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

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

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

1. Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

2. 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.

3. Receivables and payables

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$655,357 at June 30, 2016 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Capital assets

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

7. Capital assets (Continued)

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

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

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

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

9. Long-term obligations

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

10. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Washington, Virginia evaluated its funds at June 30, 2016 and classified fund balance into the following five categories:

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

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

Committed -amounts that have been committed (establish, modify or rescind) by formal action by the entity's "highest level of decision-making authority"; which the County of Washington, Virginia considers to be the Board of Directors; 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 -amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Washington, Virginia considers this level of authority to be the Board of Directors or any Committee granted such authority by the Board of Directors;

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

11. Deferred Outflows/Inflows of Resources

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

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

12. Pensions

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

13. 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.

14. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

A. Budgetary information (Continued)

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

B. Excess of expenditures over appropriations

For fiscal year 2016, no departments had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2016, no funds had deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3-Deposits and Investments: (Continued)

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2016 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP investments and Moody's rating scale for commercial paper.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
LGIP	\$ 193,020

Concentration of Credit Risk

At June 30, 2016, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 yr</u>
Local Government Investment Pool (LGIP)	\$ 193,020	\$ 193,020

External Investment Pools

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 48,947	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,126,773	-
State sales tax	-	1,378,997
Categorical aid-shared expenses	318,192	-
Categorical aid-other	301,208	202
Noncategorical aid	93,915	-
Categorical aid-VPA funds	195,198	-
Categorical aid-CSA funds	190,882	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	215,769	-
Categorical aid-other	-	630,116
Totals	<u>\$ 2,490,884</u>	<u>\$ 2,009,315</u>

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<u>Primary Government:</u>		
General Fund	\$ <u>1,408,430</u>	\$ <u>-</u>
<u>Component Unit - School Board:</u>		
School Fund	\$ <u>-</u>	\$ <u>1,378,430</u>
<u>Component Unit - Park Authority:</u>		
Washington Park Authority	\$ <u>-</u>	\$ <u>30,000</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 111,351	\$ 775,000
County Capital Improvements Fund	-	111,351
School Capital Projects Fund	775,000	-
Total	<u>\$ 886,351</u>	<u>\$ 886,351</u>

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General Obligation bonds and note	\$ 14,050,172	\$ -	\$ (1,343,273)	\$ 12,706,899
General Obligation bond premium	234,422	-	(22,159)	212,263
Literary loans	2,067,067	-	(282,023)	1,785,044
Lease revenue notes	12,010,000	13,465,206	(12,010,000)	13,465,206
Lease revenue premium	-	951,550	-	951,550
Capital lease	152,016	-	(152,016)	-
Landfill post-closure liability	55,075	763	-	55,838
Net OPEB obligation	1,139,312	196,948	(50,500)	1,285,760
Net pension liability	6,473,361	4,188,747	(3,437,310)	7,224,798
Compensated absences	1,442,673	-	(4,385)	1,438,288
Total	\$ 37,624,098	\$ 18,803,214	\$ (17,301,666)	\$ 39,125,646

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 282,023	\$ 53,551	\$ 1,415,646	\$ 240,330	\$ 532,931	\$ 417,197
2018	282,023	45,091	1,429,436	210,711	668,417	418,529
2019	282,023	36,630	1,453,465	180,620	684,438	401,603
2020	282,023	28,169	1,467,610	150,170	703,966	381,538
2021	279,260	19,709	1,297,369	121,731	732,008	360,814
2022-2026	377,692	19,077	4,490,659	333,893	4,005,037	1,434,575
2027-2031	-	-	1,152,714	29,614	3,161,208	717,711
2032-2036	-	-	-	-	1,550,709	341,957
2037-2041	-	-	-	-	1,426,492	90,784
Totals	\$ 1,785,044	\$ 202,227	\$ 12,706,899	\$ 1,267,069	\$ 13,465,206	\$ 4,564,708

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Advanced Refunding:

The Washington County Industrial Development Authority (IDA) issued \$15,977,360 (including a premium of \$1,187,360) of Public Facilities Lease Revenue and Refunding Bonds, Series 2016 for the purpose of providing funds to refund in advance of their maturities the Public Facilities Lease Revenue and Refunding Bonds, Series 2010 of \$23,523,021 and to pay the costs incurred in connection with the issuance and delivery of the Series 2016 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the County's and IDA's financial statements. A portion of the proceeds of the Series 2016 Bonds, together with amounts contributed from the Refunded 2010 Bonds Debt Service Reserve Fund, will be used to purchase the Restricted Escrow Fund Securities and to provide the cash that will be placed in an irrevocable escrow account to advance refund the Refunded 2010 Bonds. The Escrow agent will pay the scheduled debt service requirement of the Refunded 2010 Bonds on each scheduled payment date.

The reacquisition price exceeded the carrying amount of the old debt by \$2,009,547. This amount is being shown as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. The advanced refunding was undertaken to reduce the total debt service payments over the next 24 years by \$3,348,535 and resulted in an economic gain of \$1,718,389 on a present value basis.

These bonds were originally issued to purchase and renovate the County Administration and Sheriff's Office building, which amounted to 80.14% of the issuance. The remaining amount was issued for an IDA project. As such the County has shown the 80.14% as a long term liability on its books as a lease revenue bond. The remaining amount of 19.86% is shown as a long term liability on the IDA's books. The County agreed to pay the debt service of the 19.86%, appropriated annually by the Board of Supervisors.

A breakdown of the outstanding balance by entity as of June 30, 2016 follows:

	Primary Government	Component Unit - IDA	Total
Lease revenue notes	\$ 11,852,706	\$ 2,937,294	\$ 14,790,000
Premium	951,550	235,810	1,187,360
Total	<u>12,804,256</u>	<u>3,173,104</u>	<u>15,977,360</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Note						
GO Bond	4.1-5.225%	5/13/1999	2020	\$ 1,400,000	\$ 280,000	\$ 70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	402,228	64,178
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	426,836	50,033
GO Bond	5.05%	11/1/2007	2027	1,565,886	995,726	75,868
GO Bond	5.05%	11/1/2007	2027	1,204,508	765,936	58,359
GO Bond	5.05%	11/1/2007	2027	1,243,435	790,687	60,245
GO Bond	5.05%	11/1/2007	2027	989,925	629,486	47,963
Early retirement refunding note	2.50%	9/15/2014	2020	1,854,000	1,576,000	299,000
QSC Bond	5.31%	7/1/2010	2027	8,145,000	6,840,000	690,000
Total General Obligation Bonds and Note					\$ 12,706,899	\$ 1,415,646

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Literary Loans:						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 237,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	300,351	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	351,798	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	159,000	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	198,414	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	49,290	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	120,886	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	111,806	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	197,836	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	58,426	6,490
Total Literary Loans					<u>\$ 1,785,044</u>	<u>\$ 282,023</u>
Leave Revenue Notes:						
Lease Revenue Note	2%-4%	6/16/2016	2041	\$ 3,969,636	\$ 3,969,636	\$ 178,486
Lease Revenue Note	2%-4%	6/16/2016	2041	7,883,070	7,883,070	354,445
Lease Revenue Note	2.49%	9/24/2015	2026	1,612,500	1,612,500	-
Total Lease Revenue Notes					<u>\$ 13,465,206</u>	<u>\$ 532,931</u>
Other Obligations:						
Landfill Post-closure liability	n/a	n/a	n/a	n/a	\$ 55,838	\$ -
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	24,948	3,118
Premium on \$5,003,754 bonds	n/a	n/a	n/a	n/a	187,315	20,117
Premium on \$7,883,070 bonds	n/a	n/a	n/a	n/a	951,550	83,252
Net OPEB obligation	n/a	n/a	n/a	n/a	1,285,760	-
Net pension liability	n/a	n/a	n/a	n/a	7,224,798	-
Compensated Absences	n/a	n/a	n/a	n/a	1,438,288	-
Total Other Obligations					<u>\$ 11,168,497</u>	<u>\$ 106,487</u>
Total Long-term obligations					<u><u>\$ 39,125,646</u></u>	<u><u>\$ 2,337,087</u></u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2016.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Compensated absences	\$ 3,563,152	\$ -	\$ (263,658)	\$ 3,299,494
Net OPEB obligation	2,891,853	523,083	(379,700)	3,035,236
Net pension liability	<u>60,763,510</u>	<u>14,588,093</u>	<u>(14,782,967)</u>	<u>60,568,636</u>
Total	<u>\$ 67,218,515</u>	<u>\$ 15,111,176</u>	<u>\$ (15,426,325)</u>	<u>\$ 66,903,366</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 3,299,494	\$ -
Net OPEB obligation	n/a	n/a	n/a	n/a	3,035,236	-
Net pension liability	n/a	n/a	n/a	n/a	<u>60,568,636</u>	-
Total Other Obligations					<u>\$ 66,903,366</u>	<u>\$ -</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-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 will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</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 will be paying the full 5% by 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-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>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-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>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</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>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <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>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</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 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>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</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>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</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>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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</p> <p><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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-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><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>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>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	180	138
Inactive members:		
Vested inactive members	36	12
Non-vested inactive members	51	24
Inactive members active elsewhere in VRS	72	13
Total inactive members	159	49
Active members	249	90
Total covered employees	588	277

(1) Includes Component Unit Washington Park Authority

Contributions

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Contributions (Continued)

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,325,194 and \$1,286,475 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit Washington County Park Authority's (WCPA) contractually required contribution rate for the year ended June 30, 2016 was 12.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit WCPA were \$5,176 and \$4,905 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 12.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board were \$322,026 and \$329,457 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County's, Component Unit WCPA's, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's, Component Unit WCPA, and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 42,788,390	\$ 36,315,031	\$ 6,473,359
Changes for the year:			
Service cost	\$ 1,197,031	\$ -	\$ 1,197,031
Interest	2,921,020	-	2,921,020
Differences between expected and actual experience	47,701	-	47,701
Contributions - employer	-	1,286,475	(1,286,475)
Contributions - employee	-	496,874	(496,874)
Net investment income	-	1,653,959	(1,653,959)
Benefit payments, including refunds of employee contributions	(2,119,088)	(2,119,088)	-
Administrative expenses	-	(22,642)	22,642
Other changes	-	(352)	352
Net changes	\$ 2,046,664	\$ 1,295,226	\$ 751,438
Balances at June 30, 2015	\$ 44,835,054	\$ 37,610,257	\$ 7,224,797

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit Washington County Park Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 163,130	\$ 138,450	\$ 24,680
Changes for the year:			
Service cost	\$ 4,564	\$ -	\$ 4,564
Interest	11,136	-	11,136
Differences between expected and actual experience	182	-	182
Contributions - employer	-	4,905	(4,905)
Contributions - employee	-	1,894	(1,894)
Net investment income	-	6,306	(6,306)
Benefit payments, including refunds of employee contributions	(8,079)	(8,079)	-
Administrative expenses	-	(86)	86
Other changes	-	(1)	1
Net changes	\$ 7,803	\$ 4,939	\$ 2,864
Balances at June 30, 2015	\$ 170,933	\$ 143,389	\$ 27,544

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 14,317,360	\$ 12,086,850	\$ 2,230,510
Changes for the year:			
Service cost	\$ 279,645	\$ -	\$ 279,645
Interest	969,365	-	969,365
Differences between expected and actual experience	46,177	-	46,177
Contributions - employer	-	329,457	(329,457)
Contributions - employee	-	131,838	(131,838)
Net investment income	-	542,672	(542,672)
Benefit payments, including refunds of employee contributions	(938,586)	(938,586)	-
Administrative expenses	-	(7,794)	7,794
Other changes	-	(112)	112
Net changes	\$ 356,601	\$ 57,475	\$ 299,126
Balances at June 30, 2015	\$ 14,673,961	\$ 12,144,325	\$ 2,529,636

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability	\$ 13,000,634	\$ 7,224,797	\$ 2,415,443
Component Unit Washington County Park Authority			
Net Pension Liability	\$ 49,565	\$ 27,544	\$ 9,209
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 4,057,265	\$ 2,529,636	\$ 1,229,835

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

For the year ended June 30, 2016, the County, Component Unit WCPA, and Component Unit School Board (nonprofessional) recognized pension expense of \$754,232, \$2,877, and \$184,506, respectively. At June 30, 2016, the County, Component Unit WCPA, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit- Washington County Park Authority		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,488	\$ -	\$ 131	\$ -	\$ 26,443	\$ -
Net difference between projected and actual earnings on pension plan investments	-	954,454	-	3,639	-	336,339
Employer contributions subsequent to the measurement date	1,325,194	-	5,176	-	322,026	-
Total	\$ 1,359,682	\$ 954,454	\$ 5,307	\$ 3,639	\$ 348,469	\$ 336,339

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

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

\$1,325,194, \$5,176, and \$322,026 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit WCPA's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit Washington County Park Authority</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (363,307)	\$ (1,385)	\$ (111,474)
2018	(363,307)	(1,385)	(124,499)
2019	(368,460)	(1,405)	(131,209)
2020	175,108	667	57,286
Thereafter	-	-	-

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$4,848,000 and \$4,960,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$58,039,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.46113% as compared to 0.48436% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$3,382,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, 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.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 799,000
Net difference between projected and actual earnings on pension plan investments	-	3,554,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,582,000
Employer contributions subsequent to the measurement date	<u>4,848,000</u>	<u>-</u>
Total	<u>\$ 4,848,000</u>	<u>\$ 7,935,000</u>

\$4,848,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2017	\$ (2,442,000)
2018	(2,442,000)
2019	(2,442,000)
2020	(246,000)
Thereafter	(363,000)

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 84,935,000	\$ 58,039,000	\$ 35,899,000

Pension Plan Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Other Postemployment Benefits - Health Insurance:

A. Plan Description

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

B. Funding Policy

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

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

B. Funding Policy (Continued)

The following are the 2016 blended medical rates for active employees and early retirees:

County:

<u>Medical Option</u>	<u>Monthly Premiums</u>		
	<u>Retiree</u>	<u>Retiree and Dependent</u>	<u>Family</u>
Key Advantage 500 with CD	\$ 576	\$ 1,066	\$ 1,555
Key Advantage 500 with PD	565	1,045	1,526
Key Advantage 250 with CD	625	1,156	1,688
Key Advantage 250 with PD	614	1,136	1,658
Advantage 65	201	402	N/A

School Board:

<u>Medical Option</u>	<u>Monthly Premiums</u>				
	<u>Retiree</u>	<u>Retiree and Child</u>	<u>Retiree and Children</u>	<u>Retiree and Spouse</u>	<u>Family</u>
Anthem Key Care 200	\$ 615	\$ 1,043	\$ 1,175	\$ 1,291	\$ 1,718
Anthem Key Care 30/1000	602	1,021	1,150	1,263	1,683
Anthem Key Care 30/2000	576	975	1,100	1,208	1,608
Lumenos H.S.A.	459	778	881	964	1,283

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 199,200	\$ 528,800	\$ 728,000
Interest on net OPEB obligation	39,876	101,215	141,091
Adjustment to annual required contribution	(42,128)	(106,932)	(149,060)
Annual OPEB cost (expense)	196,948	523,083	720,031
Contributions made	(50,500)	(379,700)	(430,200)
Increase in net OPEB obligation	146,448	143,383	289,831
Net OPEB obligation - beginning of year	1,139,312	2,891,853	4,031,165
Net OPEB obligation - end of year	<u>\$ 1,285,760</u>	<u>\$ 3,035,236</u>	<u>\$ 4,320,996</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 196,948	26%	\$ 1,285,760
6/30/2015	174,057	39%	1,139,312
6/30/2014	166,569	36%	1,032,955

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 523,083	73%	\$3,035,236
6/30/2015	657,885	77%	2,891,853
6/30/2014	639,627	81%	2,738,668

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

D. Funded Status and Funding Progress

County:

As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$1,873,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,514,100, and the ratio of the UAAL to the covered payroll was 17.82%.

School Board:

As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$5,835,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$32,112,500, and ratio of the UAAL to the covered payroll was 18.17%.

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

E. Actuarial Methods and Assumptions

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

In the June 30, 2016 most recent actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return per annum and payroll growth of 3.0%. Also, a medical cost trend rate of 6.9% for 2016, 7.4% in 2017, then graded to 4.0% over 81 years is used for the County and a rate of 7.1% for 2016, 7.6% for 2017, then graded to 4.1% over 57 years is used for the School Board. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2016, was 30 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

A. Plan Description

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

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The locality is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

For 2016, the County and School Board's contribution of \$3,413 and \$18,594, respectively, was equal to the ARC and OPEB cost. The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2016	\$ 3,413	100%	-
June 30, 2015	3,232	100%	-
June 30, 2014	1,231	100%	-
School Board:			
June 30, 2016	\$ 18,594	100%	-
June 30, 2015	18,986	100%	-
June 30, 2014	22,415	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 193,238	\$ 323,761
Actuarial value of plan assets	\$ 220,909	\$ 21,330
Unfunded actuarial accrued liability (UAAL)	\$ (27,671)	\$ 302,431
Funded ratio (actuarial value of plan assets/AAL)	114.32%	6.59%
Covered payroll (active plan members)	\$ 3,166,361	\$ 2,730,177
UAAL as a percentage of covered payroll	-0.87%	11.08%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

D. Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2015 was 19-28 years.

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

F. Professional Employees - Discretely Presented Component Unit School Board

Plan Description

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2016 was \$367,380 and equaled the required contributions.

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,887,457	\$ -	\$ (58,785)	\$ 1,828,672
Construction in progress	75,688	145,024	(83,323)	137,389
Total capital assets not being depreciated	<u>\$ 1,963,145</u>	<u>\$ 145,024</u>	<u>\$ (142,108)</u>	<u>\$ 1,966,061</u>
Capital assets, being depreciated:				
Buildings	\$ 37,504,104	\$ 44,129	\$ (1,379,417)	\$ 36,168,816
Improvements other than buildings	171,374	93,021	-	264,395
Machinery and equipment	9,981,941	366,958	(173,060)	10,175,839
Total capital assets being depreciated	<u>\$ 47,657,419</u>	<u>\$ 504,108</u>	<u>\$ (1,552,477)</u>	<u>\$ 46,609,050</u>
Accumulated depreciation:				
Buildings	\$ (7,055,314)	\$ (739,507)	\$ 832,721	\$ (6,962,100)
Improvements other than buildings	(151,389)	(14,787)	-	(166,176)
Machinery and equipment	(8,311,774)	(644,559)	173,060	(8,783,273)
Total accumulated depreciation	<u>\$ (15,518,477)</u>	<u>\$ (1,398,853)</u>	<u>\$ 1,005,781</u>	<u>\$ (15,911,549)</u>
Total capital assets being depreciated, net	<u>\$ 32,138,942</u>	<u>\$ (894,745)</u>	<u>\$ (546,696)</u>	<u>\$ 30,697,501</u>
Governmental activities capital assets, net	<u>\$ 34,102,087</u>	<u>\$ (749,721)</u>	<u>\$ (688,804)</u>	<u>\$ 32,663,562</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11-Capital Assets: (Continued)

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

Governmental activities:	
General government administration	\$ 171,941
Judicial administration	2,355
Public safety	358,442
Public works	380,124
Health and welfare	28,155
Education	364,805
Parks, recreation, and cultural	<u>93,031</u>
Total depreciation expense-primary government	<u>\$ 1,398,853</u>

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,029,475	\$ -	\$ (210,000)	\$ 2,819,475
Construction in progress	51,334	61,113	(45,070)	67,377
Total capital assets not being depreciated	<u>\$ 3,080,809</u>	<u>\$ 61,113</u>	<u>\$ (255,070)</u>	<u>\$ 2,886,852</u>
Capital assets, being depreciated:				
Buildings	\$ 41,429,645	\$ 979,121	\$ -	\$ 42,408,766
Machinery and equipment	20,451,009	1,950,989	(615,529)	21,786,469
Total capital assets being depreciated	<u>\$ 61,880,654</u>	<u>\$ 2,930,110</u>	<u>\$ (615,529)</u>	<u>\$ 64,195,235</u>
Accumulated depreciation:				
Buildings	\$ (32,347,865)	\$ (1,320,943)	\$ -	\$ (33,668,808)
Machinery and equipment	(14,999,197)	(1,655,846)	615,529	(16,039,514)
Total accumulated depreciation	<u>\$ (47,347,062)</u>	<u>\$ (2,976,789)</u>	<u>\$ 615,529</u>	<u>\$ (49,708,322)</u>
Total capital assets being depreciated, net	<u>\$ 14,533,592</u>	<u>\$ (46,679)</u>	<u>\$ -</u>	<u>\$ 14,486,913</u>
Governmental activities capital assets, net	<u>\$ 17,614,401</u>	<u>\$ 14,434</u>	<u>\$ (255,070)</u>	<u>\$ 17,373,765</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12-Risk Management:

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

Note 13-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 14-Surety Bonds:

Primary Government:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 14-Surety Bonds: (Continued)

Component Unit - School Board:

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

Note 15-Landfill Liability:

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$55,838 liability is the total estimated post-closure care liability at June 30, 2016 and represents what it would cost to perform all post-closure care in 2016. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the DEQ's assurance requirements for landfill post-closure costs.

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

Note 16-School Board Early Retirement Incentive Program:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 17-Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable/deferred revenue		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 3,682,802
Tax assessments due after June 30	12,345,016	12,345,016
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>625,139</u>	<u>625,139</u>
Total unavailable/deferred revenue	<u>\$ 12,970,155</u>	<u>\$ 16,652,957</u>

Note 18-Self Health Insurance:

The Washington County School Board established a limited risk management program for health insurance for School Board employees. Premiums are paid into the health plan fund from the School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2016, a total of 8,578,486 was paid in benefits and administrative costs. The risk assumed by the School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$775,553 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2016 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2015-16	\$ <u>728,761</u>	\$ <u>8,625,278</u>	\$ <u>(8,578,486)</u>	\$ <u>775,553</u>

Note 19-Litigation:

As of June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should a court decision on pending matters not be favorable.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 20-Fund Balance:

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable:				
Prepaid items	\$ 67,803	\$ -	\$ -	\$ -
Restricted:				
Forfeited Asset Sharing	\$ 193,911	\$ -	\$ -	\$ -
Health Insurance	193,886	-	-	-
Washington County Park Authority	30,000	-	-	-
IDA Project Funds	1,539,070	-	-	-
Capital Improvements	-	79,689	1,648,795	-
	<u>\$ 1,956,867</u>	<u>\$ 79,689</u>	<u>\$ 1,648,795</u>	<u>\$ -</u>
Committed:				
Road Improvements	\$ 329,812	\$ -	\$ -	\$ -
Law Library	\$ 35,332	-	-	-
Cash Flows	5,000,000	-	-	-
	<u>\$ 5,365,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:				
Traffic Enforcement	\$ 422,838	\$ -	\$ -	\$ -
School Board - Textbook	-	-	-	1,490,896
School Board - Food Service	-	-	-	618,300
School Capital Needs	5,600	-	-	-
	<u>\$ 428,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,109,196</u>

Note 21-Adoption of Accounting Principles:

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 21-Adoption of Accounting Principles: (Continued)

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

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

Note 22-Restatement of Net Position:

The Washington County Park Authority restated its beginning net position by \$9,832. Information regarding this information can be found in the Authority's separately issued financial report.

Note 23-Upcoming Pronouncements:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 23—Upcoming Pronouncements: (Continued)

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

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

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

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

Required Supplementary Information

County of Washington, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 36,859,115	\$ 36,859,115	\$ 36,911,855	\$ 52,740
Other local taxes	9,321,500	9,521,500	9,569,743	48,243
Permits, privilege fees, and regulatory licenses	176,845	176,845	185,303	8,458
Fines and forfeitures	1,107,551	1,086,335	954,757	(131,578)
Revenue from the use of money and property	140,000	140,000	136,324	(3,676)
Charges for services	548,143	548,143	602,252	54,109
Miscellaneous	921,421	970,698	954,452	(16,246)
Recovered costs	906,305	1,016,240	292,731	(723,509)
Intergovernmental:				
Commonwealth	13,564,251	14,439,875	12,278,606	(2,161,269)
Federal	2,731,910	3,165,263	3,171,815	6,552
Total revenues	<u>\$ 66,277,041</u>	<u>\$ 67,924,014</u>	<u>\$ 65,057,838</u>	<u>\$ (2,866,176)</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,501,423	\$ 3,669,329	\$ 3,295,436	\$ 373,893
Judicial administration	1,775,642	2,068,097	1,643,657	424,440
Public safety	11,439,420	12,749,115	11,472,090	1,277,025
Public works	3,523,129	3,613,019	3,142,723	470,296
Health and welfare	9,096,321	9,096,321	8,661,176	435,145
Education	28,500,128	30,006,699	28,321,347	1,685,352
Parks, recreation, and cultural	2,139,818	2,284,787	2,110,093	174,694
Community development	5,491,702	7,130,513	3,505,726	3,624,787
Nondepartmental	365,738	439,074	454,331	(15,257)
Debt service:				
Principal retirement	1,974,357	1,974,357	2,142,313	(167,956)
Interest and other fiscal charges	1,697,663	1,697,663	1,204,623	493,040
Total expenditures	<u>\$ 69,505,341</u>	<u>\$ 74,728,974</u>	<u>\$ 65,953,515</u>	<u>\$ 8,775,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,228,300)</u>	<u>\$ (6,804,960)</u>	<u>\$ (895,677)</u>	<u>\$ 5,909,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 111,351	\$ 111,351
Transfers out	(25,000)	(800,000)	(775,000)	25,000
Issuance of general obligation bonds	1,750,000	1,750,000	1,612,500	(137,500)
Sale of capital assets	3,300	3,300	128,175	\$ 124,875
Total other financing sources (uses)	<u>\$ 1,728,300</u>	<u>\$ 953,300</u>	<u>\$ 1,077,026</u>	<u>\$ 123,726</u>
Net change in fund balances	\$ (1,500,000)	\$ (5,851,660)	\$ 181,349	\$ 6,033,009
Fund balances - beginning	1,500,000	5,851,660	22,350,762	16,499,102
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,532,111</u>	<u>\$ 22,532,111</u>

County of Washington, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

Primary Government:
County Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2016	\$ -	\$ 1,873,300	\$ 1,873,300	0.00%	\$ 10,514,100	17.82%
June 30, 2014	-	1,661,900	1,661,900	0.00%	9,563,000	17.38%
July 1, 2012	-	2,883,248	2,883,248	0.00%	8,551,054	33.72%

County VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2015	\$ 220,909	\$ 193,238	\$ (27,671)	114.32%	\$ 3,166,361	-0.87%
June 30, 2014	221,738	193,179	(28,559)	114.78%	3,095,644	-0.92%
June 30, 2013	202,883	200,214	(2,669)	101.33%	3,132,360	-0.09%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2016	\$ -	\$ 5,835,300	\$ 5,835,300	0.00%	\$ 32,112,500	18.17%
June 30, 2014	-	6,928,300	6,928,300	0.00%	39,178,800	17.68%
July 1, 2012	-	15,543,864	15,543,864	0.00%	38,697,882	40.17%

School Board Non-Professional VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2015	\$ 21,330	\$ 323,761	\$ 302,431	6.59%	\$ 2,730,177	11.08%
June 30, 2014	28,662	324,789	296,127	8.82%	2,583,182	11.46%
June 30, 2013	30,476	313,285	282,809	9.73%	2,705,962	10.45%

County of Washington, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 1,197,031	\$ 1,190,097
Interest	2,921,020	2,786,695
Changes of benefit terms	-	-
Differences between expected and actual experience	47,701	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,119,088)	(1,996,668)
Net change in total pension liability	\$ 2,046,664	\$ 1,980,124
Total pension liability - beginning	42,788,390	40,808,274
Total pension liability - ending (a)	<u>\$ 44,835,054</u>	<u>\$ 42,788,398</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,286,475	\$ 1,374,053
Contributions - employee	496,874	504,115
Net investment income	1,653,959	4,958,189
Benefit payments, including refunds of employee contributions	(2,119,088)	(1,996,668)
Administrative expense	(22,642)	(26,594)
Other	(352)	262
Net change in plan fiduciary net position	\$ 1,295,226	\$ 4,813,357
Plan fiduciary net position - beginning	36,315,031	31,501,680
Plan fiduciary net position - ending (b)	<u>\$ 37,610,257</u>	<u>\$ 36,315,037</u>
County/City/Town's net pension liability - ending (a) - (b)	\$ 7,224,797	\$ 6,473,361
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.87%
Covered payroll	\$ 9,974,884	\$ 9,957,113
County's net pension liability as a percentage of covered payroll	72.43%	65.01%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit Washington County Park Authority
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 4,564	\$ 4,537
Interest	11,136	10,624
Changes of benefit terms	-	-
Differences between expected and actual experience	182	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(8,079)	(7,612)
Net change in total pension liability	\$ 7,803	\$ 7,549
Total pension liability - beginning	163,130	155,573
Total pension liability - ending (a)	\$ 170,933	\$ 163,122
Plan fiduciary net position		
Contributions - employer	\$ 4,905	\$ 5,238
Contributions - employee	1,894	1,922
Net investment income	6,306	18,902
Benefit payments, including refunds of employee contributions	(8,079)	(7,612)
Administrative expense	(86)	(101)
Other	(1)	1
Net change in plan fiduciary net position	\$ 4,939	\$ 18,350
Plan fiduciary net position - beginning	138,450	120,094
Plan fiduciary net position - ending (b)	\$ 143,389	\$ 138,444
Component Unit WCPA's net pension liability - ending (a) - (b)	\$ 27,544	\$ 24,678
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.87%
Covered payroll	\$ 38,029	\$ 37,961
Component Unit WCPA's net pension liability as a percentage of covered payroll	72.43%	65.01%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 279,645	\$ 286,590
Interest	969,365	949,439
Changes of benefit terms	-	-
Differences between expected and actual experience	46,177	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(938,586)	(964,155)
Net change in total pension liability	\$ 356,601	\$ 271,874
Total pension liability - beginning	14,317,360	14,045,486
Total pension liability - ending (a)	\$ 14,673,961	\$ 14,317,360
Plan fiduciary net position		
Contributions - employer	\$ 329,457	\$ 353,164
Contributions - employee	131,838	130,716
Net investment income	542,672	1,687,553
Benefit payments, including refunds of employee contributions	(938,586)	(964,155)
Administrative expense	(7,794)	(9,397)
Other	(112)	89
Net change in plan fiduciary net position	\$ 57,475	\$ 1,197,970
Plan fiduciary net position - beginning	12,086,850	10,888,880
Plan fiduciary net position - ending (b)	\$ 12,144,325	\$ 12,086,850
School Division's net pension liability - ending (a) - (b)	\$ 2,529,636	\$ 2,230,510
Plan fiduciary net position as a percentage of the total pension liability	82.76%	84.42%
Covered payroll	\$ 2,674,140	\$ 2,617,034
School Division's net pension liability as a percentage of covered payroll	94.60%	85.23%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Year Ended June 30, 2016*

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.46113%	0.48436%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 58,039,000	\$ 58,533,000
Employer's Covered Payroll	34,658,445	34,284,601
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	167.46%	170.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

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

County of Washington, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

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 Payroll (5)
Primary Government					
2016	\$ 1,325,194	\$ 1,325,194	\$ -	\$ 10,341,453	12.81%
2015	1,286,475	1,286,475	-	9,974,884	12.90%
2014	1,374,081	1,374,081	-	9,957,113	13.80%
2013	1,300,182	1,300,182	-	9,421,612	13.80%
2012	959,836	959,836	-	8,654,962	11.09%
2011	940,189	940,189	-	8,477,805	11.09%
2010	763,626	763,626	-	8,282,274	9.22%
2009	764,542	764,542	-	8,292,211	9.22%
2008	494,142	494,142	-	8,263,246	5.98%
2007	453,273	453,273	-	7,579,812	5.98%
Component Unit Washington County Park Authority					
2016	\$ 5,176	\$ 5,176	\$ -	\$ 39,427	13.13%
2015	4,905	4,905	-	38,029	12.90%
2014	5,239	5,239	-	37,961	13.80%
2013	4,957	4,957	-	35,920	13.80%
2012	3,659	3,659	-	32,997	11.09%
2011	3,584	3,584	-	32,321	11.09%
2010	2,911	2,911	-	31,576	9.22%
2009	2,915	2,915	-	31,614	9.22%
2008	1,884	1,884	-	31,503	5.98%
2007	1,728	1,728	-	28,898	5.98%
Component Unit School Board (nonprofessional)					
2016	\$ 322,026	\$ 322,026	\$ -	\$ 2,620,073	12.29%
2015	329,457	329,457	-	2,674,140	12.32%
2014	353,300	353,300	-	2,617,034	13.50%
2013	366,464	366,464	-	2,714,546	13.50%
2012	277,364	277,364	-	2,426,635	11.43%
2011	278,732	278,732	-	2,438,596	11.43%
2010	288,778	288,778	-	2,491,609	11.59%
2009	321,288	321,288	-	2,772,110	11.59%
2008	332,693	332,693	-	2,609,358	12.75%
2007	315,889	315,889	-	2,477,561	12.75%
Component Unit School Board (professional)					
2016	\$ 4,848,000	\$ 4,848,000	\$ -	\$ 34,658,445	13.99%
2015	4,960,000	4,960,000	-	34,284,601	14.47%
2014	4,110,610	4,110,610	-	35,253,945	11.66%
2013	4,145,991	4,145,991	-	35,557,384	11.66%
2012	2,047,185	2,047,185	-	32,340,995	6.33%
2011	1,269,544	1,269,544	-	32,303,919	3.93%
2010	2,266,366	2,266,366	-	25,724,926	8.81%
2009	3,093,123	3,093,123	-	35,109,228	8.81%
2008	3,449,046	3,449,046	-	34,387,298	10.03%
2007	2,977,726	2,977,726	-	32,366,587	9.20%

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

County of Washington, Virginia
Notes to Required Supplementary Information
June 30, 2016

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

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Other Supplementary Information

County of Washington, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ 150,000	\$ 127,134	\$ (22,866)
Total revenues	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 127,134</u>	<u>\$ (22,866)</u>
EXPENDITURES				
Current:				
Public safety	\$ 70,000	\$ 220,000	\$ 186,447	\$ 33,553
Public works	80,000	160,629	75,952	84,677
Parks, recreation, and cultural	-	10,368	-	10,368
Debt service:				
Interest and other fiscal charges	-	-	519,034	(519,034)
Total expenditures	<u>\$ 150,000</u>	<u>\$ 390,997</u>	<u>\$ 781,433</u>	<u>\$ (390,436)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (150,000)</u>	<u>\$ (240,997)</u>	<u>\$ (654,299)</u>	<u>\$ (413,302)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Transfers out	-	-	(111,351)	(111,351)
Issuance of revenue bonds	-	-	11,852,706	11,852,706
Issuance of bond premiums	-	-	951,550	951,550
Payment to bond escrow agent	-	-	(13,254,793)	(13,254,793)
Total other financing sources (uses)	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ (561,888)</u>	<u>\$ (586,888)</u>
Net change in fund balances	\$ (125,000)	\$ (215,997)	\$ (1,216,187)	\$ (1,000,190)
Fund balances - beginning	125,000	215,997	1,295,876	1,079,879
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,689</u>	<u>\$ 79,689</u>

County of Washington, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Capital Projects Fund
 For the Year Ended June 30, 2016

	School Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Education	\$ 862,206	\$ 1,648,795	\$ -	\$ 1,648,795
Total expenditures	\$ 862,206	\$ 1,648,795	\$ -	\$ 1,648,795
Excess (deficiency) of revenues over (under) expenditures	\$ (862,206)	\$ (1,648,795)	\$ -	\$ 1,648,795
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 775,000	\$ 775,000	\$ -
Total other financing sources (uses)	\$ -	\$ 775,000	\$ 775,000	\$ -
Net change in fund balances	\$ (862,206)	\$ (873,795)	\$ 775,000	\$ 1,648,795
Fund balances - beginning	862,206	873,795	873,795	-
Fund balances - ending	\$ -	\$ -	\$ 1,648,795	\$ 1,648,795

FIDUCIARY FUNDS

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

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

Soil Erosion Deposits - The Soil Erosion Deposits fund accounts for erosion and sediment control deposits obtained on construction projects from the contractor. When the project has met the requirements, the deposit is released to the contractor.

Commonwealth Attorney Collection Program - The Commonwealth Attorney Collection Program fund accounts for the collection of delinquent fines, costs, forfeitures, penalties, and interest collected by the Commonwealth Attorney's office. A portion of the collections are remitted to the State.

School Escrow - The School Escrow fund accounts for funds that were set aside by the School Board on behalf of a terminated employee until a decision was made regarding the employee's status.

County of Washington, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Agency Funds					Total
	Special Welfare	Fringe Benefits	Soil Erosion Deposits	Commonwealth Attorney Collection Program	School Escrow	
ASSETS						
Cash and cash equivalents	\$ 102,525	\$ 31,009	\$ 17,518	\$ 156,841	\$ -	\$ 307,893
Cash in custody of others	13,757	-	-	-	-	13,757
Accounts receivable	-	-	-	4,343	-	4,343
Total assets	<u>\$ 116,282</u>	<u>\$ 31,009</u>	<u>\$ 17,518</u>	<u>\$ 161,184</u>	<u>\$ -</u>	<u>\$ 325,993</u>
LIABILITIES						
Amounts held for social services clients	\$ 116,282	\$ -	\$ -	\$ -	\$ -	\$ 116,282
Amounts held for school board employee fringe benefits	-	31,009	-	-	-	31,009
Amounts held for soil erosion deposits	-	-	17,518	-	-	17,518
Amounts held for commonwealth attorney collection program	-	-	-	161,184	-	161,184
Total liabilities	<u>\$ 116,282</u>	<u>\$ 31,009</u>	<u>\$ 17,518</u>	<u>\$ 161,184</u>	<u>\$ -</u>	<u>\$ 325,993</u>

County of Washington, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 122,322	\$ 99,745	\$ (105,785)	\$ 116,282
Fringe Benefits	31,559	60,833	(61,383)	31,009
Soil Erosion Deposits	9,819	11,857	(4,158)	17,518
Commonwealth Attorney Collection Program	159,386	164,302	(166,847)	156,841
School Escrow	6,958	10	(6,968)	-
Total cash and cash equivalents	<u>\$ 330,044</u>	<u>\$ 336,747</u>	<u>\$ (345,141)</u>	<u>\$ 321,650</u>
Accounts receivable				
Special Welfare	\$ 3,500	\$ -	\$ (3,500)	\$ -
Commonwealth Attorney Collection Program	4,419	-	(76)	4,343
Total accounts receivable	<u>\$ 7,919</u>	<u>\$ -</u>	<u>\$ (3,576)</u>	<u>\$ 4,343</u>
Total Assets	<u>\$ 337,963</u>	<u>\$ 336,747</u>	<u>\$ (348,717)</u>	<u>\$ 325,993</u>
Liabilities				
Amounts held for social services clients	\$ 125,822	\$ 99,745	\$ (109,285)	\$ 116,282
Amounts held for school board employees	31,559	60,833	(61,383)	31,009
Amounts held for soil erosion deposits	9,819	11,857	(4,158)	17,518
Amounts held for Commonwealth Attorney	163,805	164,302	(166,923)	161,184
Amounts held for school escrow	6,958	10	(6,968)	-
Total Liabilities	<u>\$ 337,963</u>	<u>\$ 336,747</u>	<u>\$ (348,717)</u>	<u>\$ 325,993</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Washington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

		<u>School Operating Fund</u>
ASSETS		
Cash and cash equivalents	\$	2,109,497
Accounts receivable		678,531
Due from primary government		1,378,430
Due from other governmental units		2,009,315
Total assets	\$	<u>6,175,773</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	177,478
Accrued wages		3,888,799
Total liabilities	\$	<u>4,066,277</u>
Fund balances:		
Assigned	\$	2,109,196
Unassigned		300
Total fund balances	\$	<u>2,109,496</u>
Total liabilities and fund balances	\$	<u>6,175,773</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	2,109,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,819,475
Buildings and system		8,739,958
Machinery and equipment		5,746,955
Construction in progress		<u>67,377</u>
		17,373,765
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		5,170,026
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		
Prepaid items		674,796
Items related to measurement of the net pension liability are considered to be deferred and will be amortized and recognized in pension expense over future years.		
Deferred inflows of resources related to measurement of net pension liability	(8,271,339)	
Deferred outflows of resources related to measurement of net pension liability		<u>26,443</u>
		(8,244,896)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		3,060,102
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB obligation	\$	(3,035,236)
Net pension liability		(60,568,636)
Compensated absences		<u>(3,299,494)</u>
		(66,903,366)
Net position of governmental activities	\$	<u>(46,760,077)</u>

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

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 15,398
Charges for services	2,621,451
Miscellaneous	1,363,518
Recovered costs	81,744
Intergovernmental:	
Local government	28,236,820
Commonwealth	38,509,877
Federal	6,055,101
Total revenues	<u>\$ 76,883,909</u>
EXPENDITURES	
Current:	
Education	<u>\$ 76,969,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (85,310)</u>
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	<u>\$ 143,648</u>
Net change in fund balances	\$ 58,338
Fund balances - beginning	2,051,158
Fund balances - ending	<u><u>\$ 2,109,496</u></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	\$ 58,338
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital Outlay	\$ 1,566,736
Defeased assets returned to Washington County Public Schools (net)	546,696
Depreciation Expense	<u>(2,144,068)</u> (30,636)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(210,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
(Increase) decrease in deferred inflows of resources related to the net pension liability	2,385,634
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	64,740
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ 263,658
Change in net pension liability	194,874
Change in deferred outflows of resources related to the net pension liability	(94,857)
Change in net OPEB obligation	<u>(143,383)</u> 220,292
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.	588,185
Change in net position of governmental activities	<u><u>\$ 3,076,553</u></u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 19,600	\$ 19,600	\$ 15,398	\$ (4,202)
Charges for services	2,436,004	2,436,004	2,621,451	185,447
Miscellaneous	1,071,019	1,071,019	1,363,518	292,499
Recovered costs	118,500	118,500	81,744	(36,756)
Intergovernmental:				
Local government	28,415,601	29,922,172	28,236,820	(1,685,352)
Commonwealth	38,323,981	38,323,981	38,509,877	185,896
Federal	8,049,692	8,049,692	6,055,101	(1,994,591)
Total revenues	<u>\$ 78,434,397</u>	<u>\$ 79,940,968</u>	<u>\$ 76,883,909</u>	<u>\$ (3,057,059)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 80,199,397</u>	<u>\$ 81,991,827</u>	<u>\$ 76,969,219</u>	<u>\$ 5,022,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,765,000)</u>	<u>\$ (2,050,859)</u>	<u>\$ (85,310)</u>	<u>\$ 1,965,549</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,648</u>	<u>\$ 143,648</u>
Net change in fund balances	<u>\$ (1,765,000)</u>	<u>\$ (2,050,859)</u>	<u>\$ 58,338</u>	<u>\$ 2,109,197</u>
Fund balances - beginning	1,765,000	2,050,859	2,051,158	299
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,109,496</u>	<u>\$ 2,109,496</u>

County of Washington, Virginia
Combining Statement of Net Position
Other Component Units
June 30, 2016

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 255,755	\$ 1,316,077	\$ 762,988	\$ 2,334,820
Cash in custody of others	30,000	-	-	30,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	107,387	29,842	137,229
Notes receivable	-	12,806,305	-	12,806,305
Rent receivable	-	16,865	-	16,865
Grants receivable	-	-	118,437	118,437
Due from other governmental units	-	30,663	-	30,663
Inventories	-	-	44,825	44,825
Prepaid items	-	-	20,926	20,926
Capital assets (net of accumulated depreciation):				
Land	753,776	14,654,863	10,410,073	25,818,712
Buildings and system	92,214	1,004,272	2,848,501	3,944,987
Improvements other than buildings	456,126	711,689	6,148,008	7,315,823
Machinery and equipment	16,292	14,233	355,247	385,772
Construction in progress	-	-	3,049,994	3,049,994
Total assets	<u>\$1,604,163</u>	<u>\$ 30,662,354</u>	<u>\$ 23,788,841</u>	<u>\$56,055,358</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunded bond	\$ -	\$ 2,009,547	\$ -	\$ 2,009,547
Pension contributions subsequent to the measurement date	5,176	-	8,471	13,647
Items related to measurement of net pension liability	131	-	-	131
Total deferred outflows of resources	<u>\$ 5,307</u>	<u>\$ 2,009,547</u>	<u>\$ 8,471</u>	<u>\$ 2,023,325</u>
LIABILITIES				
Accounts payable	\$ 3,358	\$ 329,354	\$ 259,620	\$ 592,332
Accrued wages	-	-	17,490	17,490
Accrued interest payable	-	61,776	17,760	79,536
Long-term liabilities:				
Due within one year	-	1,185,883	19,344	1,205,227
Due in more than one year	27,542	16,910,977	2,385,569	19,324,088
Total liabilities	<u>\$ 30,900</u>	<u>\$ 18,487,990</u>	<u>\$ 2,699,783</u>	<u>\$21,218,673</u>
DEFERRED INFLOWS OF RESOURCES				
Items related to measurement of net pension liability	\$ 3,639	-	\$ 3,475	\$ 7,114
NET POSITION				
Net investment in capital assets	\$1,318,408	\$ 16,385,057	\$ 20,473,250	\$38,176,715
Unrestricted	256,523	(2,201,146)	620,804	(1,323,819)
Total Net Position	<u>\$1,574,931</u>	<u>\$ 14,183,911</u>	<u>\$ 21,094,054</u>	<u>\$36,852,896</u>

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

County of Washington, Virginia
 Combining Statement of Activities
 Other Component Units
 For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit			Total
					Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	
OTHER COMPONENT UNITS:								
Washington Park Authority	\$ 255,565	\$ 224,120	\$ -	\$ -	\$ (31,445)	\$ -	\$ -	\$ (31,445)
Industrial Development Authority	2,393,432	-	312,000	-	-	(2,081,432)	-	(2,081,432)
Virginia Highlands Airport Authority	1,629,925	1,050,533	-	955,524	-	-	376,132	376,132
Total other component units	\$ 4,278,922	\$ 1,274,653	\$ 312,000	\$ 955,524	\$ (31,445)	\$ (2,081,432)	\$ 376,132	\$ (1,736,745)
General revenues:								
Unrestricted revenues from use of money and property					\$ 205	\$ 223,112	\$ 274,145	\$ 497,462
Miscellaneous					1,332	93,466	14,470	109,268
Payments from Washington County					-	1,290,485	44,016	1,334,501
Total general revenues					\$ 1,537	\$ 1,607,063	\$ 332,631	\$ 1,941,231
Change in net position					\$ (29,908)	\$ (474,369)	\$ 708,763	\$ 204,486
Net position - beginning, as restated					1,604,839	14,658,280	20,385,291	36,648,410
Net position - ending					\$ 1,574,931	\$ 14,183,911	\$ 21,094,054	\$ 36,852,896

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

Supporting Schedules

County of Washington, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,896,250	\$ 24,896,250	\$ 24,585,490	\$ (310,760)
Real and personal public service corporation taxes	1,225,350	1,225,350	1,900,256	674,906
Personal property taxes	7,125,000	7,125,000	6,735,363	(389,637)
Mobile home taxes	137,515	137,515	120,810	(16,705)
Machinery and tools taxes	2,800,000	2,800,000	2,821,283	21,283
Penalties	305,000	305,000	305,068	68
Interest	370,000	370,000	443,585	73,585
Total general property taxes	<u>\$ 36,859,115</u>	<u>\$ 36,859,115</u>	<u>\$ 36,911,855</u>	<u>\$ 52,740</u>
Other local taxes:				
Local sales and use taxes	\$ 6,725,000	\$ 6,725,000	\$ 6,608,677	\$ (116,323)
Consumers' utility taxes	1,145,000	1,145,000	1,124,288	(20,712)
Utility license taxes	160,000	160,000	154,519	(5,481)
Motor vehicle licenses	890,000	1,090,000	1,090,256	256
Bank stock taxes	30,000	30,000	38,369	8,369
Taxes on recordation and wills	301,500	301,500	490,791	189,291
Hotel and motel room taxes	70,000	70,000	62,843	(7,157)
Total other local taxes	<u>\$ 9,321,500</u>	<u>\$ 9,521,500</u>	<u>\$ 9,569,743</u>	<u>\$ 48,243</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 36,000	\$ 36,000	\$ 29,144	\$ (6,856)
Zoning, subdivision plat and soil erosion permits	85,000	85,000	99,479	14,479
Building permits	1,250	1,250	710	(540)
Waste hauling fees	2,500	2,500	4,225	1,725
Other permits and licenses	52,095	52,095	51,745	(350)
Total permits, privilege fees, and regulatory licenses	<u>\$ 176,845</u>	<u>\$ 176,845</u>	<u>\$ 185,303</u>	<u>\$ 8,458</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	<u>\$ 1,107,551</u>	<u>\$ 1,086,335</u>	<u>\$ 954,757</u>	<u>\$ (131,578)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 140,000	\$ 140,000	\$ 136,271	\$ (3,729)
Revenue from use of property	-	-	53	53
Total revenue from use of money and property	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 136,324</u>	<u>\$ (3,676)</u>
Charges for services:				
Excess fees of clerk	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Charges for law enforcement and traffic control	58,250	58,250	71,840	13,590
Charges for transportation of prisoners	7,500	7,500	8,859	1,359
Charges for copies	4,250	4,250	15,790	11,540
Charges for Commonwealth's Attorney	6,000	6,000	5,992	(8)
Charges for highways and streets	5,000	5,000	3,766	(1,234)
Commission fees	42,943	42,943	119,503	76,560
Charges for sanitation and waste removal and other related fees	322,500	322,500	300,332	(22,168)
Charges for parks and recreation	63,000	63,000	49,266	(13,734)
Charges for library	28,700	28,700	26,904	(1,796)
Total charges for services	<u>\$ 548,143</u>	<u>\$ 548,143</u>	<u>\$ 602,252</u>	<u>\$ 54,109</u>

County of Washington, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 146,500	\$ 195,277	\$ 187,157	\$ (8,120)
Bristol, Tenn.-payment in lieu of taxes	1,250	1,250	1,273	23
Bristol, VA utilities board	48,671	48,671	48,671	-
TVA Economic development grant	-	500	500	-
Tennessee Valley Authority-payment in lieu of taxes	725,000	725,000	716,851	(8,149)
Total miscellaneous	<u>\$ 921,421</u>	<u>\$ 970,698</u>	<u>\$ 954,452</u>	<u>\$ (16,246)</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ 19,397	\$ 23,549	\$ 4,152
Regional jail	408,305	408,305	48,947	(359,358)
Facility management CS building	80,000	80,000	81,349	1,349
Alcohol, tobacco and firearms funds	18,000	18,000	21,753	3,753
Other recovered costs	400,000	490,538	117,133	(373,405)
Total recovered costs	<u>\$ 906,305</u>	<u>\$ 1,016,240</u>	<u>\$ 292,731</u>	<u>\$ (723,509)</u>
Total revenue from local sources	<u>\$ 49,980,880</u>	<u>\$ 50,318,876</u>	<u>\$ 49,607,417</u>	<u>\$ (711,459)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 34,647	\$ (5,353)
Mobile home titling tax	75,000	75,000	62,920	(12,080)
Motor vehicle rental tax	11,000	11,000	6,527	(4,473)
Grantors tax	75,000	75,000	105,154	30,154
Communications sales taxes	1,750,000	1,750,000	1,563,975	(186,025)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	<u>\$ 4,510,286</u>	<u>\$ 4,510,286</u>	<u>\$ 4,332,509</u>	<u>\$ (177,777)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 475,000	\$ 475,000	\$ 472,155	\$ (2,845)
Sheriff	2,249,510	2,249,510	2,228,085	(21,425)
Commissioner of revenue	155,000	155,000	155,182	182
Treasurer	155,000	155,000	156,738	1,738
Registrar/electoral board	48,250	54,250	67,588	13,338
Clerk of the Circuit Court	362,000	362,000	357,592	(4,408)
Total shared expenses	<u>\$ 3,444,760</u>	<u>\$ 3,450,760</u>	<u>\$ 3,437,340</u>	<u>\$ (13,420)</u>
Other categorical aid:				
Virginia Public Assistance	\$ 2,250,771	\$ 2,250,771	\$ 2,213,868	\$ (36,903)
Comprehensive services	1,114,182	1,114,182	889,762	(224,420)
Victim witness grant	52,804	60,807	77,635	16,828
Litter control grant	39,000	39,000	41,296	2,296
EMS grant-Four for life	70,000	70,000	52,152	(17,848)
Fire programs	135,000	135,000	140,768	5,768
Dog and cat sterilization grant	1,500	1,500	1,279	(221)
E-911 wireless grant	45,000	45,000	51,206	6,206
Library state aid	150,948	151,125	151,125	-

County of Washington, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Asset forfeiture funds	\$ -	\$ 170,578	\$ 65,082	\$ (105,496)
SLC E-rate	-	-	11,208	11,208
Arts grant	-	5,000	5,000	-
DOJ - internet crimes against children	-	40,000	12,381	(27,619)
VDOT road improvement grant	1,750,000	1,750,000	151,773	(1,598,227)
Commonwealth opportunity funds	-	615,000	615,000	-
Library of VA preservation of records	-	6,330	6,330	-
Homeland security grant	-	13,392	13,392	-
Justice assistance grants	-	241	-	(241)
Police equipment	-	10,903	9,500	(1,403)
Total other categorical aid	<u>\$ 5,609,205</u>	<u>\$ 6,478,829</u>	<u>\$ 4,508,757</u>	<u>\$ (1,970,072)</u>
Total categorical aid	<u>\$ 9,053,965</u>	<u>\$ 9,929,589</u>	<u>\$ 7,946,097</u>	<u>\$ (1,983,492)</u>
Total revenue from the Commonwealth	<u>\$ 13,564,251</u>	<u>\$ 14,439,875</u>	<u>\$ 12,278,606</u>	<u>\$ (2,161,269)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 39,910</u>	<u>\$ 39,410</u>
Categorical aid:				
Virginia Public Assistance	\$ 2,703,600	\$ 2,703,600	\$ 2,711,434	\$ 7,834
Library grant	-	20,000	20,000	-
DMV Highway safety	-	29,406	13,342	(16,064)
VDEM grant	-	9,500	-	(9,500)
DCJS-VSTOP grant	27,810	27,810	34,764	6,954
Alcohol safety	-	25,893	21,104	(4,789)
DHCD	-	334,100	331,017	(3,083)
Bullet proof vest	-	14,454	244	(14,210)
Total categorical aid	<u>\$ 2,731,410</u>	<u>\$ 3,164,763</u>	<u>\$ 3,131,905</u>	<u>\$ (32,858)</u>
Total revenue from the federal government	<u>\$ 2,731,910</u>	<u>\$ 3,165,263</u>	<u>\$ 3,171,815</u>	<u>\$ 6,552</u>
Total General Fund	<u>\$ 66,277,041</u>	<u>\$ 67,924,014</u>	<u>\$ 65,057,838</u>	<u>\$ (2,866,176)</u>
Capital Projects Funds				
County Capital Improvements Fund				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA wireless E911 grant	\$ -	\$ 150,000	\$ 127,134	\$ (22,866)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 127,134</u>	<u>\$ (22,866)</u>
Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 127,134</u>	<u>\$ (22,866)</u>
Total Primary Government	<u>\$ 66,277,041</u>	<u>\$ 68,074,014</u>	<u>\$ 65,184,972</u>	<u>\$ (2,889,042)</u>

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
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 money	\$ 14,000	\$ 14,000	\$ 10,098	\$ (3,902)
Revenue from the use of property	5,600	5,600	5,300	(300)
Total revenue from use of money and property	<u>\$ 19,600</u>	<u>\$ 19,600</u>	<u>\$ 15,398</u>	<u>\$ (4,202)</u>
Charges for services:				
Charges for education	\$ 678,250	\$ 678,250	\$ 985,875	\$ 307,625
Governor's School	421,824	421,824	365,618	(56,206)
Transportation of pupils	60,000	60,000	65,996	5,996
Cafeteria sales	1,275,930	1,275,930	1,203,962	(71,968)
Total charges for services	<u>\$ 2,436,004</u>	<u>\$ 2,436,004</u>	<u>\$ 2,621,451</u>	<u>\$ 185,447</u>
Miscellaneous:				
Other miscellaneous	\$ 1,071,019	\$ 1,071,019	\$ 1,363,518	\$ 292,499
Recovered costs:				
Other recovered costs	\$ 118,500	\$ 118,500	\$ 81,744	\$ (36,756)
Total revenue from local sources	<u>\$ 3,645,123</u>	<u>\$ 3,645,123</u>	<u>\$ 4,082,111</u>	<u>\$ 436,988</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 28,415,601	\$ 29,922,172	\$ 28,236,820	\$ (1,685,352)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 7,822,054	\$ 7,822,054	\$ 7,837,928	\$ 15,874
Basic school aid	18,462,087	18,462,087	18,505,227	43,140
GED funding	23,576	23,576	27,223	3,647
Summer remedial	144,037	144,037	109,074	(34,963)
Regular foster care	364,525	364,525	138,516	(226,009)
Adult high school courses	43,920	43,920	43,676	(244)
Gifted and talented	205,937	205,937	206,157	220
Remedial education	657,247	657,247	657,948	701
National board certified teacher	-	-	7,500	7,500
Compensation supplement	321,997	321,997	322,219	222
Preschool initiative	441,752	441,752	417,508	(24,244)
Special education	1,945,451	1,945,451	1,947,525	2,074
Textbook payment	421,602	421,602	422,051	449
Vocational education	670,392	670,392	671,106	714
Vocational adult education	203,649	203,649	74,591	(129,058)
Vocational equipment	-	-	15,430	15,430
Vocational educational occupational tech ed	-	-	122,074	122,074
Social security fringe benefits	1,178,663	1,178,663	1,179,919	1,256
Retirement fringe benefits	2,326,654	2,326,654	2,329,134	2,480
Life insurance fringe benefits	74,488	74,488	74,567	79
Early reading intervention	47,081	47,081	47,081	-
Governors school	612,326	612,326	496,922	(115,404)

County of Washington, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Jobs for Virginia graduates-lottery proceeds	\$ -	\$ -	\$ 25,000	\$ 25,000
At risk payments	562,791	562,791	563,417	626
Adult literacy	-	-	119,012	119,012
Homebound	61,301	61,301	53,826	(7,475)
School food	39,310	39,310	52,474	13,164
Regional programs	234,293	234,293	221,036	(13,257)
Special education - foster care	-	-	245,420	245,420
Mentor teacher program	2,711	2,711	3,571	860
Primary class size	866,772	866,772	862,116	(4,656)
Technology	466,000	466,000	440,000	(26,000)
SOL algebra readiness	88,483	88,483	84,560	(3,923)
Special ed jail program	1,465	1,465	818	(647)
Security grant	-	-	59,930	59,930
English as a second language	33,417	33,417	24,199	(9,218)
GED testing	-	-	85,158	85,158
Other state funds	-	-	15,964	15,964
Total categorical aid	<u>\$ 38,323,981</u>	<u>\$ 38,323,981</u>	<u>\$ 38,509,877</u>	<u>\$ 185,896</u>
Total revenue from the Commonwealth	<u>\$ 38,323,981</u>	<u>\$ 38,323,981</u>	<u>\$ 38,509,877</u>	<u>\$ 185,896</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 17,910	\$ 6,910
Adult basic education	468,460	468,460	426,646	(41,814)
Title I	1,507,726	1,507,726	1,456,076	(51,650)
Title VI-B, special education flow-through	1,505,846	1,505,846	1,566,659	60,813
Title VI-B, special education preschool	46,180	46,180	53,331	7,151
Vocational education	117,000	117,000	130,958	13,958
Title II Part A	332,144	332,144	230,867	(101,277)
School breakfast and lunch program	2,012,692	2,012,692	2,172,654	159,962
Other federal	2,048,644	2,048,644	-	(2,048,644)
Total revenue from the federal government	<u>\$ 8,049,692</u>	<u>\$ 8,049,692</u>	<u>\$ 6,055,101</u>	<u>\$ (1,994,591)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,434,397</u>	<u>\$ 79,940,968</u>	<u>\$ 76,883,909</u>	<u>\$ (3,057,059)</u>

County of Washington, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 157,814	\$ 157,814	\$ 143,032	\$ 14,782
General and financial administration:				
County administrator	\$ 217,308	\$ 217,308	\$ 212,713	\$ 4,595
Personnel	92,298	92,920	83,588	9,332
Legal services	239,631	239,631	219,582	20,049
Commissioner of revenue	612,780	612,780	599,150	13,630
Treasurer	721,370	875,173	718,799	156,374
Central accounting and purchasing	272,888	272,888	200,754	72,134
Information technology	653,812	653,812	540,631	113,181
Assessor	175,000	175,000	225,857	(50,857)
Auditor	75,000	75,000	68,000	7,000
Total general and financial administration	<u>\$ 3,060,087</u>	<u>\$ 3,214,512</u>	<u>\$ 2,869,074</u>	<u>\$ 345,438</u>
Board of elections:				
Registrar	\$ 197,048	\$ 200,908	\$ 186,527	\$ 14,381
Electoral board	86,474	96,095	96,803	(708)
Total board of elections	<u>\$ 283,522</u>	<u>\$ 297,003</u>	<u>\$ 283,330</u>	<u>\$ 13,673</u>
Total general government administration	<u>\$ 3,501,423</u>	<u>\$ 3,669,329</u>	<u>\$ 3,295,436</u>	<u>\$ 373,893</u>
Judicial administration:				
Courts:				
Circuit court	\$ 75,022	\$ 75,022	\$ 67,344	\$ 7,678
General district court	35,327	35,327	31,761	3,566
Juvenile and domestic relations court	-	-	134	(134)
Special magistrates	5,420	8,188	7,419	769
Clerk of the circuit court	662,867	669,197	633,161	36,036
Law library	12,000	35,643	-	35,643
Total courts	<u>\$ 790,636</u>	<u>\$ 823,377</u>	<u>\$ 739,819</u>	<u>\$ 83,558</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 985,006	\$ 1,244,720	\$ 903,838	\$ 340,882
Total judicial administration	<u>\$ 1,775,642</u>	<u>\$ 2,068,097</u>	<u>\$ 1,643,657</u>	<u>\$ 424,440</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,653,780	\$ 3,047,306	\$ 2,742,521	\$ 304,785
Litter Control	142,259	140,259	125,628	14,631
Victim witness assistance	59,690	69,297	61,086	8,211
Animal control	274,514	285,357	243,955	41,402
Interstate enforcement	1,923,679	2,430,745	1,998,055	432,690
Court security	371,158	415,058	385,885	29,173
Other Sheriff grants	41,458	175,707	93,550	82,157
Total law enforcement and traffic control	<u>\$ 5,466,538</u>	<u>\$ 6,563,729</u>	<u>\$ 5,650,680</u>	<u>\$ 913,049</u>

County of Washington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire departments	\$ 1,500,395	\$ 1,601,929	\$ 1,471,429	\$ 130,500
E-911	705,933	700,933	696,866	4,067
Total fire and rescue services	<u>\$ 2,206,328</u>	<u>\$ 2,302,862</u>	<u>\$ 2,168,295</u>	<u>\$ 134,567</u>
Correction and detention:				
Regional jail payments	\$ 2,640,662	\$ 2,640,662	\$ 2,640,662	\$ -
Juvenile probation and detention	231,760	231,760	231,760	-
Total correction and detention	<u>\$ 2,872,422</u>	<u>\$ 2,872,422</u>	<u>\$ 2,872,422</u>	<u>\$ -</u>
Inspections:				
Building	\$ 380,025	\$ 380,025	\$ 332,253	\$ 47,772
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 980	\$ 20
Emergency services	513,107	629,077	447,460	181,617
Total other protection	<u>\$ 514,107</u>	<u>\$ 630,077</u>	<u>\$ 448,440</u>	<u>\$ 181,637</u>
Total public safety	<u>\$ 11,439,420</u>	<u>\$ 12,749,115</u>	<u>\$ 11,472,090</u>	<u>\$ 1,277,025</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,080,663	\$ 2,093,403	\$ 1,896,164	\$ 197,239
Maintenance of general buildings and grounds:				
General properties	\$ 1,442,466	\$ 1,519,616	\$ 1,246,559	\$ 273,057
Total public works	<u>\$ 3,523,129</u>	<u>\$ 3,613,019</u>	<u>\$ 3,142,723</u>	<u>\$ 470,296</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 501,865	\$ 501,865	\$ 501,865	\$ -
Mental health and mental retardation:				
Community services board	\$ 373,499	\$ 373,499	\$ 348,499	\$ 25,000
Welfare:				
Virginia public assistance	\$ 6,193,394	\$ 6,193,394	\$ 5,835,650	\$ 357,744
Area agency on aging	72,055	72,055	72,055	-
Senior services	100,200	100,200	100,200	-
Community action agency	232,037	232,037	232,037	-
Community services	1,623,271	1,623,271	1,570,870	52,401
Total welfare	<u>\$ 8,220,957</u>	<u>\$ 8,220,957</u>	<u>\$ 7,810,812</u>	<u>\$ 410,145</u>
Total health and welfare	<u>\$ 9,096,321</u>	<u>\$ 9,096,321</u>	<u>\$ 8,661,176</u>	<u>\$ 435,145</u>

County of Washington, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community college	\$ 84,527	\$ 84,527	\$ 84,527	\$ -
Contribution to County School Board	28,415,601	29,922,172	28,236,820	1,685,352
Total education	<u>\$ 28,500,128</u>	<u>\$ 30,006,699</u>	<u>\$ 28,321,347</u>	<u>\$ 1,685,352</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 168,981	\$ 169,656	\$ 136,632	\$ 33,024
Recreation	243,194	243,728	223,205	20,523
Total parks and recreation	<u>\$ 412,175</u>	<u>\$ 413,384</u>	<u>\$ 359,837</u>	<u>\$ 53,547</u>
Cultural enrichment:				
Cultural enrichment	\$ 83,008	\$ 88,008	\$ 88,008	\$ -
Library:				
Washington County library	\$ 1,359,006	\$ 1,485,766	\$ 1,393,272	\$ 92,494
Branch libraries	285,629	297,629	268,976	28,653
Total library	<u>\$ 1,644,635</u>	<u>\$ 1,783,395</u>	<u>\$ 1,662,248</u>	<u>\$ 121,147</u>
Total parks, recreation, and cultural	<u>\$ 2,139,818</u>	<u>\$ 2,284,787</u>	<u>\$ 2,110,093</u>	<u>\$ 174,694</u>
Community development:				
Planning and community development:				
Regional planning	\$ 45,467	\$ 47,546	\$ 47,546	\$ -
Zoning	166,345	166,345	160,938	5,407
Community development	365,106	717,789	654,299	63,490
Economic development	277,182	277,182	277,182	-
Contribution to Virginia Highlands Airport	44,016	44,016	44,016	-
Contribution to Washington County Industrial Development Authority	924,833	1,880,730	1,880,730	-
Contribution to Economic development	3,530,000	3,856,046	303,547	3,552,499
Total planning and community development	<u>\$ 5,352,949</u>	<u>\$ 6,989,654</u>	<u>\$ 3,368,258</u>	<u>\$ 3,621,396</u>
Environmental management:				
Contribution to soil and water district	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Cooperative extension program:				
Extension office	\$ 120,753	\$ 122,859	\$ 119,468	\$ 3,391
Total community development	<u>\$ 5,491,702</u>	<u>\$ 7,130,513</u>	<u>\$ 3,505,726</u>	<u>\$ 3,624,787</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 157,600	\$ (157,600)
Other non departmental	365,738	439,074	296,731	142,343
Total nondepartmental	<u>\$ 365,738</u>	<u>\$ 439,074</u>	<u>\$ 454,331</u>	<u>\$ (15,257)</u>

County of Washington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 1,974,357	\$ 1,974,357	\$ 2,142,313	\$ (167,956)
Interest and other fiscal charges	1,697,663	1,697,663	1,204,623	493,040
Total debt service	<u>\$ 3,672,020</u>	<u>\$ 3,672,020</u>	<u>\$ 3,346,936</u>	<u>\$ 325,084</u>
Total General Fund	<u>\$ 69,505,341</u>	<u>\$ 74,728,974</u>	<u>\$ 65,953,515</u>	<u>\$ 8,775,459</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Public safety:				
Equipment	\$ 70,000	\$ 220,000	\$ 186,447	\$ 33,553
Public works:				
Maintenance of general buildings and grounds:				
Courthouse	\$ 55,000	\$ 79,300	\$ -	\$ 79,300
Solid waste equipment	-	-	(451)	451
Solid waste facilities	25,000	81,329	76,403	4,926
Total maintenance of general building and grounds	<u>\$ 80,000</u>	<u>\$ 160,629</u>	<u>\$ 75,952</u>	<u>\$ 84,677</u>
Total public works	<u>\$ 80,000</u>	<u>\$ 160,629</u>	<u>\$ 75,952</u>	<u>\$ 84,677</u>
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 10,368	\$ -	\$ 10,368
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 519,034	\$ (519,034)
Total Capital Projects Fund	<u>\$ 150,000</u>	<u>\$ 390,997</u>	<u>\$ 781,433</u>	<u>\$ (390,436)</u>
School Capital Projects Fund:				
Education:				
Operating costs:				
Facilities	\$ 862,206	\$ 1,648,795	\$ -	\$ 1,648,795
Total School Capital Projects Fund	<u>\$ 862,206</u>	<u>\$ 1,648,795</u>	<u>\$ -</u>	<u>\$ 1,648,795</u>
Total Primary Government	<u>\$ 70,517,547</u>	<u>\$ 76,768,766</u>	<u>\$ 66,734,948</u>	<u>\$ 10,033,818</u>

County of Washington, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction costs				
Administration, attendance and health	\$ 2,847,594	\$ 2,841,419	\$ 2,842,285	\$ (866)
Instruction	59,646,728	60,756,200	56,486,367	4,269,833
Instructional technology	2,190,138	2,396,471	2,318,972	77,499
Total instruction costs	<u>\$ 64,684,460</u>	<u>\$ 65,994,090</u>	<u>\$ 61,647,624</u>	<u>\$ 4,346,466</u>
Operating costs:				
Pupil transportation	\$ 4,848,612	\$ 4,790,129	\$ 4,782,539	\$ 7,590
Operation and maintenance of school plant	6,761,393	7,651,972	7,306,931	345,041
School food services	3,904,932	3,555,636	3,232,125	323,511
Total operating costs	<u>\$ 15,514,937</u>	<u>\$ 15,997,737</u>	<u>\$ 15,321,595</u>	<u>\$ 676,142</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 80,199,397</u>	<u>\$ 81,991,827</u>	<u>\$ 76,969,219</u>	<u>\$ 5,022,608</u>

Other Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Total
2015-16	\$ 3,656,368	\$ 1,593,653	\$ 11,422,288	\$ 3,378,345	\$ 8,583,706	\$ 29,232,848	\$ 2,166,884	\$ 3,495,175	\$ -	\$ 1,456,592	\$ 64,985,859
2014-15	3,508,913	1,602,299	11,090,052	3,729,458	7,800,245	28,369,156	2,233,396	2,325,083	-	1,077,287	61,735,889
2013-14	3,801,462	1,590,653	10,667,821	3,504,762	8,434,168	28,605,420	2,261,825	2,544,189	-	1,185,934	62,596,234
2012-13	3,485,456	1,588,063	10,875,250	4,091,448	7,797,920	28,248,261	2,625,595	2,704,569	-	1,180,439	62,597,001
2011-12	3,392,022	1,442,053	10,373,244	4,710,465	7,571,268	22,448,687	2,153,236	3,599,243	-	1,223,756	56,913,974
2010-11	2,758,254	1,434,023	10,819,665	3,984,154	7,631,737	21,598,926	2,450,828	3,308,476	-	1,546,660	55,532,723
2009-10	2,444,129	1,397,161	10,394,379	3,106,061	7,750,392	21,628,724	2,656,439	2,449,360	-	852,142	52,678,787
2008-09	2,811,456	1,445,528	7,537,178	3,123,952	7,953,182	22,493,692	1,920,026	5,671,641	-	823,279	53,779,934
2007-08	2,932,775	1,374,450	9,184,107	3,205,042	7,878,987	22,874,878	2,383,626	1,703,097	104,973	767,918	52,409,853
2006-07	2,615,012	1,207,193	8,618,032	2,980,655	6,507,588	19,514,072	2,523,061	3,150,805	74,973	606,752	47,798,143

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2015-16	\$ 1,742,312	\$ 11,012,920	\$ 192,216	\$ 36,955,004	\$ 9,569,743	\$ 136,324	\$ 954,452	\$ 4,372,419	\$ 64,935,390		
2014-15	1,864,511	9,378,338	233,206	35,963,625	9,294,629	119,508	937,614	4,393,869	62,185,300		
2013-14	1,875,166	9,503,961	687,141	34,581,104	9,229,842	123,575	956,021	4,413,735	61,370,545		
2012-13	1,807,743	9,560,611	-	34,703,127	9,212,536	151,203	1,392,331	4,530,687	61,358,238		
2011-12	1,830,599	11,403,196	-	32,986,799	9,109,624	193,751	1,582,918	4,645,697	61,752,584		
2010-11	1,524,271	11,941,158	-	30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159		
2009-10	1,485,955	9,857,596	-	39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827		
2008-09	1,570,422	10,464,847	96,650	27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700		
2007-08	1,597,834	9,367,762	145,954	27,402,967	10,300,503	772,256	375,646	2,984,398	52,947,320		
2006-07	1,504,305	8,271,422	950,924	27,165,999	9,989,193	962,314	290,841	3,076,887	52,211,885		

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

Fiscal Year	General Government Administration				Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural			Non-departmental	Debt Service	Total
	Government Administration	Judicial Administration	Public Safety	Public Works					Health and Welfare	Education (2)	Parks, Recreation, and Cultural			
2015-16	\$ 3,295,436	\$ 1,643,657	\$ 11,472,090	\$ 3,142,723	\$ 8,661,176	\$ 77,053,746	\$ 2,110,093	\$ 3,505,726	\$ 454,331	\$ 3,346,936	\$ 114,685,914			
2014-15	3,221,950	1,624,187	11,496,109	3,472,833	7,963,697	75,359,860	2,114,710	2,277,067	474,926	3,132,595	111,137,934			
2013-14	3,646,300	1,576,652	10,879,901	3,147,631	8,313,672	76,185,425	2,276,600	2,645,385	397,681	3,003,020	112,072,267			
2012-13	3,608,619	1,543,209	10,788,060	3,288,417	7,714,318	77,804,981	2,153,788	2,579,586	276,258	2,870,052	112,627,288			
2011-12	3,236,958	1,433,084	10,380,260	3,750,554	7,578,463	71,395,719	2,029,542	3,595,679	522,018	2,002,655	105,924,932			
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	1,491,190	101,705,810			
2009-10	2,770,049	1,362,945	10,569,641	2,968,124	7,657,509	71,791,638	2,099,216	2,570,449	134,080	1,896,518	103,820,169			
2008-09	3,075,945	1,400,889	10,271,050	3,044,273	7,852,356	77,482,208	2,214,686	2,057,953	169,856	1,985,076	109,554,292			
2007-08	2,842,081	1,368,456	8,699,315	3,138,392	7,822,985	74,909,110	2,234,793	2,321,698	104,973	1,565,256	105,007,059			
2006-07	2,634,968	1,202,363	8,937,458	2,838,179	6,677,452	68,809,819	2,379,074	2,258,385	74,973	1,631,432	97,444,103			

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	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
2015-16	\$ 36,911,855	\$ 9,569,743	\$ 185,303	\$ 954,757	\$ 151,722	\$ 3,223,703	\$ 2,317,970	\$ 374,475	\$ 60,015,399	\$ 113,704,927
2014-15	35,818,485	9,294,629	187,014	1,021,836	129,317	3,198,816	2,281,105	768,230	58,310,428	111,009,860
2013-14	35,051,160	9,229,842	115,185	1,105,942	139,081	3,296,870	2,065,364	712,881	58,642,337	110,358,662
2012-13	33,590,230	9,212,536	110,451	1,075,125	171,524	3,211,190	2,353,100	440,890	59,589,903	109,754,949
2011-12	32,681,231	9,109,624	119,384	897,988	213,505	3,639,101	2,528,526	478,582	60,445,175	110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047
2007-08	27,299,486	10,300,503	157,441	738,157	822,081	3,420,910	1,697,307	802,570	58,876,159	104,114,614
2006-07	27,046,503	9,989,193	205,520	641,383	1,010,631	3,315,650	1,912,090	567,255	57,148,625	101,836,850

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 38,927,722	\$ 37,392,739	96.06%	\$ 1,329,749	\$ 38,722,488	99.47%	\$ 3,845,600	9.88%
2014-15	37,902,384	36,675,879	96.76%	1,054,734	37,730,613	99.55%	3,856,871	10.18%
2013-14	34,784,577	33,893,005	97.44%	948,362	34,841,367	100.16%	3,563,916	10.25%
2012-13	33,132,974	31,903,695	96.29%	1,014,696	32,918,391	99.35%	3,643,003	11.00%
2011-12	30,637,829	29,876,309	97.51%	2,227,356	32,103,665	104.78%	3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (3)	39,292,118	37,636,876	95.79%	861,595	38,498,471	97.98%	2,693,322	6.85%
2008-09	29,830,388	28,883,204	96.82%	445,044	29,328,248	98.32%	1,187,140	3.98%
2007-08	29,509,653	28,665,654	97.14%	733,341	29,398,995	99.63%	934,569	3.17%
2006-07	29,237,381	28,414,846	97.19%	613,503	29,028,349	99.29%	777,927	2.66%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

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

Table 6

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

Fiscal Year	Real Estate	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)(4) Real Estate and Personal Property	Total
2015-16	\$ 3,928,394,099	\$ 574,783,612	\$ 186,627,925	\$ 299,745,060	\$ 4,989,550,696
2014-15	3,887,864,596	570,992,102	180,011,133	186,055,671	4,824,923,502
2013-14	3,856,764,808	553,941,886	179,966,820	190,675,256	4,781,348,770
2012-13	3,643,100,137	542,187,701	176,763,685	155,434,116	4,517,485,639
2011-12	3,644,529,884	513,404,833	162,194,740	177,754,621	4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906	4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877	4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484	4,053,345,585
2007-08	3,269,046,000	463,976,908	310,175,750	181,363,006	4,224,561,664
2006-07	3,176,091,700	436,066,753	229,222,785	203,630,931	4,045,012,169

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

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

(3) Includes Volunteer and Air Tax assessments.

(4) The County started half-year collections in fiscal year 2016.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2015-16	\$ 0.63	\$ 1.70	\$ 1.55
2014-15	0.63	1.70	1.55
2013-14	0.63	1.70	1.55
2012-13	0.63	1.55	1.55
2011-12	0.63	1.55	1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55
2007-08	0.57	1.55	1.55
2006-07	0.57	1.55	1.55

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1) thousands	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	54,876	\$ 4,989,551	\$16,104,443	\$16,104,443	0.32%	293
2014-15	54,876	4,824,924	16,117,239	16,117,239	0.33%	294
2013-14	54,876	4,781,349	17,525,265	17,525,265	0.37%	319
2012-13	54,876	4,517,486	18,840,729	18,840,729	0.42%	343
2011-12	54,876	4,497,884	20,136,009	20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303
2007-08	51,103	4,224,562	16,610,898	16,610,898	0.39%	325
2006-07	51,103	4,045,012	12,545,145	12,545,145	0.31%	245

(1) Bureau of the Census.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 2,142,313	\$ 1,204,623	\$ 3,346,936	\$ 114,685,914	2.92%
2014-15	1,913,959	1,218,636	3,132,595	111,137,934	2.82%
2013-14	1,814,351	1,188,669	3,003,020	112,072,267	2.68%
2012-13	1,645,280	1,224,772	2,870,052	112,627,288	2.55%
2011-12	1,330,821	671,834	2,002,655	105,924,932	1.89%
2010-11(2)	20,934,980	1,201,012	22,135,992	101,705,810	21.76%
2009-10	1,168,001	858,534	2,026,535	103,820,169	1.95%
2008-09	1,136,087	848,989	1,985,076	109,554,292	1.81%
2007-08	958,523	606,733	1,565,256	105,007,059	1.49%
2006-07	1,016,567	617,865	1,634,432	97,444,103	1.68%

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise County of Washington, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Fauner, Co. Associates

Blacksburg, Virginia
November 28, 2016

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 Washington, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Washington, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Washington, Virginia's major federal programs for the year ended June 30, 2016. County of Washington, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Washington, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 28, 2016

County of Washington, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	0950114, 0950115	\$ 29,785
Temporary Assistance for Needy Families	93.558	0400115, 0400116	431,446
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	440
Low-Income Home Energy Assistance	93.568	0600415, 0600416	47,760
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115, 0760116	61,915
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116	2,184
Foster Care - Title IV-E	93.658	1100115, 1100116	374,163
Adoption Assistance	93.659	1120115, 1120116	405,926
Social Services Block Grant	93.667	1000115, 1000116	352,536
Chafee Foster Care Independence Program	93.674	9150115, 9150116	5,762
Children's Health Insurance Program	93.767	0540115, 0540116	17,896
Medical Assistance Program	93.778	1200115, 1200116	544,242
Total Department of Health and Human Services			<u>\$ 2,274,055</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 226,130
Department of Education:			
National School Lunch Program	10.555	40623	<u>1,454,161</u> \$1,680,291
School Breakfast Program	10.553	40591	<u>492,363</u> 2,172,654
Department of Education:			
Schools and Roads--Grants to States	10.665	43841	17,910
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115, 0010116	430,200
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP	10.596	0060115	<u>7,179</u> 437,379
Total Department of Agriculture			<u>\$ 2,627,943</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	66500	\$ 34,764
Bulletproof Vest Partnership Program	16.607	Not Available	<u>244</u>
Total Department of Justice			<u>\$ 35,008</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	55192, 54279	\$ 13,342
Alcohol Open Container Requirements	20.607	54129, 55181	<u>21,104</u>
Total Department of Transportation			<u>\$ 34,446</u>
National Endowment for the Arts:			
Pass Through Payments:			
Arts Midwest:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	FY15-2263	<u>\$ 20,000</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,456,076
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	43071, 61135	\$1,566,659
Special Education - Preschool Grants	84.173	62521	<u>53,331</u> 1,619,990
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	230,867
Adult Education Basic Grants to States	84.002	42801, 61111, 61380	426,646
Career and Technical Education: Basic Grants to States	84.048	61095, 86656	<u>130,958</u>
Total Department of Education			<u>\$ 3,864,537</u>

Direct Payments:
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Awards
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants / State's Program and Non-Entitlements Grants in Hawaii	14.228	50790	\$ 331,017
Total Expenditures of Federal Awards			<u>\$ 9,187,006</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Washington, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Office of Management and 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 Washington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Washington, Virginia.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 commodities received and disbursed. At June 30, 2016, the County had no food commodities in inventory.

Note 4 -- Relationship to the Financial Statements Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund	\$ 3,171,815	
Less: Payment in lieu of taxes	<u>(39,910)</u>	
Total primary government	<u>\$ 3,131,905</u>	
Component Unit School Board:		
School Operating Fund	<u>\$ 6,055,101</u>	
Total expenditures of federal awards per basic financial statements	<u>\$ 9,187,006</u>	
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 9,187,006</u>	

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.533/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

None