

COUNTY OF WASHINGTON, VIRGINIA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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COUNTY OF WASHINGTON, VIRGINIA  
 FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017

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## INTRODUCTORY SECTION

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COUNTY OF WASHINGTON, VIRGINIA

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BOARD OF SUPERVISORS

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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

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

SOCIAL SERVICES BOARD

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David M. Cline, Chair  
Jack C. Phelps, Vice-Chair  
David Winship  
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 Blevins  
County Administrator ..... Jason Berry  
Finance Director ..... Tammy Copenhaver  
County Attorney ..... Lucy E. Phillips

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

### Report on the Financial Statements

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

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

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As described in Note 22 to the financial statements, in 2017, the County adopted new accounting guidance, GASB Statement No. 77 Tax Abatement Disclosures. 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, 89, and 90-97, 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 12, 2017, 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.

*Polina, Fawcett, Cox Associates*  
Blacksburg, Virginia  
November 12, 2017

## 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, 2017. 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 \$22,421,115 (net position). Of this amount, \$13,943,782 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 (\$58,043,704) (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 \$21,767,491. Of the amount \$13,871,549 was considered unassigned, \$631,426 was considered assigned, \$5,336,363 was considered committed, \$1,884,906 was considered restricted and \$43,247 was considered nonspendable.
- During the year, the County had governmental fund expenditures that were \$2,493,104 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 \$22,421,115 at the close of the most recent fiscal year.

A significant portion of the County's net position \$6,592,427 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 \$1,884,906, are subject to restrictions on how they may be used. The remaining balance of net position \$13,943,782 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 2017 and 2016.

Statement of Net Position

	Governmental Activities	Governmental Activities
	2017	2016
Current and other assets	\$ 41,570,397	\$ 43,064,879
Capital and other assets	31,835,009	32,663,562
Total assets	\$ 73,405,406	\$ 75,728,441
Deferred outflows of resources	\$ 3,656,265	\$ 2,969,476
Current and other liabilities	\$ 2,579,056	\$ 2,332,966
Long-term liabilities	38,165,708	39,125,646
Total liabilities	\$ 40,744,764	\$ 41,458,612
Deferred inflows of resources	\$ 13,895,792	\$ 13,924,609
Net position:		
Net investment in capital assets	\$ 6,592,427	\$ 5,152,394
Restricted	1,884,906	3,685,351
Unrestricted	13,943,782	14,476,951
Total net position	\$ 22,421,115	\$ 23,314,696

Statement of Activities

	Governmental Activities 2017	Governmental Activities 2016
Program revenues		
Charges for services	\$ 1,937,707	\$ 1,742,312
Operating grants and contributions	11,472,283	11,012,920
Capital grants and contributions	486,654	192,216
General revenues		
Property taxes	37,193,772	36,955,004
Other taxes	10,019,462	9,569,743
Revenue from use of money and property	130,177	136,324
Miscellaneous	1,347,159	954,452
Gain on disposal of capital assets	-	69,390
Grants and contributions not restricted to specific programs	4,375,293	4,372,419
Total revenues	<u>66,962,507</u>	<u>65,004,780</u>
Expenses		
General government	4,036,671	3,656,368
Judicial administration	1,646,936	1,593,653
Public safety	12,289,555	11,422,288
Public works	3,460,678	3,378,345
Health and welfare	8,895,767	8,583,706
Education	30,413,235	29,232,848
Parks, recreation and cultural	2,190,464	2,166,884
Community development	4,127,452	3,495,175
Interest on debt	795,330	1,456,592
Total expenses	<u>67,856,088</u>	<u>64,985,859</u>
Change in net position	<u>\$ (893,581)</u>	<u>\$ 18,921</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 \$21,767,491; .2% or \$43,247 constitutes nonspendable fund balance, 8.7% or \$1,884,906 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 24.5% or \$5,336,363 has been committed by action of the Board of Supervisors and 2.9% or \$631,426 has been assigned by the Board of Supervisors. The remaining balance, \$13,871,549 or 63.7% 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 \$20,613,660 of this amount \$13,871,549 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$1,153,831.

Total governmental fund revenues increased \$1,821,888 and expenditures increased \$2,765,016 over prior year amounts. For fiscal year ended June 30, 2017, expenditures exceeded revenues by \$2,493,104, as compared to the fiscal year ended June 30, 2016, expenditures exceeded revenues by \$1,549,976.

#### 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 \$67,131,566 for fiscal year 2017. The actual revenues were \$66,728,526 which is an unfavorable variance of \$403,040. The unfavorable variance is attributed to revenue from charges for services, recovered costs, and intergovernmental revenues from commonwealth budgeted for more than the actual amount received. The budgeted expenditures were \$73,754,690 for the County. The actual expenditures were \$68,607,345 which is a favorable variance of \$5,147,345 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, 2017 amounts to \$31,835,009 (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 2017 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 12 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	\$ 1,410,195
Net OPEB obligation	1,416,118
Net pension liability	8,498,957
General obligation bonds	11,480,280
Lease revenue notes	13,800,573
Landfill post-closure costs	56,564
Literary loans	1,503,021
Total	<u>\$ 38,165,708</u>

Additional information on the County of Washington’s long-term debt can be found in Note 8 of this report.

#### Economic Factors

The June 2017 unemployment rate for the County of Washington, Virginia was 4.3%, which is a slight decrease from a rate of 4.5% in June 2016. This is slightly above the state’s average unemployment rate of 3.9% and below the national average rate of 4.4%.

#### 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, 2017

	Primary Government	Component	
	Governmental Activities	School Board	Other
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,330,388	\$ 6,408,314	\$ 2,076,219
Investments	6,161,950	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	17,054,501	-	-
Accounts receivable	615,963	679,185	85,940
Notes receivable	-	-	12,261,359
Rent receivable	-	-	28,516
Grants receivable	-	-	36,103
Due from primary government	-	1,860,390	30,000
Due from other governmental units	2,364,348	1,929,697	50,520
Inventories	-	-	36,498
Prepaid items	43,247	464,480	22,898
Capital assets (net of accumulated depreciation):			
Land	1,828,672	2,819,475	26,168,712
Buildings and system	28,477,047	8,558,850	3,611,632
Improvements other than buildings	80,902	-	7,242,967
Machinery and equipment	1,308,129	5,862,483	375,740
Construction in progress	140,259	-	3,865,341
Total assets	<u>\$ 73,405,406</u>	<u>\$ 28,582,874</u>	<u>\$ 55,892,445</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	\$ 1,541,292	\$ -	\$ 1,920,656
Items related to measurement of net pension liability	1,017,435	4,369,811	25,560
Pension contributions subsequent to measurement date	1,097,538	5,433,218	15,283
Total deferred outflows of resources	<u>\$ 3,656,265</u>	<u>\$ 9,803,029</u>	<u>\$ 1,961,499</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 350,936	\$ 316,243	\$ 181,849
Accrued liabilities	-	1,041,042	-
Accrued wages	81,734	4,467,138	15,220
Accrued interest payable	165,996	-	74,582
Due to component unit	1,890,390	-	-
Unearned revenue	90,000	-	-
Long-term liabilities:			
Due within one year	2,479,783	-	1,003,501
Due in more than one year	35,685,925	85,138,524	18,633,256
Total liabilities	<u>\$ 40,744,764</u>	<u>\$ 90,962,947</u>	<u>\$ 19,908,408</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 13,497,705	\$ -	\$ -
Items related to measurement of net pension liability	398,087	5,466,660	1,537
Total deferred inflows of resources	<u>\$ 13,895,792</u>	<u>\$ 5,466,660</u>	<u>\$ 1,537</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,592,427	\$ 17,240,808	\$ 38,670,685
Restricted	1,884,906	-	-
Unrestricted	13,943,782	(75,284,512)	(726,686)
Total net position	<u>\$ 22,421,115</u>	<u>\$ (58,043,704)</u>	<u>\$ 37,943,999</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, 2017

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
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 4,036,671	\$ 134,206	\$ 391,323	\$ -	\$ (3,511,142)	\$ -	\$ -
Judicial administration	1,646,936	27,952	836,097	-	(782,887)	-	-
Public safety	12,289,555	1,278,350	2,669,453	371,445	(7,970,307)	-	-
Public works	3,460,678	266,905	40,998	-	(3,152,775)	-	-
Health and welfare	8,895,767	-	6,202,356	-	(2,693,411)	-	-
Education	30,413,235	-	-	115,209	(30,298,026)	-	-
Parks, recreation, and cultural	2,190,464	71,690	160,427	-	(1,958,347)	-	-
Community development	4,127,452	158,604	1,171,629	-	(2,797,219)	-	-
Interest on long-term debt	795,330	-	-	-	(795,330)	-	-
Total governmental activities	\$ 67,856,088	\$ 1,937,707	\$ 11,472,283	\$ 486,654	\$ (53,959,444)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 79,888,199	\$ 2,430,456	\$ 46,968,375	\$ -	\$ -	\$ (30,489,368)	\$ -
Other Component Units	2,837,767	1,392,859	317,728	782,738	-	-	(344,442)
Total component units	\$ 82,725,966	\$ 3,823,315	\$ 47,286,103	\$ 782,738	\$ -	\$ (30,489,368)	\$ (344,442)
General revenues:							
General property taxes					\$ 37,193,772	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,914,821	-	-
Consumers' utility taxes					1,118,590	-	-
Franchise license taxes					73,869	-	-
Utility license taxes					116,006	-	-
Motor vehicle licenses					1,094,207	-	-
Bank stock taxes					25,493	-	-
Taxes on recordation and wills					536,220	-	-
Hotel and motel room taxes					140,256	-	-
Unrestricted revenues from use of money and property					130,177	12,165	587,140
Miscellaneous					1,347,159	1,420,163	11,665
Payments from Washington County					-	29,094,101	845,721
Grants and contributions not restricted to specific programs					4,375,293	-	-
Total general revenues					\$ 53,065,863	\$ 30,526,429	\$ 1,444,526
Change in net position					\$ (893,581)	\$ 37,061	\$ 1,100,084
Net position - beginning, as restated					23,314,696	(58,080,765)	36,843,915
Net position - ending					\$ 22,421,115	\$ (58,043,704)	\$ 37,943,999

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

County of Washington, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,058,075	\$ 85,364	\$ 1,186,949	\$ 15,330,388
Investments	6,161,950	-	-	6,161,950
Receivables (net of allowance for uncollectibles):				
Taxes receivable	17,054,501	-	-	17,054,501
Other receivables	615,963	-	-	615,963
Due from other governmental units	2,364,348	-	-	2,364,348
Prepaid items	43,247	-	-	43,247
Total assets	<u>\$ 40,298,084</u>	<u>\$ 85,364</u>	<u>\$ 1,186,949</u>	<u>\$ 41,570,397</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 232,454	\$ 46,035	72,447	\$ 350,936
Accrued wages	81,734	-	-	81,734
Due to component unit	1,890,390	-	-	1,890,390
Unearned revenue	90,000	-	-	90,000
Total liabilities	<u>\$ 2,294,578</u>	<u>\$ 46,035</u>	<u>\$ 72,447</u>	<u>\$ 2,413,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 17,389,846	\$ -	\$ -	\$ 17,389,846
<b>Fund balances:</b>				
Nonspendable	\$ 43,247	\$ -	\$ -	\$ 43,247
Restricted	731,075	39,329	1,114,502	1,884,906
Committed	5,336,363	-	-	5,336,363
Assigned	631,426	-	-	631,426
Unassigned	13,871,549	-	-	13,871,549
Total fund balances	<u>\$ 20,613,660</u>	<u>\$ 39,329</u>	<u>\$ 1,114,502</u>	<u>\$ 21,767,491</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 40,298,084</u>	<u>\$ 85,364</u>	<u>\$ 1,186,949</u>	<u>\$ 41,570,397</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 21,767,491
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	28,477,047	
Improvements other than buildings	80,902	
Machinery and equipment	1,308,129	
Construction in progress	<u>140,259</u>	31,835,009
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue		3,892,141
Pension contributions subsequent to the measurement date will be a reduction to in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,097,538
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	1,017,435	
Deferred inflows	<u>(398,087)</u>	619,348
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	\$ (11,291,253)	
General obligation bond premium	(189,027)	
Literary loans	(1,503,021)	
Lease revenue notes	(12,932,275)	
Lease revenue notes premium	(868,298)	
Deferred charge on refunding	1,541,292	
Landfill post-closure liability	(56,564)	
Net OPEB obligation	(1,416,118)	
Net pension liability	(8,498,957)	
Compensated absences	(1,410,195)	
Accrued interest payable	<u>(165,996)</u>	(36,790,412)
Net position of governmental activities		<u><u>\$ 22,421,115</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, 2017

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 36,984,433	\$ -	\$ -	\$ 36,984,433
Other local taxes	10,019,462	-	-	10,019,462
Permits, privilege fees, and regulatory licenses	239,854	-	-	239,854
Fines and forfeitures	1,137,417	-	-	1,137,417
Revenue from the use of money and property	130,177	-	-	130,177
Charges for services	560,436	-	-	560,436
Miscellaneous	1,347,159	-	-	1,347,159
Recovered costs	253,692	-	-	253,692
Intergovernmental:				
Commonwealth	12,988,984	163,125	115,209	13,267,318
Federal	3,066,912	-	-	3,066,912
Total revenues	<u>\$ 66,728,526</u>	<u>\$ 163,125</u>	<u>\$ 115,209</u>	<u>\$ 67,006,860</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,473,710	\$ -	\$ -	\$ 3,473,710
Judicial administration	1,668,714	-	-	1,668,714
Public safety	12,284,821	22,866	-	12,307,687
Public works	2,975,593	220,251	-	3,195,844
Health and welfare	8,951,391	-	-	8,951,391
Education	29,426,515	-	649,502	30,076,017
Parks, recreation, and cultural	2,079,364	-	-	2,079,364
Community development	4,140,390	-	-	4,140,390
Nondepartmental	527,288	-	-	527,288
Debt service:				
Principal retirement	2,230,600	-	-	2,230,600
Interest and other fiscal charges	848,959	-	-	848,959
Total expenditures	<u>\$ 68,607,345</u>	<u>\$ 243,117</u>	<u>\$ 649,502</u>	<u>\$ 69,499,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,878,819)</u>	<u>\$ (79,992)</u>	<u>\$ (534,293)</u>	<u>\$ (2,493,104)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 39,632	\$ -	\$ 39,632
Transfers out	(39,632)	-	-	(39,632)
Total other financing sources (uses)	<u>\$ (39,632)</u>	<u>\$ 39,632</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,918,451)	\$ (40,360)	\$ (534,293)	\$ (2,493,104)
Fund balances - beginning	22,532,111	79,689	1,648,795	24,260,595
Fund balances - ending	<u>\$ 20,613,660</u>	<u>\$ 39,329</u>	<u>\$ 1,114,502</u>	<u>\$ 21,767,491</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, 2017

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

Net change in fund balances - total governmental funds \$ (2,493,104)

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	\$ 610,428	
Depreciation Expense	(1,438,981)	(828,553)

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

Property taxes	\$ 209,339	
Change in deferred inflows related to the measurement of the net pension liability	(410,999)	(201,660)

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:		
Increase in landfill post-closure liability	\$ (726)	
Principal repayments:		
General obligation bonds and note	1,415,646	
Literary loans	282,023	
Lease revenue notes	532,931	2,229,874

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	\$ 106,488	
Change in compensated absences	28,093	
Change in net OPEB obligation	(130,358)	
Change in net pension liability	(1,274,159)	
Change in deferred amount on refunding	(68,502)	
Change in deferred outflows related to pension payments subsequent to the measurement date	(227,656)	
Change in deferred outflows related to the measurement of the net pension liability	1,950,313	
Change in accrued interest payable	15,643	399,862

Change in net position of governmental activities		<u>\$ (893,581)</u>
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The notes to the financial statements are an integral part of this statement.



County of Washington, Virginia  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2017

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	Internal Service <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	<u>\$ 3,774,990</u>
<b>LIABILITIES</b>	
Current liabilities:	
Incurred but unpaid liability	<u>\$ 1,041,042</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 2,733,948</u>
Total net position	<u><u>\$ 2,733,948</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, 2017

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	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	<u>\$ 9,996,574</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	<u>\$ 10,352,858</u>
Operating income (loss)	<u>\$ (356,284)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>\$ 30,130</u>
Change in net position	<u>\$ (326,154)</u>
Total net position - beginning	<u>3,060,102</u>
Total net position - ending	<u><u>\$ 2,733,948</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, 2017

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	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 9,996,574
Payments for premiums	<u>(10,087,369)</u>
Net cash provided by (used for) operating activities	<u>\$ (90,795)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>\$ 30,130</u>
Net cash provided by (used for) investing activities	<u>\$ 30,130</u>
Net increase (decrease) in cash and cash equivalents	\$ (60,665)
Cash and cash equivalents - beginning	<u>3,835,655</u>
Cash and cash equivalents - ending	<u><u>\$ 3,774,990</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ (356,284)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	<u>\$ 265,489</u>
Net cash provided by (used for) operating activities	<u><u>\$ (90,795)</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, 2017

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 284,514
Cash in custody of others	10,176
Accounts receivable	5,682
Total assets	\$ 300,372
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 91,422
Amounts held for school board employee fringe benefits	34,335
Amounts held for soil erosion deposits	16,125
Amounts held for commonwealth attorney collection program	158,490
Total liabilities	\$ 300,372

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

The Washington County School Board operates the elementary and secondary public schools in the County. School Board members are elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not 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, 2017

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail Authority, Appalachian Juvenile Commission, and the Highlands Community Services. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$3,012,880 to the Regional Jail, \$246,232 to the Juvenile Commission, and \$364,786 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, 2017

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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

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

The County reports the following nonmajor governmental fund:

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

The County reports the following internal service fund:

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

Additionally, the County reports the following fund type:

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

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

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

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

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

1. Cash and cash equivalents

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, 2017

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

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

2. 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 under GASB 79 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 20<sup>th</sup> and November 20<sup>th</sup>. Personal property taxes are due and collectible annually on November 20<sup>th</sup>. The County bills and collects its own property taxes.

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 \$741,866 at June 30, 2017 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, 2017

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

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

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:

Assets	Years
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, 2017

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

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

10. 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, 2017 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, 2017

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

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

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, 2017

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

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

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, 2017

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

A. Budgetary information (Continued)

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

B. Excess of expenditures over appropriations

For fiscal year 2017, no departments had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2017, 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.

*Custodial credit risk-deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. As of June 30, 2017, the First Community Bank account had a bank balance of \$1,522,363 and \$1,022,363 was exposed to custodial credit risk.

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).

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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, 2017 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, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP investments and Moody's rating scale for commercial paper.

<u>County's Rated Debt Investments' Values</u>		
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	<u>AAf/S1</u>
LGIP	\$ 127,069	\$ -
VIP Stable NAV Liq. Pool	4,003,460	-
VIP 1-3 Yr High Quality Bond Fund	-	2,031,421

Concentration of Credit Risk

At June 30, 2017, 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)	\$ 127,069	\$ 127,069
Virginia Investment Pool	6,034,881	6,034,881

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, 2017

**Note 4 - Fair Value Measurement:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments that are measured using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investments in the VIP are using the NAV per share, which is determined by dividing the total value of the VIP Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the VIP Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice.

The County has the following recurring fair value measurements as of June 30, 2017:

<u>Investment</u>	<u>6/30/2017</u>
Investments measured at the net asset value (NAV):	
VACO/VML VIP Stable Nav Liquidity Pool	\$ 4,003,460
VACO/VML VIP 1-3 Year High Quality Bond Fund	2,031,421
Total investments measured at NAV	<u>\$ 6,034,881</u>

**Note 5-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	\$ 22,839	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,197,775	-
State sales tax	-	1,395,590
Categorical aid-shared expenses	142,634	-
Categorical aid-other	290,858	-
Noncategorical aid	153,615	-
Categorical aid-VPA funds	176,317	-
Categorical aid-CSA funds	158,201	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	222,109	-
Categorical aid-other	-	534,107
Totals	<u>\$ 2,364,348</u>	<u>\$ 1,929,697</u>



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>1,890,390</u>	\$ <u>-</u>
Component Unit - School Board:		
School Fund	\$ <u>-</u>	\$ <u>1,860,390</u>
Component Unit - Park Authority:		
Washington Park Authority	\$ <u>-</u>	\$ <u>30,000</u>

Note 7-Interfund Transfers and Balances:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 39,632
County Capital Improvements Fund	39,632	-
Total	<u>\$ 39,632</u>	<u>\$ 39,632</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, 2017

Note 8-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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General Obligation bonds and note	\$ 12,706,899	\$ -	\$ (1,415,646)	\$ 11,291,253
General Obligation bond premium	212,263	-	(23,236)	189,027
Literary loans	1,785,044	-	(282,023)	1,503,021
Lease revenue notes	13,465,206	-	(532,931)	12,932,275
Lease revenue premium	951,550	-	(83,252)	868,298
Landfill post-closure liability	55,838	726	-	56,564
Net OPEB obligation	1,285,760	206,658	(76,300)	1,416,118
Net pension liability	7,224,798	4,291,971	(3,017,812)	8,498,957
Compensated absences	1,438,288	-	(28,093)	1,410,195
<b>Total</b>	<b>\$ 39,125,646</b>	<b>\$ 4,499,355</b>	<b>\$ (5,459,293)</b>	<b>\$ 38,165,708</b>

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
2018	\$ 282,023	\$ 53,551	\$ 1,429,436	\$ 210,711	\$ 668,417	\$ 418,529
2019	282,023	45,091	1,453,465	180,620	684,438	401,603
2020	282,023	36,630	1,467,610	150,170	703,966	381,538
2021	279,260	19,709	1,297,369	121,731	732,008	360,814
2022	234,068	11,331	971,566	98,734	752,036	339,318
2023-2027	143,624	7,746	4,380,006	257,332	4,138,233	1,293,741
2028-2032	-	-	291,801	7,441	2,568,487	605,939
2033-2037	-	-	-	-	1,598,793	294,502
2038-2041	-	-	-	-	1,085,897	51,527
<b>Totals</b>	<b>\$ 1,503,021</b>	<b>\$ 174,058</b>	<b>\$ 11,291,253</b>	<b>\$ 1,026,739</b>	<b>\$ 12,932,275</b>	<b>\$ 4,147,511</b>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 8-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, 2017 follows:

	Primary Government	Component Unit - IDA	Total
Lease revenue notes	\$ 11,319,775	\$ 2,805,225	\$ 14,125,000
Premium	868,298	215,179	1,083,477
Total	<u>12,188,073</u>	<u>3,020,404</u>	<u>15,208,477</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 8-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	\$ 210,000	\$ 70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	338,050	65,378
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	376,803	51,010
GO Bond	5.05%	11/1/2007	2027	1,565,886	919,858	76,998
GO Bond	5.05%	11/1/2007	2027	1,204,508	707,577	59,229
GO Bond	5.05%	11/1/2007	2027	1,243,435	730,442	61,143
GO Bond	5.05%	11/1/2007	2027	989,925	581,523	48,678
Early retirement refunding note	2.50%	9/15/2014	2020	1,854,000	1,277,000	307,000
QSC Bond	5.31%	7/1/2010	2027	8,145,000	6,150,000	690,000
Total General Obligation Bonds and Note					<u>\$ 11,291,253</u>	<u>\$ 1,429,436</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 8-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
<b>Literary Loans:</b>						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 189,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	250,294	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	293,168	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	132,500	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	165,348	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	41,075	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	105,776	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	97,831	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	175,856	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	51,936	6,490
<b>Total Literary Loans</b>					<b>\$ 1,503,021</b>	<b>\$ 282,023</b>
<b>Leave Revenue Notes:</b>						
Lease Revenue Note	2%-4%	6/16/2016	2041	\$ 3,969,636	\$ 3,791,150	\$ 175,802
Lease Revenue Note	2%-4%	6/16/2016	2041	7,883,070	7,528,625	349,115
Lease Revenue Note	2.49%	9/24/2015	2026	1,612,500	1,612,500	143,500
<b>Total Lease Revenue Notes</b>					<b>\$ 12,932,275</b>	<b>\$ 668,417</b>
<b>Other Obligations:</b>						
Landfill Post-closure liability	n/a	n/a	n/a	n/a	\$ 56,564	\$ -
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	21,830	3,118
Premium on \$5,003,754 bonds	n/a	n/a	n/a	n/a	167,197	20,894
Premium on \$7,883,070 bonds	n/a	n/a	n/a	n/a	868,298	75,895
Net OPEB obligation	n/a	n/a	n/a	n/a	1,416,118	-
Net pension liability	n/a	n/a	n/a	n/a	8,498,957	-
Compensated Absences	n/a	n/a	n/a	n/a	1,410,195	-
<b>Total Other Obligations</b>					<b>\$ 12,439,159</b>	<b>\$ 99,907</b>
<b>Total Long-term obligations</b>					<b>\$ 38,165,708</b>	<b>\$ 2,479,783</b>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 8-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, 2017.

	Restated Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
Compensated absences	\$ 3,299,494	\$ -	\$ (224,099)	\$ 3,075,395
Net OPEB obligation	3,035,236	539,299	(394,800)	3,179,735
Net pension liability	60,568,636	17,342,992	(10,916,932)	66,994,696
Supplemental Retirement Program	<u>11,320,688</u>	<u>1,873,178</u>	<u>(1,305,168)</u>	<u>11,888,698</u>
Total	<u>\$ 78,224,054</u>	<u>\$ 19,755,469</u>	<u>\$ (12,840,999)</u>	<u>\$ 85,138,524</u>

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 3,075,395	\$ -
Net OPEB obligation	n/a	n/a	n/a	n/a	3,179,735	-
Net pension liability	n/a	n/a	n/a	n/a	66,994,696	-
Supplemental Retirement Program	n/a	n/a	n/a	n/a	<u>11,888,698</u>	-
Total Other Obligations					<u>\$ 85,138,524</u>	<u>\$ -</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 9-Pension Plan:**

*Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b>                      Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>                      Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

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



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees 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, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>                      Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>                      Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>                      Same as Plan 1.</p>	<p><b>Vesting</b>  <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, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)  <u>Defined Contributions Component:</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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p>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, 2017

Note 9-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, 2017

Note 9-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, 2017

Note 9-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, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul> <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>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, 2017

Note 9-Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 9-Pension Plan:** (Continued)

*Pension Plan Data*

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

*Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	187	135
Inactive members:		
Vested inactive members	38	9
Non-vested inactive members	29	20
Inactive members active elsewhere in VRS	74	13
Total inactive members	141	42
Active members	256	96
Total covered employees	584	273

(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, 2017

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Note 9-Pension Plan: (Continued)

*Contributions (Continued)*

The County's contractually required contribution rate for the year ended June 30, 2017 was 10.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,097,538 and \$1,325,194 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit Washington County Park Authority's (WCPA) contractually required contribution rate for the year ended June 30, 2017 was 10.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit WCPA were \$4,308 and \$5,176 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 11.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board were \$310,218 and \$322,026 for the years ended June 30, 2017 and June 30, 2016, 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, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 9-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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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, 2017

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Note 9-Pension Plan: (Continued)

*Actuarial Assumptions - General Employees (Continued)*

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 9-Pension Plan: (Continued)

*Actuarial Assumptions - Public Safety Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 9-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, 2017

Note 9-Pension Plan: (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the 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, 2015	\$ 44,835,054	\$ 37,610,257	\$ 7,224,797
Changes for the year:			
Service cost	\$ 1,216,787	\$ -	\$ 1,216,787
Interest	3,051,538	-	3,051,538
Differences between expected and actual experience	(545,833)	(1,963)	(543,870)
Contributions - employer	-	1,325,357	(1,325,357)
Contributions - employee	-	507,065	(507,065)
Net investment income	-	641,519	(641,519)
Benefit payments, including refunds of employee contributions	(2,478,612)	(2,478,612)	-
Administrative expenses	-	(23,371)	23,371
Other changes	-	(275)	275
Net changes	\$ 1,243,880	\$ (30,280)	\$ 1,274,160
Balances at June 30, 2016	\$ 46,078,934	\$ 37,579,977	\$ 8,498,957



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-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, 2015	\$ 170,933	\$ 143,388	\$ 27,545
Changes for the year:			
Service cost	\$ 4,703	\$ -	\$ 4,703
Interest	11,794	-	11,794
Differences between expected and actual experience	239	1,963	(1,724)
Contributions - employer	-	5,122	(5,122)
Contributions - employee	-	1,960	(1,960)
Net investment income	-	2,479	(2,479)
Benefit payments, including refunds of employee contributions	(9,580)	(9,580)	-
Administrative expenses	-	(90)	90
Other changes	-	-	-
Net changes	\$ 7,156	\$ 1,854	\$ 5,302
Balances at June 30, 2016	\$ 178,089	\$ 145,242	\$ 32,847

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

*Changes in Net Pension Liability (Continued)*

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 14,673,961	\$ 12,144,325	\$ 2,529,636
Changes for the year:			
Service cost	\$ 293,270	\$ -	\$ 293,270
Interest	991,923	-	991,923
Differences between expected and actual experience	8,966	-	8,966
Contributions - employer	-	321,291	(321,291)
Contributions - employee	-	132,681	(132,681)
Net investment income	-	198,960	(198,960)
Benefit payments, including refunds of employee contributions	(1,007,279)	(1,007,279)	-
Administrative expenses	-	(7,746)	7,746
Other changes	-	(87)	87
Net changes	\$ 286,880	\$ (362,180)	\$ 649,060
Balances at June 30, 2016	\$ 14,960,841	\$ 11,782,145	\$ 3,178,696

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COUNTY OF WASHINGTON, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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Note 9-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	\$ 14,422,578	\$ 8,498,957	\$ 3,561,671
Component Unit Washington County Park Authority			
Net Pension Liability	\$ 55,742	\$ 32,847	\$ 13,765
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 4,708,573	\$ 3,178,696	\$ 1,873,715

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County, Component Unit WCPA, and Component Unit School Board (nonprofessional) recognized pension expense of \$1,060,202, \$4,117, and \$348,339, respectively. At June 30, 2017, 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	\$ 21,274	\$ 397,785	\$ 61	\$ 1,537	\$ 12,045	\$ -
Net difference between projected and actual earnings on pension plan investments	996,161	-	3,880	-	300,071	-
Change in proportionate share	-	302	302	-	-	-
Employer contributions subsequent to the measurement date	<u>1,097,538</u>	<u>-</u>	<u>4,308</u>	<u>-</u>	<u>310,218</u>	<u>-</u>
Total	<u>\$ 2,114,973</u>	<u>\$ 398,087</u>	<u>\$ 8,551</u>	<u>\$ 1,537</u>	<u>\$ 622,334</u>	<u>\$ -</u>

\$1,097,538, \$4,308, and \$310,218 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<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>
2018	\$ (115,568)	\$ (352)	\$ 5,432
2019	(120,721)	(372)	(3,202)
2020	462,188	1,853	183,587
2021	393,449	1,577	126,299
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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Note 9-Pension Plan: (Continued)

Component Unit School Board (professional)

*Plan Description*

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 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 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$5,123,000 and \$4,848,000 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$63,816,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.45537% as compared to 0.46113% at June 30, 2015.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$4,461,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 2,067,000
Net difference between projected and actual earnings on pension plan investments	3,645,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,359,000
Employer contributions subsequent to the measurement date	<u>5,123,000</u>	<u>-</u>
Total	<u>\$ 8,768,000</u>	<u>\$ 5,426,000</u>

\$5,123,000 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2018	\$ (1,454,000)
2019	(1,454,000)
2020	717,000
2021	607,000
Thereafter	(197,000)

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

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

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

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, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Discount Rate*

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 90,970,000	\$ 63,816,000	\$ 41,448,000

*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 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 10-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 2015, 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, 2017

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

B. Funding Policy (Continued)

The following are the 2017 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, 2017

Note 10-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	\$ 209,200	\$ 545,300	\$ 754,500
Interest on net OPEB obligation	45,002	106,233	151,235
Adjustment to annual required contribution	(47,544)	(112,234)	(159,778)
Annual OPEB cost (expense)	206,658	539,299	745,957
Contributions made	(76,300)	(394,800)	(471,100)
Increase in net OPEB obligation	130,358	144,499	274,857
Net OPEB obligation - beginning of year	1,285,760	3,035,236	4,320,996
Net OPEB obligation - end of year	\$ 1,416,118	\$ 3,179,735	\$ 4,595,853

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 206,658	37%	\$ 1,416,118
6/30/2016	196,948	26%	1,285,760
6/30/2015	174,057	39%	1,139,312

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 539,299	73%	\$3,179,735
6/30/2016	523,083	73%	3,035,236
6/30/2015	657,885	77%	2,891,853

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 10-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, 2017

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Note 11-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 9.

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 2017 was 0.07% and 0.80%, 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, 2017

Note 11-VRS Health Insurance Credit - Other Postemployment Benefits: (Continued)

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

For 2017, the County and School Board's contribution of \$2,126 and \$21,639, 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 2017 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, 2017	\$ 2,126	100%	-
June 30, 2016	3,413	100%	-
June 30, 2015	3,232	100%	-
School Board:			
June 30, 2017	\$ 21,639	100%	-
June 30, 2016	18,594	100%	-
June 30, 2015	18,986	100%	-

D. Funded Status and Funding Progress

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

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 209,880	\$ 309,421
Actuarial value of plan assets	\$ 212,168	\$ 12,841
Unfunded actuarial accrued liability (UAAL)	\$ (2,288)	\$ 296,580
Funded ratio (actuarial value of plan assets/AAL)	101.09%	4.15%
Covered payroll (active plan members)	\$ 3,175,407	\$ 2,643,037
UAAL as a percentage of covered payroll	-0.07%	11.22%

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, 2017

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Note 11-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 a closed basis. The remaining open amortization period at June 30, 2016 was 18-27 years.

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

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, 2017

**Note 11-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 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2017 was \$392,860 and equaled the required contributions.

**Note 12-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,828,672	\$ -	\$ -	\$ 1,828,672
Construction in progress	137,389	163,125	(160,255)	140,259
Total capital assets not being depreciated	<u>\$ 1,966,061</u>	<u>\$ 163,125</u>	<u>\$ (160,255)</u>	<u>\$ 1,968,931</u>
Capital assets, being depreciated:				
Buildings	\$ 36,168,816	\$ -	\$ (54,957)	\$ 36,113,859
Improvements other than buildings	264,395	-	-	264,395
Machinery and equipment	10,175,839	607,558	(2,007,051)	8,776,346
Total capital assets being depreciated	<u>\$ 46,609,050</u>	<u>\$ 607,558</u>	<u>\$ (2,062,008)</u>	<u>\$ 45,154,600</u>
Accumulated depreciation:				
Buildings	\$ (6,962,100)	\$ (729,669)	\$ 54,957	\$ (7,636,812)
Improvements other than buildings	(166,176)	(17,317)	-	(183,493)
Machinery and equipment	(8,783,273)	(691,995)	2,007,051	(7,468,217)
Total accumulated depreciation	<u>\$ (15,911,549)</u>	<u>\$ (1,438,981)</u>	<u>\$ 2,062,008</u>	<u>\$ (15,288,522)</u>
Total capital assets being depreciated, net	<u>\$ 30,697,501</u>	<u>\$ (831,423)</u>	<u>\$ -</u>	<u>\$ 29,866,078</u>
Governmental activities capital assets, net	<u>\$ 32,663,562</u>	<u>\$ (668,298)</u>	<u>\$ (160,255)</u>	<u>\$ 31,835,009</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

**Note 12-Capital Assets: (Continued)**

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

Governmental activities:	
General government administration	\$ 190,395
Judicial administration	2,569
Public safety	408,263
Public works	366,442
Health and welfare	22,796
Education	337,218
Parks, recreation, and cultural	<u>111,298</u>
Total depreciation expense-primary government	<u>\$ 1,438,981</u>

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,819,475	\$ -	\$ -	\$ 2,819,475
Construction in progress	67,377	617,734	(685,111)	-
Total capital assets not being depreciated	<u>\$ 2,886,852</u>	<u>\$ 617,734</u>	<u>\$ (685,111)</u>	<u>\$ 2,819,475</u>
Capital assets, being depreciated:				
Buildings	\$ 42,408,766	\$ 629,179	\$ -	\$ 43,037,945
Machinery and equipment	21,786,469	1,312,837	(542,904)	22,556,402
Total capital assets being depreciated	<u>\$ 64,195,235</u>	<u>\$ 1,942,016</u>	<u>\$ (542,904)</u>	<u>\$ 65,594,347</u>
Accumulated depreciation:				
Buildings	\$ (33,668,808)	\$ (810,287)	\$ -	\$ (34,479,095)
Machinery and equipment	(16,039,514)	(1,197,309)	542,904	(16,693,919)
Total accumulated depreciation	<u>\$ (49,708,322)</u>	<u>\$ (2,007,596)</u>	<u>\$ 542,904</u>	<u>\$ (51,173,014)</u>
Total capital assets being depreciated, net	<u>\$ 14,486,913</u>	<u>\$ (65,580)</u>	<u>\$ -</u>	<u>\$ 14,421,333</u>
Governmental activities capital assets, net	<u>\$ 17,373,765</u>	<u>\$ 552,154</u>	<u>\$ (685,111)</u>	<u>\$ 17,240,808</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 13-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 14-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 15-Surety Bonds:

Primary Government:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 15-Surety Bonds: (Continued)

Component Unit - School Board:

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

Note 16-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 \$56,564 liability is the total estimated post-closure care liability at June 30, 2017 and represents what it would cost to perform all post-closure care in 2017. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 17-School Board Supplemental Retirement Program:

Defined Benefit Plan

Plan Description:

The effective date of the Supplemental Retirement Program for Washington County Public Schools is January 1, 2006.

The Supplemental Retirement Program is a single-employer defined benefit plan. The Supplemental Retirement Program has one participating employer, the Washington County Public School System. Participants who meet the following eligibility requirements are eligible to receive benefits from the plan:

- Participant is a former employee of Washington County, Virginia public school system and has retired for purposes of eligibility to receive retirement benefits under the Virginia Retirement System;
- Participant has a bona fide separation from service of at least 30 days during a period of time the employee would normally be working;
- Participant is not eligible for disability retirement benefits under the Virginia Retirement System or Social Security; and
- Participant has at least 10 consecutive years of employment with the Washington County Public Schools immediately preceding retirement.

A participant may elect to receive a retirement benefit in one of the forms of payment shown below. The retirement benefit shall commence in accordance with plan provisions and the participant must elect to have his retirement benefit commence no later than his Social Security Retirement Age. Optional forms of payments:

- Monthly payment of 20% of contracted salary divided by 12 for 84 months following date of retirement
- Monthly payment of 23.33% of contracted salary divided by 12 for 72 months following date of retirement
- Monthly payment of 28% of contracted salary divided by 12 for 60 months following date of retirement.

If a participant dies prior to the commencement of his retirement benefit, his beneficiary shall receive a death benefit equal to the retirement benefit the participant would have received had the participant retired the day before his death. The participant's beneficiary shall choose a form of benefit as described above. In the event a participant dies after the first year of participation in the plan, the benefit will be the entire remaining balance of the participant's account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 17-School Board Supplemental Retirement Program: (Continued)

Contributions Policy

All funding is paid by the employer, Washington County Public Schools, and no employee contributions are allowed or required.

Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability

The following assumptions were used to determine contribution rates and net pension liability:

Actuarial Methods:

- Actuarial Cost Method—The actuarial cost method used to determine the actuarial accrued liability and the normal cost for both funding and financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the School’s contribution requirement. Under this method, the cost of each individual’s pension is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members.
- Asset Cost Method—
  - GASB 68--Market value of assets
  - Actuarially determined contribution—Market value of assets
- Amortization Method—
  - GASB 68 recognition period—For differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees determined at the beginning of the measurement period. The differences between projected and actual earnings on pension plan investments will be recognized over a closed five-year period.
  - Actuarially determined contribution—The unfunded liability will be amortized as a level dollar method over an open 20 year period.

Actuarial Assumptions for GASB 68 Results:

- Valuation date—July 1, 2017
- Measurement date—June 30, 2017
- Mortality table—
  - Pre-retirement—RP 2000 Combined Mortality Table projected with Scale AA to 2020 with males set back three years and females set back five years.
  - Post-retirement—RP 2000 Combined Mortality Table projected with Scale AA to 2020 with males set back two years and females set back three years.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 17-School Board Supplemental Retirement Program: (Continued)

Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability  
(Continued)

- Interest rate—
  - Discount rate—July 1, 2017 and 2016 valuations is 2%.
  - Expected long term rate of return—July 1, 2017 and 2016 valuations is 2%.
  - Municipal bond rate—July 1, 2016 valuation is 2.85%. July 1, 2017 valuation is 3.53%.
- Inflation—not applicable
- Salary increase—2.5% per year
- Ad-hoc COLA—None

Actuarial Assumptions for Recommended Contribution that Differ from the GASB 68 Assumptions:

All assumptions are the same for the recommended contribution as those used for the GASB 68 assumption except the following:

- Discount rate—4% per year

Plan Membership

As of June 30, 2017, membership in the Supplemental Retirement Program was comprised as follows:

Active participants	1,018
Terminated vested participants	108
Participants receiving benefits	<u>-</u>
Total	1,126

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 17-School Board Supplemental Retirement Program: (Continued)

Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the Washington County School Board's obligation to the Defined Benefit Plan. The net pension liability at June 30, 2017 is as follows:

Total pension liability (TPL)	\$ 19,454,414
Plan fiduciary net position	7,565,716
Net pension liability (NPL)	11,888,698
Plan fiduciary net position as a percentage of the total pension liability	38.89%
Covered employee payroll	39,628,025
Net pension liability as a percentage of covered employee payroll	30.00%

Expected Rate of Return and Target Allocation

The long-term expected rate of return on pension plan investments was determined by the client using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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.

Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the net pension liability. As an illustration, the following table presents the net pension liability for the Supplemental Retirement Program calculated using the discount rate of 2%, as well as what the Supplemental Retirement Program's net pension liability would be if it were calculated using a discount rate of one percentage point lower (1 percent) or one percentage point higher (3 percent) than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total Pension Liability	\$ 20,710,143	\$ 19,454,414	\$ 18,267,084
Plan Fiduciary Net Position	7,565,716	7,565,716	7,565,716
Net Pension Liability	13,144,427	11,888,698	10,701,368

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 17-School Board Supplemental Retirement Program: (Continued)

Summary of Deferred Outflows and Inflows of Resources

The Washington County Public Schools reports deferred outflows of resources and deferred inflows of resources on its Statement of Net Position as a result of pension related activities required under GAAP. Deferred outflows of resources represent a consumption of net position that is applied to future periods and, thus, is not recognized as an outflow of resources or expense until a later year. Deferred inflows of resources are an acquisition of net position that is not recognized in the current year but are recognized as an inflow of resources or revenue in a future year.

Since certain pension expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts increase the expense, they are labeled as deferred outflows and amounts that decrease the expense are labeled as deferred inflows. These outflows and inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all employees that are provided with pensions through the pension plan at the beginning of the measurement period. Investment gains/losses are amortized over a five year period.

The component make up of deferred inflows of resources and deferred outflows of resources is as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 412,695	\$ -
Difference between expected and actual investment earnings	-	40,660

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over specific years and recognized in pension expense in future years as shown below:

Amortization Schedule of Deferred Outflows and Inflows of Resources

<u>Year Ended June 30,</u>	
2018	\$ 52,555
2019	52,555
2020	52,555
2021	52,555
2022	62,720
Thereafter	99,095

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 17-School Board Supplemental Retirement Program: (Continued)

Components of Pension Expense

	Pension Expense
Service Cost	\$ 1,011,218
Interest Cost	384,337
Projected Earnings on Plan Assets	(137,744)
Recognition of Outflow of Resources due to differences between expected and actual experience in the measurement of total pension liability	62,720
Recognition of Inflow of Resources due to differences between projected and actual earnings on plan investments	(10,165)
Administrative Expense	2,200
Pension Expense	<u>\$ 1,312,566</u>

The Defined Benefit Plan is considered part of the Washington County School Board's financial reporting entity and is included in the financial statements as a Pension Trust Fund.

Note 18-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. Under the accrual basis, assessments for future periods are deferred.

	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	\$ -	\$ 3,892,141
Tax assessments due after June 30	12,838,189	12,838,189
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>659,516</u>	<u>659,516</u>
Total unavailable/deferred revenue	<u>\$ 13,497,705</u>	<u>\$ 17,389,846</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 19-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 2017, a total of 10,352,858 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 \$1,041,042 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 2017 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>
2016-17	\$ <u>775,553</u>	\$ <u>10,618,347</u>	\$ <u>(10,352,858)</u>	\$ <u>1,041,042</u>

**Note 20-Litigation:**

As of June 30, 2017, there were no matters of litigation involving the County which would materially affect the County's financial position should a court decision on pending matters not be favorable.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

Note 21-Fund Balance:

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
<b>Nonspendable:</b>				
Prepaid items	\$ 43,247	\$ -	\$ -	\$ -
<b>Restricted:</b>				
Forfeited Asset Sharing	\$ 344,908	\$ -	\$ -	\$ -
Health Insurance	127,932	-	-	-
Washington County Park Authority	30,000	-	-	-
IDA Project Funds	228,235	-	-	-
Capital Improvements	-	39,329	1,114,502	-
Total	\$ 731,075	\$ 39,329	\$ 1,114,502	\$ -
<b>Committed:</b>				
Road Improvements	\$ 297,935	\$ -	\$ -	\$ -
Law Library	38,428	-	-	-
Cash Flows	5,000,000	-	-	-
Total	\$ 5,336,363	\$ -	\$ -	\$ -
<b>Assigned:</b>				
Economic Incentives	\$ 300,000	\$ -	\$ -	\$ -
Traffic Enforcement	325,826	-	-	-
School Board - Textbook	-	-	-	2,134,135
School Board - Food Service	-	-	-	185,080
School Capital Needs	5,600	-	-	-
Total	\$ 631,426	\$ -	\$ -	\$ 2,319,215

Note 22-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures

GASB Statement 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement.

The County offers partial exemption from real property taxes for real property devoted to commercial and industrial uses that is rehabilitated and which qualifies in accordance with the criteria set out in the Code of Virginia, 58.1-3221 and Washington County Code section 58-131, et. seq.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 22-Adoption of Accounting Principles: (Continued)

Virginia code section 58.1-3221 established that the governing body of any county may by ordinance, provide for the partial exemption from taxation of real property on which any structure or other improvement no less than twenty years of age has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use, subject to such conditions as the ordinance may prescribe. The ordinance may, in addition to any other restrictions as allowed by the statute, restrict such exemptions to real property located within described zones or districts for which boundaries shall be determined by the governing body. Having considered these powers and the benefit to public health, safety, and welfare that may be created by adaptive reuse and/or replacement of old commercial or industrial structures that may otherwise fall into disuse and disrepair, the Board of Supervisors of Washington County finds it in the best interest of public health, safety, and welfare to provide for such partial exemption from taxation within a specified geographic area as allowed by state law. The County adopted Ordinance 2011-011 on October 25, 2011.

Under this ordinance, an application is submitted to the Commissioner of Revenue of Washington County, Virginia to determine the eligibility for partial tax exemption from real property tax for certain rehabilitated, renovated, or replacement commercial or industrial structures. The real estate taxes abated according to this ordinance for fiscal year 2017 is \$70,059.

Note 23-Restatement of Net Position:

	Component Unit - School Board
Beginning Net Position, July 1, 2016, as previously stated	<u>\$ (46,760,077)</u>
Supplemental Retirement Plan Net Pension Liability	<u>(11,320,688)</u>
Beginning Net Position, July 1, 2016, as restated	<u><u>\$ (58,080,765)</u></u>

Note 24-Upcoming Pronouncements:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

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Note 24-Upcoming Pronouncements: (Continued)

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

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

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

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

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

## 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 36,362,000	\$ 36,362,000	\$ 36,984,433	\$ 622,433
Other local taxes	9,571,500	9,571,500	10,019,462	447,962
Permits, privilege fees, and regulatory licenses	156,250	156,250	239,854	83,604
Fines and forfeitures	1,027,844	1,107,567	1,137,417	29,850
Revenue from the use of money and property	120,000	119,999	130,177	10,178
Charges for services	578,132	623,965	560,436	(63,529)
Miscellaneous	1,298,521	1,352,972	1,347,159	(5,813)
Recovered costs	551,542	617,618	253,692	(363,926)
Intergovernmental:				
Commonwealth	12,204,958	14,351,796	12,988,984	(1,362,812)
Federal	2,731,910	2,867,899	3,066,912	199,013
Total revenues	<u>\$ 64,602,657</u>	<u>\$ 67,131,566</u>	<u>\$ 66,728,526</u>	<u>\$ (403,040)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,634,693	\$ 3,912,138	\$ 3,473,710	\$ 438,428
Judicial administration	1,695,524	2,056,308	1,668,714	387,594
Public safety	12,070,504	13,440,385	12,284,821	1,155,564
Public works	3,319,405	3,438,830	2,975,593	463,237
Health and welfare	9,270,858	9,399,358	8,951,391	447,967
Education	27,848,482	29,551,253	29,426,515	124,738
Parks, recreation, and cultural	2,060,694	2,214,462	2,079,364	135,098
Community development	1,842,251	5,734,845	4,140,390	1,594,455
Nondepartmental	397,359	469,224	527,288	(58,064)
Debt service:				
Principal retirement	2,081,673	2,081,673	2,230,600	(148,927)
Interest and other fiscal charges	1,456,214	1,456,214	848,959	607,255
Total expenditures	<u>\$ 65,677,657</u>	<u>\$ 73,754,690</u>	<u>\$ 68,607,345</u>	<u>\$ 5,147,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,075,000)</u>	<u>\$ (6,623,124)</u>	<u>\$ (1,878,819)</u>	<u>\$ 4,744,305</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (25,000)	\$ (39,632)	\$ (39,632)	\$ -
Issuance of general obligation bonds	-	1,750,000	-	(1,750,000)
Total other financing sources (uses)	<u>\$ (25,000)</u>	<u>\$ 1,710,368</u>	<u>\$ (39,632)</u>	<u>\$ (1,750,000)</u>
Net change in fund balances	\$ (1,100,000)	\$ (4,912,756)	\$ (1,918,451)	\$ 2,994,305
Fund balances - beginning	1,100,000	4,912,756	22,532,111	17,619,355
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,613,660</u>	<u>\$ 20,613,660</u>

County of Washington, Virginia  
Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2017

Primary Government:  
County Post-Retirement Medical Plan:

Actuarial Valuation Date (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (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 (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
June 30, 2016	\$ 212,168	\$ 209,880	\$ (2,288)	101.09%	\$ 3,175,407	-0.07%
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%

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

Actuarial Valuation Date (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (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 (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
June 30, 2016	\$ 12,841	\$ 309,421	\$ 296,580	4.15%	\$ 2,643,037	11.22%
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%

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

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 1,216,787	\$ 1,197,031	\$ 1,190,097
Interest	3,051,538	2,921,020	2,786,695
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(543,493)	47,701	-
Impact of change in proportion	(2,340)	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,478,612)	(2,119,088)	(1,996,668)
<b>Net change in total pension liability</b>	<b>\$ 1,243,880</b>	<b>\$ 2,046,664</b>	<b>\$ 1,980,124</b>
Total pension liability - beginning	44,835,054	42,788,390	40,808,274
<b>Total pension liability - ending (a)</b>	<b>\$ 46,078,934</b>	<b>\$ 44,835,054</b>	<b>\$ 42,788,398</b>
<b>Plan fiduciary net position</b>			
Impact of change in proportion	\$ (1,963)	\$ -	\$ -
Contributions - employer	1,325,357	1,286,475	1,374,053
Contributions - employee	507,065	496,874	504,115
Net investment income	641,519	1,653,959	4,958,189
Benefit payments, including refunds of employee contributions	(2,478,612)	(2,119,088)	(1,996,668)
Administrative expense	(23,371)	(22,642)	(26,594)
Other	(275)	(352)	262
<b>Net change in plan fiduciary net position</b>	<b>\$ (30,280)</b>	<b>\$ 1,295,226</b>	<b>\$ 4,813,357</b>
Plan fiduciary net position - beginning	37,610,257	36,315,031	31,501,680
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 37,579,977</b>	<b>\$ 37,610,257</b>	<b>\$ 36,315,037</b>
<b>County/City/Town's net pension liability - ending (a) - (b)</b>	<b>\$ 8,498,957</b>	<b>\$ 7,224,797</b>	<b>\$ 6,473,361</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>81.56%</b>	<b>83.89%</b>	<b>84.87%</b>
<b>Covered payroll</b>	<b>\$ 10,341,453</b>	<b>\$ 9,974,884</b>	<b>\$ 9,957,113</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>82.18%</b>	<b>72.43%</b>	<b>65.01%</b>

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 Changes in Net Pension Liability and Related Ratios  
 Primary Government - Supplemental Retirement Pension Plan  
 For the Year Ended June 30, 2017

	<u>2017</u>
Total pension liability	
Service cost	\$ 1,011,218
Interest	384,337
Changes of benefit terms	-
Differences between expected and actual experience	475,415
Impact of change in proportion	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(1,244,478)
Net change in total pension liability	\$ 626,492
Total pension liability - beginning	18,827,922
Total pension liability - ending (a)	\$ <u>19,454,414</u>
Plan fiduciary net position	
Impact of change in proportion	\$ -
Contributions - employer	1,116,599
Contributions - employee	-
Net investment income	188,569
Benefit payments, including refunds of employee contributions	(1,244,478)
Administrative expense	(2,208)
Other	-
Net change in plan fiduciary net position	\$ 58,482
Plan fiduciary net position - beginning	7,507,234
Plan fiduciary net position - ending (b)	\$ <u>7,565,716</u>
County/City/Town's net pension liability - ending (a) - (b)	\$ 11,888,698
Plan fiduciary net position as a percentage of the total pension liability	38.89%
Covered payroll	\$ 39,628,025
County's net pension liability as a percentage of covered payroll	30.00%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Component Unit Washington County Park Authority  
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 4,703	\$ 4,564	\$ 4,537
Interest	11,794	11,136	10,624
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,101)	182	-
Impact of change in proportion	2,340	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(9,580)	(8,079)	(7,612)
<b>Net change in total pension liability</b>	<b>\$ 7,156</b>	<b>\$ 7,803</b>	<b>\$ 7,549</b>
Total pension liability - beginning	170,933	163,130	155,573
<b>Total pension liability - ending (a)</b>	<b>\$ 178,089</b>	<b>\$ 170,933</b>	<b>\$ 163,122</b>
<b>Plan fiduciary net position</b>			
Impact of change in proportion	\$ 1,963	\$ -	\$ -
Contributions - employer	5,122	4,905	5,238
Contributions - employee	1,960	1,894	1,922
Net investment income	2,479	6,306	18,902
Benefit payments, including refunds of employee contributions	(9,580)	(8,079)	(7,612)
Administrative expense	(90)	(86)	(101)
Other	(1)	(1)	1
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,853</b>	<b>\$ 4,939</b>	<b>\$ 18,350</b>
Plan fiduciary net position - beginning	143,389	138,450	120,094
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 145,242</b>	<b>\$ 143,389</b>	<b>\$ 138,444</b>
<b>Component Unit WCPA's net pension liability - ending (a) - (b)</b>	<b>\$ 32,847</b>	<b>\$ 27,544</b>	<b>\$ 24,678</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>81.56%</b>	<b>83.89%</b>	<b>84.87%</b>
<b>Covered payroll</b>	<b>\$ 39,427</b>	<b>\$ 38,029</b>	<b>\$ 37,961</b>
<b>Component Unit WCPA's net pension liability as a percentage of covered payroll</b>	<b>83.31%</b>	<b>72.43%</b>	<b>65.01%</b>

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

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 293,270	\$ 279,645	\$ 286,590
Interest	991,923	969,365	949,439
Changes of benefit terms	-	-	-
Differences between expected and actual experience	8,966	46,177	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,007,279)	(938,586)	(964,155)
<b>Net change in total pension liability</b>	<b>\$ 286,880</b>	<b>\$ 356,601</b>	<b>\$ 271,874</b>
Total pension liability - beginning	14,673,961	14,317,360	14,045,486
<b>Total pension liability - ending (a)</b>	<b>\$ 14,960,841</b>	<b>\$ 14,673,961</b>	<b>\$ 14,317,360</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 321,291	\$ 329,457	\$ 353,164
Contributions - employee	132,681	131,838	130,716
Net investment income	198,960	542,672	1,687,553
Benefit payments, including refunds of employee contributions	(1,007,279)	(938,586)	(964,155)
Administrative expense	(7,746)	(7,794)	(9,397)
Other	(87)	(112)	89
<b>Net change in plan fiduciary net position</b>	<b>\$ (362,180)</b>	<b>\$ 57,475</b>	<b>\$ 1,197,970</b>
Plan fiduciary net position - beginning	12,144,325	12,086,850	10,888,880
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,782,145</b>	<b>\$ 12,144,325</b>	<b>\$ 12,086,850</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 3,178,696</b>	<b>\$ 2,529,636</b>	<b>\$ 2,230,510</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.75%</b>	<b>82.76%</b>	<b>84.42%</b>
<b>Covered payroll</b>	<b>\$ 2,620,073</b>	<b>\$ 2,674,140</b>	<b>\$ 2,617,034</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>121.32%</b>	<b>94.60%</b>	<b>85.23%</b>

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, 2017\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.45537%	0.46113%	0.48436%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 63,816,000	\$ 58,039,000	\$ 58,533,000
Employer's Covered Payroll	34,658,445	34,284,601	35,253,945
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	184.13%	169.29%	166.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. 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 Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2017	\$ 1,097,604	\$ 1,097,604	\$ -	\$ 10,344,991	10.61%
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%
<b>Component Unit Washington County Park Authority</b>					
2017	\$ 4,242	\$ 4,242	\$ -	\$ 39,982	10.61%
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%
<b>Component Unit School Board (nonprofessional)</b>					
2017	\$ 310,218	\$ 310,218	\$ -	\$ 2,716,445	11.42%
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%
<b>Component Unit School Board (professional)</b>					
2017	\$ 5,123,000	\$ 5,123,000	\$ -	\$ 35,392,792	14.47%
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%
<b>Component Unit School Board - Supplemental Retirement Pension Plan</b>					
2017	\$ 1,433,150	\$ 1,116,599	\$ 316,551	\$ 39,204,917	2.85%

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, 2017

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Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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, 2017

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ -	\$ 413,403	\$ 163,125	\$ (250,278)
Total revenues	\$ -	\$ 413,403	\$ 163,125	\$ (250,278)
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 71,760	\$ 22,866	\$ 48,894
Public works	25,000	411,715	220,251	191,464
Parks, recreation, and cultural	-	32,000	-	32,000
Total expenditures	\$ 25,000	\$ 515,475	\$ 243,117	\$ 272,358
Excess (deficiency) of revenues over (under) expenditures	\$ (25,000)	\$ (102,072)	\$ (79,992)	\$ 22,080
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 25,000	\$ 39,632	\$ 39,632	\$ -
Total other financing sources (uses)	\$ 25,000	\$ 39,632	\$ 39,632	\$ -
Net change in fund balances	\$ -	\$ (62,440)	\$ (40,360)	\$ 22,080
Fund balances - beginning	-	62,440	79,689	17,249
Fund balances - ending	\$ -	\$ -	\$ 39,329	\$ 39,329

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, 2017

	School Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Commonwealth	\$ -	\$ -	\$ 115,209	\$ 115,209
Total revenues	\$ -	\$ -	\$ 115,209	\$ 115,209
<b>EXPENDITURES</b>				
Current:				
Education	\$ 333,700	\$ 1,648,795	\$ 649,502	\$ 999,293
Total expenditures	\$ 333,700	\$ 1,648,795	\$ 649,502	\$ 999,293
Excess (deficiency) of revenues over (under) expenditures	\$ (333,700)	\$ (1,648,795)	\$ (534,293)	\$ 1,114,502
Net change in fund balances	\$ (333,700)	\$ (1,648,795)	\$ (534,293)	\$ 1,114,502
Fund balances - beginning	333,700	1,648,795	1,648,795	-
Fund balances - ending	\$ -	\$ -	\$ 1,114,502	\$ 1,114,502

## FIDUCIARY FUNDS

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

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

County of Washington, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Agency Funds				Commonwealth Attorney Collection Program	Total
	Special Welfare	Fringe Benefits	Soil Erosion Deposits			
<b>ASSETS</b>						
Cash and cash equivalents	\$ 81,246	\$ 34,335	\$ 16,125	\$	152,808	\$ 284,514
Cash in custody of others	10,176	-	-	-	-	10,176
Accounts receivable	-	-	-	-	5,682	5,682
Total assets	<u>\$ 91,422</u>	<u>\$ 34,335</u>	<u>\$ 16,125</u>	<u>\$</u>	<u>158,490</u>	<u>\$ 300,372</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 91,422	\$ -	\$ -	\$	-	\$ 91,422
Amounts held for school board employee fringe benefits	-	34,335	-	-	-	34,335
Amounts held for soil erosion deposits	-	-	16,125	-	-	16,125
Amounts held for commonwealth attorney collection program	-	-	-	-	158,490	158,490
Total liabilities	<u>\$ 91,422</u>	<u>\$ 34,335</u>	<u>\$ 16,125</u>	<u>\$</u>	<u>158,490</u>	<u>\$ 300,372</u>

County of Washington, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents				
Special Welfare	\$ 116,282	\$ 63,456	\$ (88,316)	\$ 91,422
Fringe Benefits	31,009	76,757	(73,431)	34,335
Soil Erosion Deposits	17,518	6,208	(7,601)	16,125
Commonwealth Attorney Collection Program	156,841	163,969	(168,002)	152,808
Total cash and cash equivalents	<u>\$ 321,650</u>	<u>\$ 310,390</u>	<u>\$ (337,350)</u>	<u>\$ 294,690</u>
Accounts receivable				
Commonwealth Attorney Collection Program	\$ 4,343	\$ 1,339	\$ -	\$ 5,682
Total accounts receivable	<u>\$ 4,343</u>	<u>\$ 1,339</u>	<u>\$ -</u>	<u>\$ 5,682</u>
Total Assets	<u>\$ 325,993</u>	<u>\$ 311,729</u>	<u>\$ (337,350)</u>	<u>\$ 300,372</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 116,282	\$ 63,456	\$ (88,316)	\$ 91,422
Amounts held for school board employees	31,009	76,757	(73,431)	34,335
Amounts held for soil erosion deposits	17,518	6,208	(7,601)	16,125
Amounts held for Commonwealth Attorney	161,184	165,308	(168,002)	158,490
Total Liabilities	<u>\$ 325,993</u>	<u>\$ 311,729</u>	<u>\$ (337,350)</u>	<u>\$ 300,372</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.

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County of Washington, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

		<u>School Operating Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	2,633,324
Accounts receivable		679,185
Due from primary government		1,860,390
Due from other governmental units		1,929,697
Total assets		<u>\$ 7,102,596</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$	316,243
Accrued wages		4,467,138
Total liabilities		<u>\$ 4,783,381</u>
Fund balances:		
Assigned	\$	2,319,215
Total fund balances		<u>\$ 2,319,215</u>
Total liabilities and fund balances		<u>\$ 7,102,596</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	2,319,215
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		8,558,850
Machinery and equipment		5,862,483
		<u>17,240,808</u>
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.		
		5,433,218
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		
Prepaid items		464,480
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	(5,466,660)	
Deferred outflows of resources related to measurement of net pension liability	4,369,811	(1,096,849)
		<u>(1,096,849)</u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		2,733,948
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	\$	(3,179,735)
Net pension liability - VRS		(66,994,696)
Compensated absences		(3,075,395)
Net pension liability - supplemental retirement		(11,888,698)
		<u>(85,138,524)</u>
Net position of governmental activities		<u>\$ (58,043,704)</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, 2017

		<u>School Operating Fund</u>
<b>REVENUES</b>		
Revenue from the use of money and property	\$	12,165
Charges for services		2,430,456
Miscellaneous		1,420,163
Recovered costs		46,660
Intergovernmental:		
Local government		29,094,101
Commonwealth		40,687,728
Federal		6,280,647
Total revenues	\$	<u>79,971,920</u>
<b>EXPENDITURES</b>		
Current:		
Education		<u>\$ 79,762,201</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>209,719</u>
Net change in fund balances	\$	209,719
Fund balances - beginning		<u>2,109,496</u>
Fund balances - ending	\$	<u><u>2,319,215</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	\$	209,719
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	\$	1,874,639
Depreciation Expense		<u>(2,007,596)</u> (132,957)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows of resources related to the measurement of the net pension liability		2,468,340
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		
		(210,316)
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	\$	224,099
Change in net pension liability		(6,994,070)
Change in deferred outflows of resources related to the measurement of the net pension liability		4,679,707
Change in deferred outflows of related to pension payments subsequent to measurement date		263,192
Change in net OPEB obligation		<u>(144,499)</u> (1,971,571)
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.		
		(326,154)
Change in net position of governmental activities	\$	<u><u>37,061</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, 2017

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 15,600	\$ 15,613	\$ 12,165	\$ (3,448)
Charges for services	2,320,705	2,320,705	2,430,456	109,751
Miscellaneous	1,229,339	1,229,339	1,420,163	190,824
Recovered costs	100,000	100,000	46,660	(53,340)
Intergovernmental:				
Local government	27,516,068	29,218,839	29,094,101	(124,738)
Commonwealth	41,435,097	41,435,097	40,687,728	(747,369)
Federal	8,186,942	8,186,942	6,280,647	(1,906,295)
Total revenues	<u>\$ 80,803,751</u>	<u>\$ 82,506,535</u>	<u>\$ 79,971,920</u>	<u>\$ (2,534,615)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 82,503,764</u>	<u>\$ 84,615,732</u>	<u>\$ 79,762,201</u>	<u>\$ 4,853,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,700,013)</u>	<u>\$ (2,109,197)</u>	<u>\$ 209,719</u>	<u>\$ 2,318,916</u>
Net change in fund balances	\$ (1,700,013)	\$ (2,109,197)	\$ 209,719	\$ 2,318,916
Fund balances - beginning	1,700,013	2,109,197	2,109,496	299
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,319,215</u>	<u>\$ 2,319,215</u>

County of Washington, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Fund - Discretely Presented Component Unit School Board  
June 30, 2017

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	Employee Early Retirement Incentive <u>Plan</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 233,423
Receivables:	
Interest and dividends	32
Contributions	1,116,599
Investments, at fair value:	
Equity securities	3,009,255
Mutual Funds	3,206,407
Total assets	<u>7,565,716</u>
 <b>NET ASSETS</b>	
Held in trust for retirement plan	<u><u>\$ 7,565,716</u></u>

County of Washington, Virginia  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds - Discretely Presented Component Unit School Board  
For the Year Ended June 30, 2017

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	Employee Early Retirement Incentive <u>Plan</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	<u>\$ 1,116,599</u>
Investment earnings:	
Interest	499
Dividends	95,297
Net increase in the fair market value of investments	92,773
Total investment earnings	<u>188,569</u>
Less investment expense	
Net investment earnings	<u>188,569</u>
Total additions	<u>1,305,168</u>
<b>DEDUCTIONS</b>	
Benefits	1,244,478
Administrative expenses	2,208
Total deductions	<u>1,246,686</u>
Change in net assets	58,482
Net assets - beginning	7,507,234
Net assets - ending	<u><u>\$ 7,565,716</u></u>

County of Washington, Virginia  
Combining Statement of Net Position  
Other Component Units  
June 30, 2017

	Park <u>Authority</u>	Industrial Develop- <u>ment Authority</u>	Virginia Highlands <u>Airport Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 262,527	\$ 1,263,315	\$ 550,377	\$ 2,076,219
Cash in custody of others	30,000	-	-	30,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	49,249	36,691	85,940
Notes receivable	-	12,261,359	-	12,261,359
Rent receivable	-	28,516	-	28,516
Grants receivable	-	-	36,103	36,103
Due from other governmental units	-	50,520	-	50,520
Inventories	-	-	36,498	36,498
Prepaid items	-	3,437	19,461	22,898
Capital assets (net of accumulated depreciation):				
Land	753,776	14,654,863	10,760,073	26,168,712
Buildings and system	88,509	952,435	2,570,688	3,611,632
Improvements other than buildings	413,607	684,526	6,144,834	7,242,967
Machinery and equipment	12,122	12,316	351,302	375,740
Construction in progress	-	-	3,865,341	3,865,341
Total assets	<u>\$ 1,560,541</u>	<u>\$ 29,960,536</u>	<u>\$ 24,371,368</u>	<u>\$ 55,892,445</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunded bond	\$ -	\$ 1,920,656	\$ -	\$ 1,920,656
Pension contributions subsequent to the measurement date	4,308	-	10,975	15,283
Items related to measurement of net pension liability	4,243	-	21,317	25,560
Total deferred outflows of resources	<u>\$ 8,551</u>	<u>\$ 1,920,656</u>	<u>\$ 32,292</u>	<u>\$ 1,961,499</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,939	\$ 11,460	\$ 160,450	\$ 181,849
Accrued wages	-	-	15,220	15,220
Accrued interest payable	-	57,529	17,053	74,582
Long-term liabilities:				
Due within one year	-	983,203	20,298	1,003,501
Due in more than one year	38,225	15,927,774	2,667,257	18,633,256
Total liabilities	<u>\$ 48,164</u>	<u>\$ 16,979,966</u>	<u>\$ 2,880,278</u>	<u>\$ 19,908,408</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Items related to measurement of net pension liability	\$ 1,537	-	-	\$ 1,537
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,268,014	\$ 16,304,140	\$ 21,098,531	\$ 38,670,685
Unrestricted	251,377	(1,402,914)	424,851	(726,686)
Total Net Position	<u>\$ 1,519,391</u>	<u>\$ 14,901,226</u>	<u>\$ 21,523,382</u>	<u>\$ 37,943,999</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, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Component Unit			
				Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	
OTHER COMPONENT UNITS:							
Washington Park Authority	\$ 268,593	\$ 221,128	\$ -	\$ (47,465)	\$ -	\$ -	\$ (47,465)
Industrial Development Authority	654,027	-	317,728	-	(336,299)	-	(336,299)
Virginia Highlands Airport Authority	1,915,147	1,171,731	-	-	-	39,322	39,322
Total other component units	<u>\$ 2,837,767</u>	<u>\$ 1,392,859</u>	<u>\$ 317,728</u>	<u>\$ (47,465)</u>	<u>\$ (336,299)</u>	<u>\$ 39,322</u>	<u>\$ (344,442)</u>
General revenues:							
Unrestricted revenues from use of money and property	\$ -			\$ 147	\$ 289,631	\$ 297,362	\$ 587,140
Miscellaneous				760	-	10,905	11,665
Payments from Washington County				-	763,983	81,738	845,721
Total general revenues				\$ 907	\$ 1,053,614	\$ 390,005	\$ 1,444,526
Change in net position				\$ (46,558)	\$ 717,315	\$ 429,327	\$ 1,100,084
Net position - beginning, as restated				1,565,949	14,183,911	21,094,055	36,843,915
Net position - ending				\$ 1,519,391	\$ 14,901,226	\$ 21,523,382	\$ 37,943,999

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, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,680,500	\$ 24,680,500	\$ 25,155,159	\$ 474,659
Real and personal public service corporation taxes	1,250,000	1,250,000	1,262,676	12,676
Personal property taxes	6,850,000	6,850,000	6,922,103	72,103
Mobile home taxes	126,500	126,500	110,665	(15,835)
Machinery and tools taxes	2,800,000	2,800,000	2,906,513	106,513
Penalties	305,000	305,000	297,095	(7,905)
Interest	350,000	350,000	330,222	(19,778)
Total general property taxes	<u>\$ 36,362,000</u>	<u>\$ 36,362,000</u>	<u>\$ 36,984,433</u>	<u>\$ 622,433</u>
Other local taxes:				
Local sales and use taxes	\$ 6,700,000	\$ 6,700,000	\$ 6,914,821	\$ 214,821
Consumers' utility taxes	1,150,000	1,150,000	1,118,590	(31,410)
Franchise license taxes	-	-	73,869	73,869
Utility license taxes	140,000	140,000	116,006	(23,994)
Motor vehicle licenses	1,090,000	1,090,000	1,094,207	4,207
Bank stock taxes	40,000	40,000	25,493	(14,507)
Taxes on recordation and wills	301,500	301,500	536,220	234,720
Hotel and motel room taxes	150,000	150,000	140,256	(9,744)
Total other local taxes	<u>\$ 9,571,500</u>	<u>\$ 9,571,500</u>	<u>\$ 10,019,462</u>	<u>\$ 447,962</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 27,500	\$ 27,500	\$ 36,161	\$ 8,661
Zoning, subdivision plat and soil erosion permits	105,000	105,000	158,604	53,604
Building permits	1,250	1,250	735	(515)
Waste hauling fees	2,500	2,500	3,880	1,380
Other permits and licenses	20,000	20,000	40,474	20,474
Total permits, privilege fees, and regulatory licenses	<u>\$ 156,250</u>	<u>\$ 156,250</u>	<u>\$ 239,854</u>	<u>\$ 83,604</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 1,027,844	\$ 1,107,567	\$ 1,137,417	\$ 29,850
Revenue from use of money and property:				
Revenue from use of money	\$ 120,000	\$ 119,999	\$ 128,177	\$ 8,178
Revenue from use of property	-	-	2,000	2,000
Total revenue from use of money and property	<u>\$ 120,000</u>	<u>\$ 119,999</u>	<u>\$ 130,177</u>	<u>\$ 10,178</u>
Charges for services:				
Excess fees of clerk	\$ -	\$ -	\$ 6,432	\$ 6,432
Charges for law enforcement and traffic control	52,932	52,932	56,420	3,488
Charges for transportation of prisoners	7,500	7,500	7,143	(357)
Charges for copies	12,000	12,000	16,382	4,382
Charges for Commonwealth's Attorney	6,000	6,000	5,138	(862)
Charges for highways and streets	5,000	5,000	2,111	(2,889)
Commission fees	53,000	98,833	134,206	35,373
Charges for sanitation and waste removal and other related fees	360,000	360,000	260,914	(99,086)
Charges for parks and recreation	53,000	53,000	46,676	(6,324)
Charges for library	28,700	28,700	25,014	(3,686)
Total charges for services	<u>\$ 578,132</u>	<u>\$ 623,965</u>	<u>\$ 560,436</u>	<u>\$ (63,529)</u>

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

<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	\$ 173,600	\$ 228,051	\$ 271,151	\$ 43,100
Revenue Sharing - Bristol	350,000	350,000	350,000	-
Bristol, Tenn.-payment in lieu of taxes	1,250	1,250	1,174	(76)
Bristol, VA utilities board	48,671	48,671	-	(48,671)
Tennessee Valley Authority-payment in lieu of taxes	725,000	725,000	724,834	(166)
Total miscellaneous	<u>\$ 1,298,521</u>	<u>\$ 1,352,972</u>	<u>\$ 1,347,159</u>	<u>\$ (5,813)</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ 26,988	\$ 29,784	\$ 2,796
Regional jail	-	-	22,839	22,839
Facility management CS building	90,000	90,000	74,583	(15,417)
Alcohol, tobacco and firearms funds	18,000	18,000	18,309	309
Other recovered costs	443,542	482,630	108,177	(374,453)
Total recovered costs	<u>\$ 551,542</u>	<u>\$ 617,618</u>	<u>\$ 253,692</u>	<u>\$ (363,926)</u>
Total revenue from local sources	<u>\$ 49,665,789</u>	<u>\$ 49,911,871</u>	<u>\$ 50,672,630</u>	<u>\$ 760,759</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 39,230	\$ (770)
Mobile home titling tax	65,000	65,000	87,055	22,055
Motor vehicle rental tax	11,000	11,000	7,926	(3,074)
Grantors tax	100,000	100,000	114,086	14,086
Communications sales taxes	1,750,000	1,750,000	1,525,533	(224,467)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	<u>\$ 4,525,286</u>	<u>\$ 4,525,286</u>	<u>\$ 4,333,116</u>	<u>\$ (192,170)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 475,000	\$ 475,000	\$ 474,382	\$ (618)
Sheriff	2,210,000	2,210,000	2,196,877	(13,123)
Commissioner of revenue	155,000	164,350	162,096	(2,254)
Treasurer	155,000	155,000	156,628	1,628
Registrar/electoral board	48,250	48,250	46,977	(1,273)
Clerk of the Circuit Court	362,000	362,000	361,715	(285)
Total shared expenses	<u>\$ 3,405,250</u>	<u>\$ 3,414,600</u>	<u>\$ 3,398,675</u>	<u>\$ (15,925)</u>
Other categorical aid:				
Virginia Public Assistance	\$ 2,578,452	\$ 2,578,452	\$ 2,294,913	\$ (283,539)
Comprehensive services	1,114,182	1,186,582	1,025,748	(160,834)
Victim witness grant	61,354	103,601	28,080	(75,521)
Litter control grant	39,000	39,000	40,998	1,998
EMS grant-Four for life	70,000	70,000	45,655	(24,345)
Fire programs	135,000	135,000	144,132	9,132
Dog and cat sterilization grant	1,500	1,500	1,261	(239)
E-911 wireless grant	45,000	45,000	52,920	7,920
Library state aid	151,125	155,427	155,427	-

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

<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	\$ -	\$ 203,959	\$ 208,320	\$ 4,361
SLC E-rate	-	-	8,814	8,814
School resource officer	-	32,473	41,894	9,421
DOJ - internet crimes against children	-	79,664	9,843	(69,821)
VDOT road improvement grant	-	1,750,000	1,171,629	(578,371)
Library of VA preservation of records	-	11,808	11,808	-
Justice assistance grants	-	-	1,402	1,402
Forest service	-	-	3,149	3,149
Police equipment	78,809	9,444	6,200	(3,244)
Other state grants	-	10,000	5,000	(5,000)
Total other categorical aid	<u>\$ 4,274,422</u>	<u>\$ 6,411,910</u>	<u>\$ 5,257,193</u>	<u>\$ (1,154,717)</u>
Total categorical aid	<u>\$ 7,679,672</u>	<u>\$ 9,826,510</u>	<u>\$ 8,655,868</u>	<u>\$ (1,170,642)</u>
Total revenue from the Commonwealth	<u>\$ 12,204,958</u>	<u>\$ 14,351,796</u>	<u>\$ 12,988,984</u>	<u>\$ (1,362,812)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 42,177</u>	<u>\$ 41,677</u>
Categorical aid:				
Virginia Public Assistance	\$ 2,703,600	\$ 2,703,600	\$ 2,881,695	\$ 178,095
Victim witness grant	-	-	39,686	39,686
Arts grant	-	5,000	5,000	-
DMV Highway safety	-	21,311	21,342	31
VDEM grant	-	-	18,515	18,515
DCJS-VSTOP grant	27,810	27,810	27,811	1
Alcohol safety	-	40,137	21,498	(18,639)
DHCD	-	53,000	-	(53,000)
Bullet proof vest	-	16,541	9,188	(7,353)
Total categorical aid	<u>\$ 2,731,410</u>	<u>\$ 2,867,399</u>	<u>\$ 3,024,735</u>	<u>\$ 157,336</u>
Total revenue from the federal government	<u>\$ 2,731,910</u>	<u>\$ 2,867,899</u>	<u>\$ 3,066,912</u>	<u>\$ 199,013</u>
Total General Fund	<u>\$ 64,602,657</u>	<u>\$ 67,131,566</u>	<u>\$ 66,728,526</u>	<u>\$ (403,040)</u>
Capital Projects Funds				
County Capital Improvements Fund				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA wireless E911 grant	\$ -	\$ 381,403	\$ 163,125	\$ (218,278)
VDOT Whites Mill Restore	-	32,000	-	(32,000)
Total categorical aid	<u>\$ -</u>	<u>\$ 413,403</u>	<u>\$ 163,125</u>	<u>\$ (250,278)</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 413,403</u>	<u>\$ 163,125</u>	<u>\$ (250,278)</u>
Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ 413,403</u>	<u>\$ 163,125</u>	<u>\$ (250,278)</u>

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

<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>
School Capital Projects Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Literary subsidy proceeds	\$ -	\$ -	\$ 115,209	\$ 115,209
Total revenue from the Commonwealth	\$ -	\$ -	\$ 115,209	\$ 115,209
Total School Capital Projects Fund	\$ -	\$ -	\$ 115,209	\$ 115,209
Total Primary Government	\$ 64,602,657	\$ 67,544,969	\$ 67,006,860	\$ (538,109)
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	\$ 10,000	\$ 10,013	\$ 10,990	\$ 977
Revenue from the use of property	5,600	5,600	1,175	(4,425)
Total revenue from use of money and property	\$ 15,600	\$ 15,613	\$ 12,165	\$ (3,448)
Charges for services:				
Charges for education	\$ 570,000	\$ 570,000	\$ 784,706	\$ 214,706
Governor's School	424,775	424,775	444,890	20,115
Transportation of pupils	50,000	50,000	19,086	(30,914)
Cafeteria sales	1,275,930	1,275,930	1,181,774	(94,156)
Total charges for services	\$ 2,320,705	\$ 2,320,705	\$ 2,430,456	\$ 109,751
Miscellaneous:				
Other miscellaneous	\$ 1,229,339	\$ 1,229,339	\$ 1,420,163	\$ 190,824
Recovered costs:				
Other recovered costs	\$ 100,000	\$ 100,000	\$ 46,660	\$ (53,340)
Total revenue from local sources	\$ 3,665,644	\$ 3,665,657	\$ 3,909,444	\$ 243,787
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 27,516,068	\$ 29,218,839	\$ 29,094,101	\$ (124,738)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 8,023,716	\$ 8,023,716	\$ 7,830,872	\$ (192,844)
Basic school aid	20,191,228	20,191,228	19,912,523	(278,705)
GED funding	23,576	23,576	25,254	1,678
Summer remedial	118,972	118,972	99,089	(19,883)
Regular foster care	384,472	384,472	149,947	(234,525)
Adult high school courses	-	-	43,825	43,825
Gifted and talented	221,451	221,451	217,857	(3,594)
Remedial education	747,396	747,396	735,269	(12,127)
National board certified teacher	-	-	7,500	7,500
Preschool initiative	502,101	502,101	502,101	-
Special education	2,108,394	2,108,394	2,074,184	(34,210)

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

<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)				
Textbook payment	\$ 505,410	\$ 505,410	\$ 498,258	\$ (7,152)
Vocational adult education	43,920	43,920	50,822	6,902
Vocational education	549,013	549,013	540,105	(8,908)
Vocational equipment	-	-	39,192	39,192
Vocational educational occupational tech ed	200,351	200,351	91,532	(108,819)
Social security fringe benefits	1,273,341	1,273,341	1,252,680	(20,661)
Retirement fringe benefits	2,620,499	2,620,499	2,577,979	(42,520)
Life insurance fringe benefits	87,658	87,658	86,235	(1,423)
State lottery payments	-	-	238,554	238,554
Early reading intervention	50,984	50,984	50,984	-
Governors school	616,956	616,956	611,899	(5,057)
Jobs for Virginia graduates-lottery proceeds	-	-	25,000	25,000
At risk payments	672,653	672,653	689,313	16,660
Adult literacy	-	-	119,012	119,012
Homebound	57,734	57,734	44,012	(13,722)
School food	51,792	51,792	55,995	4,203
Regional programs	276,533	276,533	261,137	(15,396)
Special education - foster care	-	-	220,495	220,495
Mentor teacher program	2,711	2,711	3,370	659
Primary class size	959,727	959,727	902,315	(57,412)
Technology	466,000	466,000	440,000	(26,000)
SOL algebra readiness	96,124	96,124	93,769	(2,355)
Special ed jail program	1,482	1,482	534	(948)
Security grant	-	-	30,833	30,833
English as a second language	27,349	27,349	24,403	(2,946)
GED testing	-	-	86,220	86,220
Other state funds	553,554	553,554	54,659	(498,895)
Total categorical aid	<u>\$ 41,435,097</u>	<u>\$ 41,435,097</u>	<u>\$ 40,687,728</u>	<u>\$ (747,369)</u>
Total revenue from the Commonwealth	<u>\$ 41,435,097</u>	<u>\$ 41,435,097</u>	<u>\$ 40,687,728</u>	<u>\$ (747,369)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 22,000	\$ 22,000	\$ 3,195	\$ (18,805)
Adult basic education	468,460	468,460	409,446	(59,014)
Title I	1,525,000	1,525,000	1,572,908	47,908
Title VI-B, special education flow-through	1,525,000	1,525,000	1,665,568	140,568
Title VI-B, special education preschool	50,000	50,000	45,608	(4,392)
Vocational education	117,000	117,000	117,732	732
Title II Part A	400,000	400,000	257,351	(142,649)
School breakfast and lunch program	2,012,702	2,012,702	2,208,839	196,137
Other federal	2,066,780	2,066,780	-	(2,066,780)
Total revenue from the federal government	<u>\$ 8,186,942</u>	<u>\$ 8,186,942</u>	<u>\$ 6,280,647</u>	<u>\$ (1,906,295)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 80,803,751</u>	<u>\$ 82,506,535</u>	<u>\$ 79,971,920</u>	<u>\$ (2,534,615)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
<b>General government administration:</b>				
<b>Legislative:</b>				
Board of supervisors	\$ 159,478	\$ 159,978	\$ 126,271	\$ 33,707
<b>General and financial administration:</b>				
County administrator	\$ 216,552	\$ 217,052	\$ 208,058	\$ 8,994
Personnel	90,016	90,016	84,658	5,358
Legal services	219,812	219,812	206,731	13,081
Commissioner of revenue	614,182	625,307	615,491	9,816
Treasurer	736,373	911,977	691,578	220,399
Central accounting and purchasing	271,676	270,676	251,240	19,436
Information technology	641,411	660,715	609,046	51,669
Assessor	325,000	385,000	321,837	63,163
Auditor	85,000	85,000	78,022	6,978
Total general and financial administration	<u>\$ 3,200,022</u>	<u>\$ 3,465,555</u>	<u>\$ 3,066,661</u>	<u>\$ 398,894</u>
<b>Board of elections:</b>				
Registrar	\$ 187,011	\$ 188,423	\$ 186,283	\$ 2,140
Electoral board	88,182	98,182	94,495	3,687
Total board of elections	<u>\$ 275,193</u>	<u>\$ 286,605</u>	<u>\$ 280,778</u>	<u>\$ 5,827</u>
Total general government administration	<u>\$ 3,634,693</u>	<u>\$ 3,912,138</u>	<u>\$ 3,473,710</u>	<u>\$ 438,428</u>
<b>Judicial administration:</b>				
<b>Courts:</b>				
Circuit court	\$ 73,164	\$ 73,164	\$ 70,697	\$ 2,467
General district court	34,888	34,888	31,275	3,613
Juvenile and domestic relations court	-	-	2,267	(2,267)
Special magistrates	5,284	5,284	4,684	600
Clerk of the circuit court	651,828	679,291	642,167	37,124
Law library	12,000	47,332	10,374	36,958
Total courts	<u>\$ 777,164</u>	<u>\$ 839,959</u>	<u>\$ 761,464</u>	<u>\$ 78,495</u>
<b>Commonwealth's attorney:</b>				
Commonwealth's attorney	\$ 918,360	\$ 1,216,349	\$ 907,250	\$ 309,099
Total judicial administration	<u>\$ 1,695,524</u>	<u>\$ 2,056,308</u>	<u>\$ 1,668,714</u>	<u>\$ 387,594</u>
<b>Public safety:</b>				
<b>Law enforcement and traffic control:</b>				
Sheriff	\$ 2,678,469	\$ 3,066,991	\$ 2,839,345	\$ 227,646
Litter Control	141,313	141,313	138,634	2,679
Victim witness assistance	65,824	112,962	73,939	39,023
Animal control	267,917	276,885	258,366	18,519
Interstate enforcement	2,074,527	2,444,039	2,045,965	398,074
Court security	367,255	408,181	359,104	49,077
Other Sheriff grants	41,458	292,582	180,804	111,778
Total law enforcement and traffic control	<u>\$ 5,636,763</u>	<u>\$ 6,742,953</u>	<u>\$ 5,896,157</u>	<u>\$ 846,796</u>
<b>Fire and rescue services:</b>				
Volunteer fire departments	\$ 1,592,241	\$ 1,782,661	\$ 1,691,876	\$ 90,785
E-911	704,942	705,535	664,819	40,716
Total fire and rescue services	<u>\$ 2,297,183</u>	<u>\$ 2,488,196</u>	<u>\$ 2,356,695</u>	<u>\$ 131,501</u>

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

<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)				
Correction and detention:				
Regional jail payments	\$ 3,027,851	\$ 3,015,640	\$ 3,012,880	\$ 2,760
Juvenile probation and detention	246,232	246,232	246,232	-
Total correction and detention	<u>\$ 3,274,083</u>	<u>\$ 3,261,872</u>	<u>\$ 3,259,112</u>	<u>\$ 2,760</u>
Inspections:				
Building	\$ 350,208	\$ 350,208	\$ 327,522	\$ 22,686
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 740	\$ 260
Emergency services	511,267	596,156	444,595	151,561
Total other protection	<u>\$ 512,267</u>	<u>\$ 597,156</u>	<u>\$ 445,335</u>	<u>\$ 151,821</u>
Total public safety	<u>\$ 12,070,504</u>	<u>\$ 13,440,385</u>	<u>\$ 12,284,821</u>	<u>\$ 1,155,564</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,991,571	\$ 2,020,459	\$ 1,854,007	\$ 166,452
Maintenance of general buildings and grounds:				
General properties	\$ 1,327,834	\$ 1,418,371	\$ 1,121,586	\$ 296,785
Total public works	<u>\$ 3,319,405</u>	<u>\$ 3,438,830</u>	<u>\$ 2,975,593</u>	<u>\$ 463,237</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 501,865	\$ 501,865	\$ 501,865	\$ -
Mental health and mental retardation:				
Community services board	\$ 339,786	\$ 364,786	\$ 364,786	\$ -
Welfare:				
Virginia public assistance	\$ 6,433,021	\$ 6,436,521	\$ 6,014,282	\$ 422,239
Area agency on aging	72,055	72,055	72,055	-
Senior services	87,925	87,925	87,925	-
Community action agency	212,935	212,935	212,935	-
Community services	1,623,271	1,723,271	1,697,543	25,728
Total welfare	<u>\$ 8,429,207</u>	<u>\$ 8,532,707</u>	<u>\$ 8,084,740</u>	<u>\$ 447,967</u>
Total health and welfare	<u>\$ 9,270,858</u>	<u>\$ 9,399,358</u>	<u>\$ 8,951,391</u>	<u>\$ 447,967</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 332,414	\$ 332,414	\$ 332,414	\$ -
Contribution to County School Board	27,516,068	29,218,839	29,094,101	124,738
Total education	<u>\$ 27,848,482</u>	<u>\$ 29,551,253</u>	<u>\$ 29,426,515</u>	<u>\$ 124,738</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 134,362	\$ 147,037	\$ 130,885	\$ 16,152
Recreation	246,380	248,731	215,782	32,949
Total parks and recreation	<u>\$ 380,742</u>	<u>\$ 395,768</u>	<u>\$ 346,667</u>	<u>\$ 49,101</u>

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

<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)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Cultural enrichment	\$ 75,886	\$ 83,386	\$ 83,386	\$ -
Library:				
Washington County library	\$ 1,324,465	\$ 1,436,881	\$ 1,346,584	\$ 90,297
Branch libraries	279,601	298,427	302,727	(4,300)
Total library	<u>\$ 1,604,066</u>	<u>\$ 1,735,308</u>	<u>\$ 1,649,311</u>	<u>\$ 85,997</u>
Total parks, recreation, and cultural	<u>\$ 2,060,694</u>	<u>\$ 2,214,462</u>	<u>\$ 2,079,364</u>	<u>\$ 135,098</u>
Community development:				
Planning and community development:				
Regional planning	\$ 47,141	\$ 47,141	\$ 47,141	\$ -
Zoning	166,186	166,186	155,683	10,503
Community development	315,706	301,106	197,350	103,756
Economic development	271,501	271,501	271,501	-
Contribution to Virginia Highlands Airport	41,738	81,738	81,738	-
Contribution to Washington County Industrial Development Authority	852,000	887,624	879,693	7,931
Contribution to Economic development	5,000	3,836,570	2,368,918	1,467,652
Total planning and community development	<u>\$ 1,699,272</u>	<u>\$ 5,591,866</u>	<u>\$ 4,002,024</u>	<u>\$ 1,589,842</u>
Environmental management:				
Contribution to soil and water district	\$ 16,770	\$ 16,770	\$ 16,770	\$ -
Cooperative extension program:				
Extension office	\$ 126,209	\$ 126,209	\$ 121,596	\$ 4,613
Total community development	<u>\$ 1,842,251</u>	<u>\$ 5,734,845</u>	<u>\$ 4,140,390</u>	<u>\$ 1,594,455</u>
Nondepartmental:				
Revenue refunds	\$ 48,000	\$ 48,000	\$ 121,517	\$ (73,517)
Other non departmental	349,359	421,224	405,771	15,453
Total nondepartmental	<u>\$ 397,359</u>	<u>\$ 469,224</u>	<u>\$ 527,288</u>	<u>\$ (58,064)</u>
Debt service:				
Principal retirement	\$ 2,081,673	\$ 2,081,673	\$ 2,230,600	\$ (148,927)
Interest and other fiscal charges	1,456,214	1,456,214	848,959	607,255
Total debt service	<u>\$ 3,537,887</u>	<u>\$ 3,537,887</u>	<u>\$ 3,079,559</u>	<u>\$ 458,328</u>
Total General Fund	<u>\$ 65,677,657</u>	<u>\$ 73,754,690</u>	<u>\$ 68,607,345</u>	<u>\$ 5,147,345</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Public safety:				
Equipment	\$ -	\$ 71,760	\$ 22,866	\$ 48,894
Public works:				
Maintenance of general buildings and grounds:				
Courthouse	\$ -	\$ 79,300	\$ 48,381	\$ 30,919
Sheriff's office	-	300,000	140,259	159,741
Solid waste facilities	25,000	32,415	31,611	804
Total maintenance of general building and grounds	<u>\$ 25,000</u>	<u>\$ 411,715</u>	<u>\$ 220,251</u>	<u>\$ 191,464</u>
Total public works	<u>\$ 25,000</u>	<u>\$ 411,715</u>	<u>\$ 220,251</u>	<u>\$ 191,464</u>



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

<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>
Capital Projects Fund: (Continued)				
County Capital Improvements Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 32,000	\$ -	\$ 32,000
Total Capital Projects Fund	<u>\$ 25,000</u>	<u>\$ 515,475</u>	<u>\$ 243,117</u>	<u>\$ 272,358</u>
School Capital Projects Fund:				
Education:				
Operating costs:				
Facilities	\$ 333,700	\$ 1,648,795	\$ 649,502	\$ 999,293
Total School Capital Projects Fund	<u>\$ 333,700</u>	<u>\$ 1,648,795</u>	<u>\$ 649,502</u>	<u>\$ 999,293</u>
Total Primary Government	<u>\$ 66,036,357</u>	<u>\$ 75,918,960</u>	<u>\$ 69,499,964</u>	<u>\$ 6,418,996</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction costs				
Administration, attendance and health	\$ 3,078,509	\$ 3,185,724	\$ 2,967,391	\$ 218,333
Instruction	60,442,787	62,234,955	59,046,534	3,188,421
Instructional technology	2,291,100	2,297,580	2,168,175	129,405
Total instruction costs	<u>\$ 65,812,396</u>	<u>\$ 67,718,259</u>	<u>\$ 64,182,100</u>	<u>\$ 3,536,159</u>
Operating costs:				
Pupil transportation	\$ 5,533,309	\$ 5,439,000	\$ 5,217,118	\$ 221,882
Operation and maintenance of school plant	7,253,085	7,497,749	6,615,904	881,845
School food services	3,904,974	3,960,724	3,747,079	213,645
Total operating costs	<u>\$ 16,691,368</u>	<u>\$ 16,897,473</u>	<u>\$ 15,580,101</u>	<u>\$ 1,317,372</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 82,503,764</u>	<u>\$ 84,615,732</u>	<u>\$ 79,762,201</u>	<u>\$ 4,853,531</u>

## Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Total
2016-17	\$ 4,036,671	\$ 1,646,936	\$ 12,289,555	\$ 3,460,678	\$ 8,895,767	\$ 30,413,235	\$ 2,190,464	\$ 4,127,452	\$ -	\$ 795,330	\$ 67,856,088
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

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		
2016-17	\$ 1,937,707	\$11,472,283	\$ 486,654	\$37,193,772	\$10,019,462	\$ 130,177	\$ 1,347,159	\$ 4,375,293	\$ 66,962,507	
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	

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2016-17	\$ 3,473,710	\$ 1,668,714	\$ 12,284,821	\$ 2,975,593	\$ 8,951,391	\$ 80,094,615	\$ 2,079,364	\$ 4,140,390	\$ 527,288	\$ 3,079,559	\$ 119,275,445
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

(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
2016-17	\$ 36,984,433	\$ 10,019,462	\$ 239,854	\$ 1,137,417	\$ 142,342	\$ 2,990,892	\$ 2,767,322	\$ 300,352	\$ 63,024,271	\$ 117,606,345
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

(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		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
2016-17	\$ 39,044,004	\$ 37,687,741	96.53%	\$ 1,228,661	\$ 38,916,402	99.67%	\$ 4,174,045	10.69%	
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%	

(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
2016-17	\$ 4,117,406,258	\$ 593,997,271	\$ 189,916,150	\$ 199,721,217	\$ 5,101,040,896
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

(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
2016-17	\$ 0.63	\$ 1.70	\$ 1.55
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

(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 per Capita	Net Bonded Debt to Assessed Value
2016-17	54,876	\$ 5,101,041	\$14,406,774	\$14,406,774	0.28%	263
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

(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 Expenditures	Ratio of Debt Service to General Governmental Expenditures
2016-17	\$ 2,230,600	\$ 848,959	\$ 3,079,559	\$ 119,275,445	2.58%
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%

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

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

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2017, 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 12, 2017. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### 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.

*Prohaska, Farrow, Cox Associates*

Blacksburg, Virginia  
November 12, 2017

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

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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, 2017. 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, 2017.

## 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.

*Prolinea, Farrow, Cox Associates*

Blacksburg, Virginia

November 12, 2017



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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115, 0950116	\$ 30,812
Temporary Assistance for Needy Families	93.558	0400116, 0400117	402,311
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116, 0500117	1,441
Low-Income Home Energy Assistance	93.568	0600416, 0600417	47,807
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116, 0760117	67,935
Chafee Education and Training Voucher	93.599	9160115, 9160116	1,524
Adoption and Legal Guardianship Incentive Payments	93.603	1130114	1,190
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116	757
Foster Care - Title IV-E	93.658	1100116, 1100117	416,227
Adoption Assistance	93.659	1120116, 1120117	450,400
Social Services Block Grant	93.667	1000116, 1000117	393,274
Chafee Foster Care Independence Program	93.674	9150116, 9150117	3,639
Children's Health Insurance Program	93.767	0540116, 0540117	18,786
Medical Assistance Program	93.778	1200116, 1200117	576,547
			<u>\$ 2,412,650</u>
Total Department of Health and Human Services			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 240,276
Department of Education:			
National School Lunch Program	10.555	40623	1,449,636
School Breakfast Program	10.553	40591	518,927
			<u>2,208,839</u>
Department of Education:			
Schools and Roads--Grants to States	10.665	43841	3,195
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP	10.561	0010115, 0010116 0040116, 0040117	444,179
	10.596	0060115	24,866
			<u>\$ 2,681,079</u>
Total Department of Agriculture			
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	Not applicable	\$ 9,188
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	15WFAX0018	\$ 27,811
Crime Victim Assistance	16.575	15VAGX0043	39,686
			<u>\$ 76,685</u>
Total Department of Justice			
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	OP-2016-17, SC-2016-2017	\$ 17,188
Alcohol Open Container Requirements	20.607	154AL-2016-2017	25,652
			<u>\$ 42,840</u>
Total Department of Transportation			
National Endowment for the Arts:			
Pass Through Payments:			
Virginia Commission for the Arts:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	Not available	\$ 5,000
Department of Homeland Security:			
Emergency Management Performance Grants			
State Homeland Security Program	97.042	EMW-2015-EP-00069	\$ 9,015
	97.067	EMW-2015-SS-00071	9,500
			<u>\$ 18,515</u>
Total Department of Homeland Security			

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,572,908
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	43071, 61135	\$ 1,665,568
Special Education - Preschool Grants	84.173	62521	45,608
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	257,351
Adult Education Basic Grants to States	84.002	42801, 61111, 61380	409,446
Career and Technical Education: Basic Grants to States	84.048	61095, 86656	117,732
Total Department of Education			<u>\$ 4,068,613</u>
Total Expenditures of Federal Awards			<u>\$ 9,305,382</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, 2017. 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.

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2017, the County had no food commodities in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2017.

Note 5 -- 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	\$ 3,066,912
Less: Payment in lieu of taxes	(42,177)
Total primary government	<u>\$ 3,024,735</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 6,280,647</u>
Total expenditures of federal awards per basic financial statements	<u>\$ 9,305,382</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 9,305,382</u>

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

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Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Type of auditors' report issued on compliance for major programs:	Unmodified
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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>
84.010	Title I, Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster
93.778	Medical 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, 2017

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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

None