COUNTY OF MADISON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2016

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COUNTY OF MADISON, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016

BOARD OF SUPERVISORS

R. Clay Jackson, Chair
Jonathon Weakley, Vice-Chair

Charlotte Hoffman
Robert Campbell
Kevin McGhee

DEPARTMENT OF SOCIAL SERVICES BOARD

Norris John, Chairman
Joseph Goodall, Vice-Chair

Charlotte Hoffman
Tina Weaver
Valerie Ward

MADISON COUNTY SCHOOL BOARD

Barry Penn Hollar, Chairman
Doreen G. Jenkins, Vice-Chairman

Karen M. Allen
Robert Chappell
Joseph E. Parker

OTHER OFFICIALS

Daniel R. Bouton	Judge of the Circuit Court
Leeta Louk	Clerk of the Circuit Court
Dale Durrer	Judge of the General District Court
Edward DeJ. Berry	Judge of the Juvenile & Domestic Relations Court
Deborah Tinsley	Judge of the Juvenile & Domestic Relations Court
Clarissa Berry	Commonwealth's Attorney
Brian Daniel	Commissioner of the Revenue
Stephanie Murray	Treasurer
Erik Weaver	Sheriff
Matthew Eberhardt	Superintendent of Schools
Elizabeth Patterson	Clerk of the School Board
Valerie Ward	Director of Social Services
Daniel J. Campbell	County Administrator

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of June 30, 2016, and the respective changes in financial position 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 17 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 63 and 64-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, Virginia's basic financial statements. The 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* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Information (continued)

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the County of Madison, 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 Madison, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 21, 2016

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position
At June 30, 2016

	Primary Government	Component Unit
	Governmental Activities	**School Board**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,573,401	$ 2,171,122
Receivables (net of allowance for uncollectibles):		
Property taxes	6,561,108	-
Accounts receivable	257,656	424
Inventory	-	23,225
Prepaid expenses	-	68,006
Due from other governments	1,086,361	571,085
Due from Primary Government	478,313	-
Total Current Assets	$ 19,956,839	$ 2,833,862
Noncurrent Assets:		
Net pension asset	$ -	$ 432,017
Capital assets:		
Land and construction in progress	$ 1,476,624	$ 109,803
Buildings and equipment, net of depreciation	23,916,223	7,816,246
Total Capital Assets	$ 25,392,847	$ 7,926,049
Total Noncurrent Assets	$ 25,392,847	$ 8,358,066
Total Assets	$ 45,349,686	$ 11,191,928
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	$ 493,214	$ 1,351,372
Total Assets and Deferred Outflows of Resources	$ 45,842,900	$ 12,543,300
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 466,165	$ 161,202
Amounts held for others	87,917	-
Accrued liabilities	-	1,816,768
Due to Component Unit	-	478,313
Accrued interest payable	156,400	-
Current portion of long-term obligations	1,179,834	101,977
Total Current Liabilities	$ 1,890,316	$ 2,558,260
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	13,493,789	16,898,358
Total Liabilities	$ 15,384,105	$ 19,456,618
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues - taxes	$ 5,699,803	$ -
Items related to measurement of net pension liability	501,044	1,893,783
Total deferred inflows of resources	$ 6,200,847	$ 1,893,783
NET POSITION		
Net investment in capital assets	$ 12,744,197	$ 7,799,960
Unrestricted	11,513,751	(16,607,061)
Total Net Position	$ 24,257,948	$ (8,807,101)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 45,842,900	$ 12,543,300

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

Statement of Activities
Year Ended June 30, 2016

			Program Revenues		Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**School Board**
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	$ 1,361,313	$ -	$ 206,571	$ -	$ (1,154,742)	$ -
Judicial administration	1,153,156	221,335	394,063	-	(537,758)	-
Public safety	5,300,042	552,789	1,072,863	-	(3,674,390)	-
Public works	956,205	116,517	5,859	-	(833,829)	-
Health and welfare	5,537,755	-	3,621,846	-	(1,915,909)	-
Education	10,374,212	-	-	-	(10,374,212)	-
Parks, recreation, and cultural	477,023	140,157	-	-	(336,866)	-
Community development	524,074	-	-	-	(524,074)	-
Interest on long-term debt	282,647	-	-	-	(282,647)	-
Total governmental activities	$ 25,966,427	$ 1,030,798	$ 5,301,202	$ -	$ (19,634,427)	$ -
COMPONENT UNITS:						
School Board	$ 19,664,553	$ 320,977	$ 10,779,587	$ -	$ -	$ (8,563,989)
Total component units	$ 19,664,553	$ 320,977	$ 10,779,587	$ -	$ -	$ (8,563,989)
General revenues:						
General property taxes					$ 14,881,805	$ -
Local sales and use tax					982,248	-
Consumers' utility taxes					334,021	-
Motor vehicle licenses					447,600	-
Restaurant food taxes					401,303	-
Other local taxes					432,878	-
Unrestricted revenues from use of money and property					115,497	8,483
Miscellaneous					386,279	677,115
Grants and contributions not restricted to specific programs					1,736,350	-
Contribution from County					-	9,693,567
Total general revenues					$ 19,717,981	$ 10,379,165
Change in net position					$ 83,554	$ 1,815,176
Net position - beginning					24,174,394	(10,622,277)
Net position - ending					$ 24,257,948	$ (8,807,101)

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

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2016

ASSETS	**General Fund**	**Capital Improvement Fund**	**Total**
Cash and cash equivalents	$ 11,068,656	$ 504,745	$ 11,573,401
Receivables (Net of allowance for uncollectibles):			
Taxes, including penalties	6,561,108	-	6,561,108
Accounts receivable	257,656	-	257,656
Due from component unit	478,313	-	478,313
Due from other governmental units	1,086,361	-	1,086,361
Total assets	$ 19,452,094	$ 504,745	$ 19,956,839
LIABILITIES			
Accounts payable	$ 466,165	$ -	$ 466,165
Amounts held for others	87,917	-	87,917
Total liabilities	$ 554,082	$ -	$ 554,082
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	$ 6,581,452	$ -	$ 6,581,452
FUND BALANCES			
Restricted	$ 152,906	$ 108,195	$ 261,101
Committed	81,863	396,550	478,413
Assigned	239,298	-	239,298
Unassigned	11,842,493	-	11,842,493
Total fund balances	$ 12,316,560	$ 504,745	$ 12,821,305
Total liabilities, deferred inflows of resources and fund balances	$ 19,452,094	$ 504,745	

Detailed explanation of adjustments from fund statements to government-wide statement of net position:	
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole.	25,392,847
Interest on long-term obligations is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(156,400)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.	
Unavailable revenue - property taxes	881,649
Items related to measurement of net pension liability	(501,044)
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.	493,214
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(14,673,623)
Net position of general government activities	$ 24,257,948

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

	General	Capital Improvement	Total
Revenues:			
General property taxes	$ 14,939,437	$ -	$ 14,939,437
Other local taxes	2,598,050	-	2,598,050
Permits, privilege fees and regulatory licenses	212,473	-	212,473
Fines and forfeitures	170,894	-	170,894
Revenue from use of money and property	115,497	-	115,497
Charges for services	647,431	-	647,431
Miscellaneous	386,279	-	386,279
Intergovernmental:			
Commonwealth	6,007,308	-	6,007,308
Federal	1,030,244	-	1,030,244
Total revenues	$ 26,107,613	$ -	$ 26,107,613
Expenditures:			
Current:			
General government administration	$ 1,328,466	$ -	$ 1,328,466
Judicial administration	848,738	-	848,738
Public safety	5,506,166	-	5,506,166
Public works	950,854	-	950,854
Health and welfare	5,582,522	-	5,582,522
Education	8,276,550	-	8,276,550
Parks, recreation, and cultural	476,491	-	476,491
Community development	535,745	-	535,745
Nondepartmental	1,116	-	1,116
Capital projects	-	400,213	400,213
Debt service:			
Principal retirement	1,086,042	-	1,086,042
Interest and other fiscal charges	297,873	-	297,873
Total expenditures	$ 24,890,563	$ 400,213	$ 25,290,776
Excess (deficiency) of revenues over (under) expenditures	$ 1,217,050	$ (400,213)	$ 816,837
Other Financing Sources (uses):			
Issuance of long-term debt	$ -	$ 500,000	$ 500,000
Total other financing sources (uses)	$ -	$ 500,000	$ 500,000
Net change in fund balances	$ 1,217,050	$ 99,787	$ 1,316,837
Fund balances at beginning of year	11,099,510	$ 404,958	$ 11,504,468
Fund balances at end of year	$ 12,316,560	$ 504,745	$ 12,821,305

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2016

		Primary Government Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 1,316,837
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 depreciation exceeded capital outlays in the current period. The following details support this adjustment:		
Capital outlay	$ 792,239	
Depreciation expense	(1,028,987)	(236,748)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,811,822)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes.		
Unearned revenue - property taxes	$ (57,632)	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	373,811	316,179
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. A summary of items supporting this adjustment is as follows:		
Principal retired on lease revenue bonds	$ 646,000	
Principal retired on capital lease	130,042	
Issuance of long-term debt	(500,000)	
Principal retired on state literary fund loan	310,000	586,042
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	$ (43,887)	
Change in net OPEB obligation	(11,000)	
Change in landfill closure liability	26,497	
Change in net pension liability	(95,372)	
Change in deferred outflows related to pension payments subsequent to the measurement date	21,602	
Change in accrued interest payable	15,226	(86,934)
Change in net position of governmental activities		$ 83,554

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

Statement of Fiduciary Net Position --
Fiduciary Funds
At June 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 35,250
Accounts receivable	2,043
Total assets	$ 37,293
LIABILITIES	
Amounts held for others	$ 37,293
Total liabilities	$ 37,293

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

Note 1 - Summary of Significant Accounting Policies:

The County of Madison, Virginia was formed in 1792 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

Government-wide and Fund Financial Statements:

Government-wide Financial Statements:

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

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

Statement of Net Position:

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

Statement of Activities:

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

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

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

Fund Financial Statements:

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 are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules:

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Madison, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units: The County has no blended component units to be included for the fiscal year ended June 30, 2016.

Discretely Presented Component Unit: The School Board operates the County Public School System. Members are currently elected by popular vote. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2016.

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

B. Individual Component Unit Disclosures (Continued)

The Madison County School Board has the following funds:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Madison and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.

School Lottery Fund - This fund accounts for and reports the state school lottery revenues.

School Capital Fund - This fund accounts for and reports for the school capital projects. The school capital fund is considered a major fund for financial reporting purposes.

School Textbook Fund - This fund accounts for and reports for the school textbook funds.

C. Other Related Organizations

Included in the County's Financial Statements:

Madison County Parks and Recreation Authority: The Madison County Parks and Recreation Authority was formed in 1982, by action of the Board of Supervisors. The Authority is a seven member board. Each member is appointed by the Board of Supervisors. The Madison County Parks and Recreation Authority is included in the financial statements of the County due to the nature of its contractual relationship with the County. The Authority provides services which benefit the County and the County provides fiscal services to the Authority. The Authority does not issue separate financial statements and is included as a department of the general fund in the County's financial statements.

D. Other Related Organizations

Excluded from the County's Financial Statements:

Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority: The County, in conjunction with other localities, has created the Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions.

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds:

   Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

   a. General Fund

      The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

   b. Capital Improvement Fund

      The Capital Improvement Fund accounts for and reports all financial resources used for the acquisition or construction of major capital facilities. The Capital Improvement Fund is considered a major fund at June 30, 2016.

2. Fiduciary Funds (Trust and Agency Funds):

   Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's only Agency Fund is the Special Welfare Fund.

F. Budgets and Budgetary Accounting

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

1. The County Administrator submits to the Board of Supervisors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. 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.

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

F. Budgets and Budgetary Accounting (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Improvement Fund, School Fund and School Cafeteria Fund of the School Board.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units.

8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

9. Expenditures exceeded appropriations for CSA by $4,553 for the year ended June 30, 2016.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

H. Investments

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

I. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $431,222 at June 30, 2016 and is comprised solely of 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 and collectible on June 5th and December 5th. Personal property taxes are payable and collectible on December 5th. The County bills and collects its own property taxes.

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

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. There are no business-type activities reported for Madison County.

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

Assets	Years
Buildings	40
Building improvements	20 to 40
Vehicles	3 to 5
Office and computer equipment	5
Buses	12

K. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Department of Social Services and the Component Unit School Board pay a portion of unused sick leave upon separation. The County does not have sick leave.

L. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld, from the actual debt proceeds received, are reported as debt service expenditures.

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

M. 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Fund Balances

Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to insure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

N. Fund Balances (Continued)

Financial Policies (Continued)

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

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for specific purposes. The following is detail of County's and School Board's Fund Balances:

Category	General Fund	Capital Projects Fund	Component Unit School Board
Nonspendable:			
Prepaid expenditures	$ -	$ -	$ 68,006
Inventory	-	-	23,225
Total Nonspendable	$ -	$ -	$ 91,231
Restricted:			
School Lottery Funds	$ -	$ -	$ 1,894
Asset Forfeitures	71,324	-	-
Unspent bond proceeds - school projects	-	108,195	-
Toppings Funds	76,478	-	-
Animal donations	5,104	-	-
School Textbook Funds	-	-	49,448
Total Restricted	$ 152,906	$ 108,195	$ 51,342
Committed:			
Capital Projects	$ -	$ 396,550	$ 34,171
Encumbrances	49,082	-	-
Micro Enterprise	32,781	-	-
School Operations	-	-	2,000
Cafeteria	-	-	266,841
Total Committed	$ 81,863	$ 396,550	$ 303,012
Assigned:			
Tourism	$ 163,225	$ -	$ -
Parks and Recreation Authority	60,475	-	-
Sheriff	15,598	-	-
Total Assigned	$ 239,298	$ -	$ -
Unassigned	$ 11,842,493	$ -	$ (68,006)
Total Fund Balance	$ 12,316,560	$ 504,745	$ 377,579

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

O. 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.

P. 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.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset 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 amounts prepaid on the 2nd half installments and the 2nd half installment and is deferred and recognized as an inflow of resources in the period that the amount becomes available. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, amounts prepaid on the 2nd half installments and the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

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

R. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County'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.

Note 2 - Deposits and Investments:

Deposits

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

Investments

Statutes authorize the County and Component Unit School Board 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).

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2016 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments		Fair Quality Ratings AAAm
U.S. Government Securities	$	75,947
Local Government Investment Pool		1,012,391
Total	$	1,088,338

Note 2 - Deposits and Investments: (Continued)

External Investment Pool

The fair value of the positions in the 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 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)

Investment Type	Fair Value	Less than 1 year	Greater than 10 years
U.S. Government Securities	$ 75,947	$ -	$ 75,947
Local Government Investment Pool	1,012,391	1,012,391	-
Total	$ 1,088,338	$ 1,012,391	$ 75,947

Note 3 - Due From Other Governmental Units:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	$ 182,298	$ -
Public assistance and welfare administration	52,635	-
State sales tax	-	380,559
Comprehensive services	422,746	-
Communications tax	91,802	-
Shared expenses	109,769	-
Fire program	41,452	-
Department of Justice	81,244	-
Other state funds	29,575	-
Federal Government:		
School funds	-	190,526
Public safety	4,362	-
Public assistance and welfare administration	70,478	-
Totals	$ 1,086,361	$ 571,085

Note 4 – Capital Assets:

The following is a summary of capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Primary Government:				
Capital assets not being depreciated:				
Land	$ 1,419,418	$ -	$ -	$ 1,419,418
Construction in progress-Jointly Owned	11,128,519	391,805	11,520,324	-
Construction in progress	3,221	53,985	-	57,206
Total capital assets not being depreciated	$ 12,551,158	$ 445,790	$ 11,520,324	$ 1,476,624
Capital assets being depreciated:				
Buildings and improvements	$ 17,234,401	$ -	$ -	$ 17,234,401
Equipment (including vehicles)	3,322,040	346,449	678,910	2,989,579
Jointly owned assets	1,860,000	11,520,324	1,946,736	11,433,588
Total capital assets being depreciated	$ 22,416,441	$ 11,866,773	$ 2,625,646	$ 31,657,568
Less accumulated depreciation:				
Buildings and improvements	$ (4,387,923)	$ (492,443)	$ -	$ (4,880,366)
Equipment (including vehicles)	(2,440,760)	(250,704)	(678,910)	(2,012,554)
Jointly owned assets	(697,499)	(285,840)	(134,914)	(848,425)
Total accumulated depreciation	$ (7,526,182)	$ (1,028,987)	$ (813,824)	$ (7,741,345)
Net capital assets being depreciated	$ 14,890,259	$ 10,837,786	$ 1,811,822	$ 23,916,223
Net capital assets	$ 27,441,417	$ 11,283,576	$ 13,332,146	$ 25,392,847

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Component Unit - School Board:				
Capital assets not being depreciated:				
Land	$ 109,803	$ -	$ -	$ 109,803
Construction in progress	843,704	12	843,716	-
Total capital assets not being depreciated	$ 953,507	$ 12	$ 843,716	$ 109,803
Capital assets being depreciated:				
Buildings and improvements	$ 4,911,671	$ 843,716	$ -	$ 5,755,387
Equipment (including vehicles)	4,415,224	556,605	463,190	4,508,639
Jointly owned assets	6,680,889	1,946,736	-	8,627,625
Total capital assets being depreciated	$ 16,007,784	$ 3,347,057	$ 463,190	$ 18,891,651
Less accumulated depreciation:				
Buildings and improvements	$ (4,803,246)	$ (615,939)	$ -	$ (5,419,185)
Jointly owned assets	(2,129,654)	(134,914)	-	(2,264,568)
Equipment (including vehicles)	(3,340,782)	(384,521)	(333,651)	(3,391,652)
Total accumulated depreciation	$ (10,273,682)	$ (1,135,374)	$ (333,651)	$ (11,075,405)
Net capital assets being depreciated	$ 5,734,102	$ 2,211,683	$ 129,539	$ 7,816,246
Net capital assets	$ 6,687,609	$ 2,211,695	$ 973,255	$ 7,926,049

Note 4 – Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government and Component Unit School Board as follows:

Primary Government:	
Governmental activities:	
General government administration	$ 43,736
Judicial administration	338,769
Public safety	232,904
Public works	35,668
Health and welfare	14,025
Education	285,840
Parks, recreation and cultural	78,045
Total	$ 1,028,987
Component Unit School Board	$ 1,137,374
Depreciation Expense	$ 1,000,460
Joint tenancy transfer of accumulated depreciation	134,914
Total additions to accumulated depreciation, previous page	$ 1,135,374

Note 5 – Compensated Absences:

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the County has accrued the liability arising from compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County and School Board had outstanding accrued vacation pay as follows:

Primary Government	$ 460,736
Component Unit School Board	$ 399,486

Note 6 – Due From/To Primary Government/Component Units:

Fund	Due from	Due to
General	$ 478,313	$ -
School Board	-	478,313
Total	$ 478,313	$ 478,313

Note 7 – 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**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1 (Cont.)</td>
<td>About Plan 2 (Cont.)</td>
<td>About the Hybrid Retirement Plan (Cont.)
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td>
</tr>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td>
</tr>
</table>

Note 7 - Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 - Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 - Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 - Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 - Pension Plan: (Continued)

Plan Description (Continued)

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

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 7 – Pension Plan: (Continued)

Plan Description (Continued)

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	48	31
Inactive members:		
Vested inactive members	12	13
Non-vested inactive members	31	16
Inactive members active elsewhere in VRS	40	15
Total inactive members	83	44
Active members	92	49
Total covered employees	223	124

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 11.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Note 7 – Pension Plan: (Continued)

Contributions: (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $493,214 and $471,612 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 4.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $35,470 and $34,316 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability/Asset

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

Actuarial Assumptions – General Employees

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

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

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

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

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Note 7 – Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

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

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

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

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

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

Actuarial Assumptions – Public Safety Employees

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

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

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

<u>Note 7 – Pension Plan: (Continued)</u>

Actuarial Assumptions – Public Safety Employees: (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Note 7 – Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 7 – Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 15,188,661	$ 14,365,484	$ 823,177
Changes for the year:			
Service cost	$ 541,394	$ -	$ 541,394
Interest	1,037,311	-	1,037,311
Differences between expected and actual experience	(156,191)	-	(156,191)
Contributions - employer	-	471,484	(471,484)
Contributions - employee	-	201,091	(201,091)
Net investment income	-	663,732	(663,732)
Benefit payments, including refunds of employee contributions	(739,879)	(739,879)	-
Administrative expenses	-	(9,028)	9,028
Other changes	-	(137)	137
Net changes	$ 682,635	$ 587,263	$ 95,372
Balances at June 30, 2015	$ 15,871,296	$ 14,952,747	$ 918,549

Note 7 – Pension Plan: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
Balances at June 30, 2014	$ 3,337,981	$ 3,733,058	$ (395,077)
Changes for the year:			
Service cost	$ 74,089	$ -	$ 74,089
Interest	226,502	-	226,502
Differences between expected and actual experience	(103,073)	-	(103,073)
Contributions - employer	-	33,962	(33,962)
Contributions - employee	-	35,046	(35,046)
Net investment income	-	167,887	(167,887)
Benefit payments, including refunds of employee contributions	(204,473)	(204,473)	-
Administrative expenses	-	(2,399)	2,399
Other changes	-	(38)	38
Net changes	$ (6,955)	$ 29,985	$ (36,940)
Balances at June 30, 2015	$ 3,331,026	$ 3,763,043	$ (432,017)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	$ 2,995,322	$ 918,549	$ (800,960)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ (32,544)	$ (432,017)	$ (766,628)

Note 7 – Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of $193,173 and ($64,887), respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 116,244	$ -	$ 66,129
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	384,800	-	101,654
Employer contributions subsequent to the measurement date	493,214	-	35,470	-
Total	$ 493,214	$ 501,044	$ 35,470	$ 167,783

$493,214 and $35,470 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	$ (190,826)	$ (76,736)
2018	(190,826)	(68,977)
2019	(187,228)	(39,790)
2020	67,836	17,720
Thereafter	-	-

Note 7 – Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjustment for the transfer in June 2015 of $192,884,000 and an additional payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of this transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were $1,315,902 and $1,400,831 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of $16,260,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .12919% as compared to .13142% at June 30, 2014.

Note 7 - 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, 2016, the school division recognized pension expense of $1,060,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 224,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	996,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	506,000
Employer contributions subsequent to the measurement date	1,315,902	-
Total	$ 1,315,902	$ 1,726,000

$1,315,902 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	$ (572,000)
2018	(572,000)
2019	(572,000)
2020	39,000
Thereafter	(49,000)

Note 7 – 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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

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

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

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

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

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

Note 7 - 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%.

Note 7 – 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 (Asset)	$ 23,794,000	$ 16,260,000	$ 10,057,000

Pension Plan Fiduciary Net Position

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

Note 8 – Long-Term Obligations:

Primary Government–Long-term Obligations:

Changes in Long-Term Obligations:

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

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Public Facility Lease Revenue Bond	$ 9,579,000	$ -	646,000	$ 8,933,000	$ 660,000
Variable Rate Demand Revenue Bond	1,500,000	500,000	-	2,000,000	-
Landfill closure liability	454,750	4,093	30,590	428,253	30,590
State literary fund loan	1,860,000	-	310,000	1,550,000	310,000
Capital leases	403,887	-	130,042	273,845	133,170
Net OPEB obligation	98,240	40,000	29,000	109,240	-
Net pension liability	823,177	1,587,870	1,492,498	918,549	-
Compensated absences	416,849	85,572	41,685	460,736	46,074
Total governmental activities	$ 15,135,903	$ 2,217,535	$ 2,679,815	$ 14,673,623	$ 1,179,834

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

Year Ending June 30,	State Literary Fund Loan		VACO/VML Public Facility Lease Revenue Bond		VACO/VML Variable Rate Demand Revenue Bond		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 310,000	$ 46,500	$ 660,000	$	$ -	$ 32,363	$ 133,170	$ 6,257
2018	310,000	37,200	674,500	177,870	190,000	29,579	107,278	3,050
2019	310,000	27,900	690,000	163,368	190,000	26,501	33,397	564
2020	310,000	18,600	703,500	148,533	190,000	23,423	-	-
2021	310,000	9,300	719,000	133,408	190,000	20,345	-	-
2022	-	-	734,500	117,949	190,000	17,267	-	-
2023	-	-	750,500	102,157	190,000	14,189	-	-
2024	-	-	766,500	86,022	190,000	11,110	-	-
2025	-	-	783,000	69,542	195,000	7,958	-	-
2026	-	-	800,000	52,707	195,000	4,799	-	-
2027	-	-	817,000	35,507	195,000	1,640	-	-
2028	-	-	834,500	17,942	85,000	115	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
Total	$ 1,550,000	$ 139,500	$ 8,933,000	$ 1,105,005	$ 2,000,000	$ 189,289	$ 273,845	$ 9,871

Note 8 – Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

	Amount Outstanding	Amounts Due Within One Year
State Literary Fund Loan:		
$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	$ 1,550,000	$ 310,000
VACO/VML Public Facility Lease Revenue Bond:		
$10,762,500 loan issued January 25, 2013 due in varying installments through November 2027. Interest is payable annually at 2.15%.	$ 8,933,000	$ 660,000
VACO/VML Variable Rate Demand Revenue Bond:		
$2,500,000 loan issued April 3, 2014 due in varying installments through July 2029. Interest is payable annually at the Bank's Prime Rate plus 1.5%. The amount drawn on the loan at June 30, 2016 was $2,000,000.	$ 2,000,000	$ -
Capital Leases:		
$472,794 lease issued October 21, 2011 due in annual installments of principal and interest of $81,232 through October 2018. Interest is payable at 2.185%. The assets acquired through the capital lease are $472,794 for emergency operations equipment and had $236,397 of accumulated depreciation as of June 30, 2016.	$ 188,122	$ 76,282
$223,500 lease issued November 1, 2013 due in annual installments of principal and interest of $29,098 through November 2017. Interest is payable at 1.83%. The assets acquired through the capital lease are $223,500 for police vehicles and a public works vehicle and had $132,143 of accumulated depreciation as of June 30, 2016.	85,723	56,888
Total Capital Leases	$ 273,845	$ 133,170
Landfill closure liability	$ 428,253	$ 30,590
Net OPEB obligation	$ 109,240	$ -
Net pension liability	$ 918,549	$ -
Compensated absences	$ 460,736	$ 46,074
Total	$ 14,673,623	$ 1,179,834

Note 8 – Long-Term Obligations: (Continued)

Discretely Presented Component Unit–School Board Obligations:

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

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Compensated absences	$ 388,163	$ 50,139	$ 38,816	$ 399,486	$ 39,949
Capital leases	144,579	42,888	61,378	126,089	62,028
Net pension liability	15,882,000	3,740,000	3,362,000	16,260,000	-
Net OPEB obligation	203,760	95,000	84,000	214,760	-
Total Component Unit	$ 16,618,502	$ 3,928,027	$ 3,546,194	$ 17,000,335	$ 101,977

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

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest
2017	$ 62,028	$ 4,149
2018	64,061	2,115
Total	$ 126,089	$ 6,264

Details of long-term obligations are as follows:

	Amount Outstanding
Capital Leases:	
$194,999 capital lease for laptops payable in various annual principal installments through July 24, 2017, interest payable at 2.50%. The assets acquired through the capital lease are $194,999 for laptops.	$ 97,570
$42,888 capital lease for band uniforms in various annual principal installments through January 20, 2018, interest payable at 5.997%. The assets acquired through the capital lease are $42,888 for band uniforms.	28,519
Total Capital Leases	$ 126,089
Compensated absences	$ 399,486
Net pension liability	$ 16,260,000
Net OPEB obligation	$ 214,760
Total long-term obligations	$ 17,000,335

Note 9 – Deferred/Unavailable/Unearned Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred/Unavailable property tax revenue:		
Deferred/Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	$ -	$ 881,649
2nd half assessments due after June 30th	5,533,050	5,533,050
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	166,753	166,753
Total governmental activities	$ 5,699,803	$ 6,581,452

Note 10 - Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and the 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 11 - Surety Bonds:

		Amount
Virginia Department of Risk Management - Surety		
Stephanie Murray, Treasurer	$	400,000
Linda Parrish, Clerk of the Circuit Court		25,000
Brian Daniel, Commissioner of the Revenue		3,000
Erik Weaver, Sheriff		30,000
Above constitutional officers' employees - blanket bond		50,000
Madison County Department of Social Services employee blanket bond		100,000
Virginia Local Government Risk Management Plan		
Madison County School Board Public Officials Liability		1,000,000
Madison County Public Officials Liability		250,000

Note 12 - Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is insured by the Virginia Association of Counties (VACO) for all risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years. Worker's Compensation is also carried through VACO.

Note 13 - Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, which occurred in fiscal year 2005, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The $428,253 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from any funds accumulated for this purpose in the General Fund.

The County has demonstrated financial assurance requirements for closure and postclosure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

The County plans to meet all federal laws, regulations and tests of financial assurance related to the financing of closure and postclosure care when they become effective.

Note 14 - Other Postemployment Benefits - Health Insurance:

County:

A. Plan Description:

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who retire with 30 years of service, or at age 62 with 5 years of service are eligible. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retirees pay 100% of the published rates for individual and dependent coverage until age 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) 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 cost 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:

Annual required contribution	$	40,000
Interest on net OPEB obligation		4,000
Adjustment to annual required contribution		(4,000)
Annual OPEB cost (expense)	$	40,000
Contribution made		29,000
Increase in net OPEB obligation	$	11,000
Net OPEB obligation-beginning of year		98,240
Net OPEB obligation-end of year	$	109,240

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

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2014	$	45,000	69%	$	89,240
June 30, 2015		39,000	77%		98,240
June 30, 2016		40,000	73%		109,240

Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

County: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	477,000
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability	$	477,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)	$	3,845,864
UAAL as a percentage of covered payroll		12.40%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was thirty years.

	Unfunded
Discount rate	4.0%
Payroll growth	3.75%

School Board:

A. Plan Description

The School Board Retiree Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has at least seven consecutive years of service immediately preceding retirement, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The school board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays an amount per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) 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 cost 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 School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	$	95,000
Interest on net OPEB obligation		8,000
Adjustment to annual required contribution		(8,000)
Annual OPEB cost (expense)	$	95,000
Contribution made		84,000
Increase in net OPEB obligation	$	11,000
Net OPEB obligation-beginning of year		203,760
Net OPEB obligation-end of year	$	214,760

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

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2014	$	105,000	80%	$	181,760
June 30, 2015		91,000	76%		203,760
June 30, 2016		95,000	88%		214,760

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	1,057,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,057,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	10,368,448
UAAL as a percentage of covered payroll	10.19%

Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

School Board: (Continued)

D. Funded Status and Funding Progress: (Continued)

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was thirty years.

	Unfunded
Discount rate	4.0%
Payroll growth	3.75%

Note 15 – Other Postemployment Benefits-VRS Health Insurance Credit:

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is 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 who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of $1.50 per year of creditable service up to a maximum monthly credit of $45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of $45.

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

B. Funding Policy

As a participating local political subdivision, the County is 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's contribution rate for the fiscal year ended 2016 was .12% 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 County 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.

For 2016, the County's contribution of $2,052 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2014	$ 1,328	100%	$ -
June 30, 2015	4,881	100%	-
June 30, 2016	2,052	100%	-

Note 15 – Other Postemployment Benefits-VRS Health Insurance Credit: (Continued)

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	$	44,575
Actuarial value of plan assets	$	57,448
Unfunded actuarial accrued liability	$	(12,873)
Funded ratio (actuarial value of plan assets / AAL)		128.88%
Covered payroll (active plan members)	$	1,666,132
UAAL as a percentage of covered payroll		-0.77%

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.

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 payrolls on a closed open basis. The remaining closed amortization period at June 30, 2015 was 19-28 years.

F. Professional Employees – Discretely Presented Component Unit School Board

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.

Note 15 – Other Postemployment Benefits-VRS Health Insurance Credit: (Continued)

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

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.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were $100,176, $102,406, and $106,982, respectively and equaled the required contributions for each year.

Note 16 – Litigation:

At June 30, 2016 there were no matters of litigation involving the County or its component unit that would have an adverse material effect on the financial position of the reporting entity.

Note 17 – Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 18.

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Note 17 – Adoption of Accounting Principles: (Continued)

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

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

Note 18 – Fair Value Measurements:

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. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or Liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
Investment	6/30/2016	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	$ 75,947	$ 75,947	$ -	$ -
	$ 75,947	$ 75,947	$ -	$ -

Note 19 – Upcoming Pronouncements:

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

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

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

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

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

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

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

- Required Supplementary Information -

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual -- General Fund
Year Ended June 30, 2016

	Original Budget	Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues:				
General property taxes	$ 14,821,305	$ 14,821,305	$ 14,939,437	$ 118,132
Other local taxes	2,409,220	2,409,220	2,598,050	188,830
Permits, privilege fees and regulatory licenses	236,499	236,499	212,473	(24,026)
Fines and forfeitures	189,681	189,681	170,894	(18,787)
Revenue from use of money and property	128,792	128,792	115,497	(13,295)
Charges for services	611,435	631,109	647,431	16,322
Miscellaneous	220,185	320,014	386,279	66,265
Intergovernmental:				
Commonwealth	5,560,016	6,256,113	6,007,308	(248,805)
Federal	985,242	1,118,842	1,030,244	(88,598)
Total revenues	$ 25,162,375	$ 26,111,575	$ 26,107,613	$ (3,962)
Expenditures:				
Current:				
General government administration	$ 1,389,865	$ 1,418,779	$ 1,328,466	$ 90,313
Judicial administration	850,860	871,251	848,738	22,513
Public safety	5,862,326	6,051,833	5,506,166	545,667
Public works	1,042,510	1,050,007	950,854	99,153
Health and welfare	4,808,102	5,900,513	5,582,522	317,991
Education	8,371,408	8,489,280	8,276,550	212,730
Parks, recreation, and cultural	432,786	550,286	476,491	73,795
Community development	622,200	622,200	535,745	86,455
Nondepartmental	512,641	65,000	1,116	63,884
Debt service:				
Principal retirement	1,086,043	1,086,043	1,086,042	1
Interest and other fiscal charges	308,634	308,634	297,873	10,761
Total expenditures	$ 25,287,375	$ 26,413,826	$ 24,890,563	$ 1,523,263
Excess (deficiency) of revenues over (under) expenditures	$ (125,000)	$ (302,251)	$ 1,217,050	$ 1,519,301
Other Financing Sources (uses):				
Transfers in	$ 25,000	$ 25,000	$ -	$ (25,000)
Total other financing sources (uses)	$ 25,000	$ 25,000	$ -	$ (25,000)
Net change in fund balances	$ (100,000)	$ (277,251)	$ 1,217,050	$ 1,494,301
Fund balances at beginning of year	100,000	277,251	11,099,510	10,822,259
Fund balances at end of year	$ -	$ -	$ 12,316,560	$ 12,316,560

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
Year Ended June 30, 2016

	2014	2015
Total pension liability		
Service cost	$ 541,330	$ 541,394
Interest	977,153	1,037,311
Differences between expected and actual experience	-	(156,191)
Benefit payments, including refunds of employee contributions	(578,303)	(739,879)
Net change in total pension liability	$ 940,180	$ 682,635
Total pension liability - beginning	14,248,481	15,188,661
Total pension liability - ending (a)	$ 15,188,661	$ 15,871,296
Plan fiduciary net position		
Contributions - employer	$ 506,793	$ 471,484
Contributions - employee	198,721	201,091
Net investment income	1,957,999	663,732
Benefit payments, including refunds of employee contributions	(578,303)	(739,879)
Administrative expense	(10,342)	(9,028)
Other	103	(137)
Net change in plan fiduciary net position	$ 2,074,971	$ 587,263
Plan fiduciary net position - beginning	12,290,513	14,365,484
Plan fiduciary net position - ending (b)	$ 14,365,484	$ 14,952,747
County's net pension liability - ending (a) - (b)	$ 823,177	$ 918,549
Plan fiduciary net position as a percentage of the total pension liability	94.58%	94.21%
Covered payroll	$ 3,980,282	$ 4,048,172
County's net pension liability as a percentage of covered payroll	20.68%	22.69%

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

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

	2014	2015
Total pension liability		
Service cost	$ 76,301	$ 74,089
Interest	218,017	226,502
Differences between expected and actual experience	-	(103,073)
Benefit payments, including refunds of employee contributions	(141,719)	(204,473)
Net change in total pension liability	$ 152,599	$ (6,955)
Total pension liability - beginning	3,185,382	3,337,981
Total pension liability - ending (a)	$ 3,337,981	$ 3,331,026
Plan fiduciary net position		
Contributions - employer	$ 41,634	$ 33,962
Contributions - employee	38,268	35,046
Net investment income	515,077	167,887
Benefit payments, including refunds of employee contributions	(141,719)	(204,473)
Administrative expense	(2,804)	(2,399)
Other	27	(38)
Net change in plan fiduciary net position	$ 450,483	$ 29,985
Plan fiduciary net position - beginning	3,282,575	3,733,058
Plan fiduciary net position - ending (b)	$ 3,733,058	$ 3,763,043
School Division's net pension liability (asset) - ending (a) - (b)	$ (395,077)	$ (432,017)
Plan fiduciary net position as a percentage of the total pension liability	111.84%	112.97%
Covered payroll	$ 765,340	$ 707,545
School Division's net pension liability (asset) as a percentage of covered payroll	-51.62%	-61.06%

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

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

	2014	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.13142%	0.12919%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 15,882,000	$ 16,260,000
Employer's Covered Payroll	9,603,425	9,660,903
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.38%	168.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%

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

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

Schedule of Employer Contributions
Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2016	$ 493,214	$ 493,214	$ -	$ 4,233,595	11.65%
2015	471,612	471,612	-	4,048,172	11.65%
2014	507,088	507,088	-	3,980,282	12.74%
2013	504,675	504,675	-	3,961,344	12.74%
2012	326,368	326,368	-	3,464,625	9.42%
2011	346,452	346,452	-	3,677,829	9.42%
2010	295,687	295,687	-	3,673,136	8.05%
2009	295,175	295,175	-	3,666,775	8.05%
2008	241,973	241,973	-	3,579,479	6.76%
2007	186,432	186,432	-	3,323,206	5.61%
Component Unit School Board (nonprofessional)					
2016	$ 35,470	$ 35,470	$ -	$ 731,331	4.85%
2015	34,316	34,316	-	707,545	4.85%
2014	41,634	41,634	-	765,340	5.44%
2013	41,830	41,830	-	768,936	5.44%
2012	11,625	11,625	-	653,093	1.78%
2011	11,931	11,931	-	670,285	1.78%
2010	25,776	25,776	-	696,646	3.70%
2009	27,164	27,164	-	734,162	3.70%
2008	22,068	22,068	-	716,484	3.08%
2007	20,795	20,795	-	675,154	3.08%
Component Unit School Board (professional)					
2016	$ 1,315,902	$ 1,315,902	$ -	$ 9,359,189	14.06%
2015	1,400,831	1,400,831	-	9,660,903	14.50%

Current year contributions are from County of Madison and Madison County School Board's records and prior year contributions are from the VRS actuarial valuation performed each year.

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

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

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

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

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

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

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

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

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

Schedule of OPEB Funding Progress
Last Three Fiscal Years

County VRS Health Insurance Credit:

Actuarial Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3)-(2) (4)	Funded Ratio Assets at % of AAL (2) (3) (5)	Annual Covered Payroll (6)	UAAL as % of Covered Payroll (4)/(6) (7)
6/30/15	$ 57,448	$ 44,575	$ (12,873)	128.88%	$ 1,666,132	-0.77%
6/30/14	55,853	45,830	(10,023)	121.87%	1,678,036	-0.60%
6/30/13	50,206	47,475	(2,731)	105.75%	1,574,206	-0.17%

Other Post Employment Benefits

County

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/14	$ -	$ 477,000	$ 477,000	0.00%	$ 3,845,864	12.40%
7/1/12	-	501,000	501,000	0.00%	3,361,337	14.90%
7/1/10	-	461,000	461,000	0.00%	3,836,000	12.02%

Discretely Presented Component Unit - School Board

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2014	$ -	$ 1,057,000	$ 1,057,000	0.00%	$ 10,368,448	10.19%
7/1/2012	-	1,172,000	1,172,000	0.00%	11,572,663	10.13%
7/1/2010	-	794,000	794,000	0.00%	7,176,000	11.06%

- Other Supplementary Information -

Combining and Individual Fund Statements and Schedules

Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	**Final**	**Actual Amounts**	**(Negative)**
EXPENDITURES				
Education	$ 13	$ 13	$ -	$ 13
Capital projects	1,499,987	1,499,987	400,213	1,099,774
Total expenditures	$ 1,500,000	$ 1,500,000	$ 400,213	$ 1,099,787
Excess (deficiency) of revenues over (under) expenditures	$ (1,500,000)	$ (1,500,000)	$ (400,213)	$ 1,099,787
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	$ 1,500,000	$ 1,500,000	$ 500,000	$ (1,000,000)
Total other financing sources (uses)	$ 1,500,000	$ 1,500,000	$ 500,000	$ (1,000,000)
Net change in fund balances	$ -	$ -	$ 99,787	$ 99,787
Fund balances at beginning of year	-	-	404,958	404,958
Fund balances at end of year	$ -	$ -	$ 504,745	$ 504,745

Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	$ 37,748	$ 43,634	$ 46,132	$ 35,250
Accounts receivable	-	2,043	-	2,043
Total assets	$ 37,748	$ 45,677	$ 46,132	$ 37,293
Liabilities:				
Amounts held for others	$ 37,748	$ 45,677	$ 46,132	$ 37,293
Total liabilities	$ 37,748	$ 45,677	$ 46,132	$ 37,293

Combining Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2016

	School Operating Fund	School Cafeteria Fund	School Capital Fund	Nonmajor Funds	Total
ASSETS					
Cash and cash equivalents	$ 1,773,501	$ 312,108	$ 34,171	$ 51,342	$ 2,171,122
Accounts receivable	424	-	-	-	424
Due from other governmental units	571,085	-	-	-	571,085
Due from Primary Government	-	-	-	-	-
Prepaid expenditures	68,006	-	-	-	68,006
Inventory	-	23,225	-	-	23,225
Total assets	$ 2,413,016	$ 335,333	$ 34,171	$ 51,342	$ 2,833,862
LIABILITIES					
Accounts payable	$ 161,202	$ -	$ -	$ -	$ 161,202
Accrued liabilities	1,771,501	45,267	-	-	1,816,768
Due to Primary Government	478,313	-	-	-	478,313
Total liabilities	$ 2,411,016	$ 45,267	$ -	$ -	$ 2,456,283
FUND BALANCES					
Nonspendable	$ 68,006	$ 23,225	$ -	$ -	$ 91,231
Restricted	-	-	-	51,342	51,342
Committed	2,000	266,841	34,171	-	303,012
Unassigned	(68,006)	-	-	-	(68,006)
Total fund balances	$ 2,000	$ 290,066	$ 34,171	$ 51,342	$ 377,579
Total liabilities and fund balances	$ 2,413,016	$ 335,333	$ 34,171	$ 51,342	

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole.	7,926,049
The net pension asset is not an available resource and, therefore, is not reported in the funds.	432,017
Items related to measurement of net pension liability/asset not available to pay for current-period expenditures	(1,893,783)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	1,351,372
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(17,000,335)
Net position of General Government Activities	$ (8,807,101)

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

	School Operating Fund	School Cafeteria Fund	School Capital Fund	Nonmajor Funds	Total
Revenues:					
Revenue from use of money and property	$ 8,460	$ -	$ 10	$ 13	$ 8,483
Charges for services	15,050	305,927	-	-	320,977
Miscellaneous	666,713	-	-	10,402	677,115
Intergovernmental:					
County contribution to School Board	8,273,550	-	-	-	8,273,550
Commonwealth	9,105,924	20,774	-	-	9,126,698
Federal	900,938	502,951	-	-	1,403,889
Total revenues	$ 18,970,635	$ 829,652	$ 10	$ 10,415	$ 19,810,712
Expenditures:					
Current:					
Education	$ 18,949,345	$ 851,923	$ -	$ -	$ 19,801,268
Capital projects	-	-	13	-	13
Debt service:					
Principal	61,378	-	-	-	61,378
Interest and other fiscal charges	1,800	-	-	-	1,800
Total expenditures	$ 19,012,523	$ 851,923	$ 13	$ -	$ 19,864,459
Excess (deficiency) of revenues over (under) expenditures	$ (41,888)	$ (22,271)	$ (3)	$ 10,415	$ (53,747)
Other financing sources (uses):					
Issuance of capital lease	$ 42,888	$ -	$	$ -	$ 42,888
Total other financing sources (uses)	$ 42,888	$ -	$ -	$ -	$ 42,888
Changes in fund balances	$ 1,000	$ (22,271)	$ (3)	$ 10,415	$ (10,859)
Fund balances at beginning of year	1,000	312,337	34,174	40,927	388,438
Fund balances at end of year	$ 2,000	$ 290,066	$ 34,171	$ 51,342	$ 377,579

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2016

			Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds			$ (10,859)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:			
Capital additions	$	556,617	
Depreciation expense		(1,000,460)	(443,843)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.			(129,539)
Change in deferred inflows related to the measurement of the net pension liability/asset			1,016,263
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. A summary of items supporting this adjustment is as follows:			
Issuance of capital lease	$	(42,888)	
Principal retired on capital lease		61,378	18,490
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
Change in compensated absences		(11,323)	
Change in net pension liability/asset		(341,060)	
Change in deferred outflows related to pension payments subsequent to the measurement date		(83,775)	
Change in net OPEB obligation		(11,000)	(447,158)
Transfer of joint tenancy assets from Primary Government to the Component Unit			1,811,822
Change in net position of governmental activities			$ 1,815,176

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

	School Operating Fund			
	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ 23,660	$ 23,660	$ 8,460	$ (15,200)
Charges for services	-	-	15,050	15,050
Miscellaneous	747,610	747,610	666,713	(80,897)
Intergovernmental:				
County contribution to School Board	8,368,408	8,486,280	8,273,550	(212,730)
Commonwealth	9,405,047	9,702,349	9,105,924	(596,425)
Federal	902,822	902,822	900,938	(1,884)
Total revenues	$ 19,447,547	$ 19,862,721	$ 18,970,635	$ (892,086)
Expenditures:				
Current:				
Education	$ 19,447,547	$ 19,862,721	$ 18,949,345	$ 913,376
Capital projects	-	-	-	-
Debt service:				
Principal	-	-	61,378	(61,378)
Interest and other fiscal charges	-	-	1,800	(1,800)
Total expenditures	$ 19,447,547	$ 19,862,721	$ 19,012,523	$ 850,198
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (41,888)	$ (41,888)
Other Financing Sources (Uses)				
Issuance of capital lease	$ -	$ -	$ 42,888	$ 42,888
Changes in fund balances	$ -	$ -	$ 1,000	$ 1,000
Fund balances at beginning of year	-	-	1,000	1,000
Fund balances at end of year	$ -	$ -	$ 2,000	$ 2,000

School Cafeteria Fund				School Capital Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ 10	$ 10
353,900	353,900	305,927	(47,973)	-	-	-	-
38,000	38,000	-	(38,000)	-	-	-	-
-	-	-	-	13	13	-	(13)
20,000	20,000	20,774	774	-	-	-	-
450,000	450,000	502,951	52,951	-	-	-	-
$ 861,900	$ 861,900	$ 829,652	$ (32,248)	$ 13	$ 13	$ 10	$ (3)
$ 861,900	$ 861,900	$ 851,923	$ 9,977	$	$ -	$ -	$ -
-	-	-	-	13	13	13	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 861,900	$ 861,900	$ 851,923	$ 9,977	$ 13	$ 13	$ 13	$ -
$ -	$ -	$ (22,271)	$ (22,271)	$ -	$ -	$ (3)	$ (3)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ (22,271)	$ (22,271)	$ -	$ -	$ (3)	$ (3)
-	-	312,337	312,337	-	-	34,174	34,174
$ -	$ -	$ 290,066	$ 290,066	$ -	$ -	$ 34,171	$ 34,171

Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
As of June 30, 2016

	School Lottery Fund	School Textbook Fund	Total
ASSETS			
Cash and cash equivalents	$ 1,894	$ 49,448	$ 51,342
Total assets	$ 1,894	$ 49,448	$ 51,342
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -
Fund balances:			
Restricted	$ 1,894	$ 49,448	$ 51,342
Total fund balances	$ 1,894	$ 49,448	$ 51,342
Total liabilities and fund balances	$ 1,894	$ 49,448	$ 51,342

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Lottery Fund	School Textbook Fund	Total
REVENUES			
Revenue from the use of money and property	$ 1	$ 12	$ 13
Miscellaneous	-	10,402	10,402
Total revenues	$ 1	$ 10,414	$ 10,415
EXPENDITURES			
Current:			
Education	$ -	$ -	$ -
Total expenditures	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ 1	$ 10,414	$ 10,415
Net change in fund balances	$ 1	$ 10,414	$ 10,415
Fund balances - beginning	1,893	39,034	40,927
Fund balances - ending	$ 1,894	$ 49,448	$ 51,342

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Lottery Fund				School Textbook Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 12	$ 12
Miscellaneous	-	-	-	-	-	-	10,402	10,402
Total revenues	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 10,414	$ 10,414
EXPENDITURES								
Current:								
Education	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 10,414	$ 10,414
Net change in fund balances	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 10,414	$ 10,414
Fund balances - beginning	-	-	1,893	1,893	-	-	39,034	39,034
Fund balances - ending	$ -	$ -	$ 1,894	$ 1,894	$ -	$ -	$ 49,448	$ 49,448

Statement of Fiduciary Net Position - Fiduciary Fund
Discretely Presented Component Unit - School Board
At June 30, 2016

	Scholarship Private-Purpose Trust Fund
ASSETS	
Cash and cash equivalents	$ 102,638
Total assets	$ 102,638
NET POSITION	
Held in trust for scholarships	$ 102,638
Total net position	$ 102,638
Total liabilities and net position	$ 102,638

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
Discretely Presented Component Unit - School Board
Year Ended June 30, 2016

		Scholarship Private-Purpose Trust Fund
Additions:		
Interest income	$	13,092
Total additions	$	13,092
Deductions:		
Scholarships awarded	$	3,842
Total deductions	$	3,842
Change in net position	$	9,250
Net position - beginning of year		93,388
Net position - end of year	$	102,638

- Other Supplementary Information -

Supporting Schedules

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 10,937,612	$ 10,937,612	$ 10,993,960	$ 56,348
Real and personal public service corporation property taxes	332,000	332,000	324,131	(7,869)
Personal property taxes	2,920,898	2,920,898	2,978,791	57,893
Mobile home taxes	6,905	6,905	7,407	502
Machinery and tools taxes	64,544	64,544	67,992	3,448
Merchants capital taxes	201,741	201,741	207,523	5,782
Penalties	195,965	195,965	195,656	(309)
Interest	102,192	102,192	96,677	(5,515)
Tax collection fee	59,448	59,448	67,300	7,852
Total general property taxes	$ 14,821,305	$ 14,821,305	$ 14,939,437	$ 118,132
Other local taxes:				
Local sales and use taxes	$ 875,000	$ 875,000	$ 982,248	$ 107,248
Consumers' utility taxes	322,800	322,800	334,021	11,221
Local consumption tax	42,035	42,035	39,526	(2,509)
Restaurant food taxes	351,835	351,835	401,303	49,468
Transient occupancy taxes	151,000	151,000	143,186	(7,814)
Gross receipts taxes	20,780	20,780	18,272	(2,508)
Bank stock taxes	83,399	83,399	82,921	(478)
Motor vehicle licenses	425,198	425,198	447,600	22,402
Taxes on recordation and wills	137,173	137,173	148,973	11,800
Total other local taxes	$ 2,409,220	$ 2,409,220	$ 2,598,050	$ 188,830
Permits, privilege fees and regulatory licenses:				
Animal licenses	$ 10,000	$ 10,000	$ 8,596	$ (1,404)
Building and related permits	201,011	201,011	183,682	(17,329)
Land transfer fees	488	488	495	7
Land use application fees	25,000	25,000	19,700	(5,300)
Total permits, privilege fees and regulatory licenses	$ 236,499	$ 236,499	$ 212,473	$ (24,026)
Fines and Forfeitures:				
Court fines and forfeitures	$ 189,681	$ 189,681	$ 170,894	$ (18,787)
Total fines and forfeitures	$ 189,681	$ 189,681	$ 170,894	$ (18,787)
Revenue from use of money and property:				
Revenue from use of money	$ 45,000	$ 45,000	$ 32,905	$ (12,095)
Revenue from use of property	83,792	83,792	82,592	(1,200)
Total revenue from use of money and property	$ 128,792	$ 128,792	$ 115,497	$ (13,295)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's fees	$ 344	$ 344	$ 344	$ -
Commonwealth attorney fees	1,198	1,198	1,207	9
Courthouse maintenance fees	8,263	8,263	8,393	130
Courtroom security fees	39,212	39,212	40,497	1,285
Other charges for services	14,526	14,526	17,011	2,485
Ambulance transportation fees	320,000	320,000	323,305	3,305
Waste collection and disposal charges	110,000	110,000	116,517	6,517
Recreation fees	117,892	137,566	140,157	2,591
Total charges for services	$ 611,435	$ 631,109	$ 647,431	$ 16,322
Miscellaneous revenue:				
Expenditure refunds	$ 75,000	$ 102,905	$ 102,907	$ 2
CSA	-	76,776	41,289	(35,487)
Performance bonds	-	-	106,618	106,618
Miscellaneous	145,185	140,333	135,465	(4,868)
Total miscellaneous revenue	$ 220,185	$ 320,014	$ 386,279	$ 66,265
Total revenue from local sources	$ 18,617,117	$ 18,736,620	$ 19,070,061	$ 333,441
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier's tax	$ 597	$ 597	$ 244	$ (353)
Rental tax - DMV	1,514	1,514	2,262	748
Mobile home titling taxes	5,656	5,656	11,064	5,408
PPTRA	1,029,053	1,029,053	1,029,053	-
Communication taxes	584,250	584,250	562,023	(22,227)
Recordation tax	43,384	43,384	39,177	(4,207)
Total noncategorical aid	$ 1,664,454	$ 1,664,454	$ 1,643,823	$ (20,631)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 168,280	$ 168,280	$ 167,332	$ (948)
Sheriff	723,801	723,801	712,916	(10,885)
Commissioner of the Revenue	92,385	92,385	75,969	(16,416)
Treasurer	112,055	112,055	88,734	(23,321)
Registrar/electoral board	36,689	36,689	41,868	5,179
Clerk of the Circuit Court	197,337	197,337	201,873	4,536
Total shared expenses	$ 1,330,547	$ 1,330,547	$ 1,288,692	$ (41,855)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (continued)				
Other categorical aid:				
Fire programs	$ 39,280	$ 41,452	$ 41,452	$ -
Litter Control	7,426	7,426	5,859	(1,567)
Four for life	14,000	14,515	14,515	-
Domestic Violence	33,000	33,000	45,000	12,000
Victim witness	17,000	20,242	21,616	1,374
Department of Juvenile Justice	6,585	6,585	5,014	(1,571)
E-911	41,570	41,570	43,636	2,066
PSAP State 911 grant	-	150,000	148,119	(1,881)
Comprehensive Services Act	1,561,906	2,102,074	2,070,246	(31,828)
Sheriff -asset forfeiture	-	-	11,272	11,272
Public assistance and welfare	737,928	737,928	631,648	(106,280)
Other state grants	106,320	106,320	36,416	(69,904)
Total other categorical aid	$ 2,565,015	$ 3,261,112	$ 3,074,793	$ (186,319)
Total categorical aid	$ 3,895,562	$ 4,591,659	$ 4,363,485	$ (228,174)
Total revenue from the Commonwealth	$ 5,560,016	$ 6,256,113	$ 6,007,308	$ (248,805)
Revenue from the Federal Government:				
Payments in lieu of taxes	$ 85,342	$ 85,342	$ 92,527	$ 7,185
Categorical aid:				
Public assistance and welfare	$ 888,701	$ 1,020,643	$ 919,952	$ (100,691)
Sheriff -asset forfeiture	-	-	3,996	3,996
Justice assistance grant	-	1,658	1,492	(166)
Homeland security grant	-	-	2,448	2,448
Victim Witness	-	-	3,242	3,242
Ground Safety Transportation	11,199	11,199	6,587	(4,612)
Total categorical aid	$ 899,900	$ 1,033,500	$ 937,717	$ (95,783)
Total revenue from the Federal Government	$ 985,242	$ 1,118,842	$ 1,030,244	$ (88,598)
Total General Fund	$ 25,162,375	$ 26,111,575	$ 26,107,613	$ (3,962)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	$ 23,660	$ 23,660	$ 8,460	$ (15,200)
Charges for services:				
Charges for education	$ -	$ -	$ 15,050	$ 15,050
Total charges for services	$ -	$ -	$ 15,050	$ 15,050
Miscellaneous revenue:				
Rebates and refunds	$ 693,370	$ 693,370	$ 588,551	$ (104,819)
Miscellaneous	54,240	54,240	78,162	23,922
Total miscellaneous revenue	747,610	747,610	666,713	(80,897)
Total revenue from local sources	$ 771,270	$ 771,270	$ 690,223	$ (81,047)
Intergovernmental:				
County contribution to School Board	$ 8,368,408	$ 8,486,280	$ 8,273,550	$ (212,730)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 2,119,379	$ 2,119,379	$ 2,130,600	$ 11,221
Basic school aid	4,478,046	4,478,046	4,259,827	(218,219)
Special ed SOQ	582,297	582,297	559,859	(22,438)
Vocational SOQ	125,902	125,902	121,051	(4,851)
Remedial education	125,902	125,902	121,051	(4,851)
Technology	154,000	154,000	154,000	-
Primary class size	163,393	163,393	163,061	(332)
Fringe benefits	821,314	821,314	789,666	(31,648)
Other state funds	834,814	1,132,116	806,809	(325,307)
Total categorical aid	$ 9,405,047	$ 9,702,349	$ 9,105,924	$ (596,425)
Total revenue from the Commonwealth	$ 9,405,047	$ 9,702,349	$ 9,105,924	$ (596,425)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 328,326	$ 328,326	$ 381,019	$ 52,693
Title III	1,001	1,001	603	(398)
Title VI - B Special Education	467,591	467,591	385,283	(82,308)
Vocational education	27,912	27,912	32,736	4,824
Preschool	-	-	11,175	11,175
AP grant			492	492
Other funds	-	-	2,821	2,821
Title II	77,992	77,992	86,809	8,817
Total categorical aid	$ 902,822	$ 902,822	$ 900,938	$ (1,884)
Total revenue from the federal government	$ 902,822	$ 902,822	$ 900,938	$ (1,884)
Total School Operating Fund	$ 19,447,547	$ 19,862,721	$ 18,970,635	$ (892,086)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit -- School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	$ 353,900	$ 353,900	$ 305,927	$ (47,973)
Total charges for services	$ 353,900	$ 353,900	$ 305,927	$ (47,973)
Miscellaneous revenue:				
Miscellaneous	$ 38,000	$ 38,000	$ -	$ (38,000)
Total revenue from local sources	$ 391,900	$ 391,900	$ 305,927	$ (85,973)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food grant	$ 20,000	$ 20,000	$ 20,774	$ 774
Revenue from the federal government:				
Categorical aid:				
School food grant	$ 450,000	$ 450,000	$ 502,951	$ 52,951
Total School Cafeteria Fund	$ 861,900	$ 861,900	$ 829,652	$ (32,248)
School Lottery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 1	$ 1
Total revenue from use of money and property	$ -	$ -	$ 1	$ 1
Total School Lottery Fund	$ -	$ -	$ 1	$ 1
School Capital Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 10	$ 10
Total revenue from use of money and property	$ -	$ -	$ 10	$ 10
Intergovernmental:				
County contribution to School Board	$ 13	$ 13	$ -	$ (13)
Total School Capital Fund	$ 13	$ 13	$ 10	$ (3)
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 12	$ 12
Total revenue from use of money and property	$ -	$ -	$ 12	$ 12
Miscellaneous revenue:				
Miscellaneous	$	$ -	$ 10,402	$ 10,402
Total revenue from local sources	$ -	$ -	$ 10,414	$ 10,414
Total School Textbook Fund	$ -	$ -	$ 10,414	$ 10,414
Total Revenues --Discretely Presented Component Unit -- School Board	$ 20,309,460	$ 20,724,634	$ 19,810,712	$ (913,922)

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 62,519	$ 62,519	$ 60,649	$ 1,870
General and financial administration:				
County administrator	$ 253,169	$ 253,169	$ 234,796	$ 18,373
Legal services	66,838	76,590	76,590	-
Independent Auditor	54,000	64,287	64,287	-
Commissioner of the revenue	208,210	207,368	203,392	3,976
Personal property	9,085	9,085	8,533	552
Data Processing	172,899	172,899	125,746	47,153
Land use	1,475	1,475	1,435	40
Assessor	4,575	5,416	5,416	-
Finance Department	181,380	190,256	190,256	-
Treasurer	257,023	257,023	252,667	4,356
Total general and financial administration	$ 1,208,654	$ 1,237,568	$ 1,163,118	$ 74,450
Board of Elections:				
Electoral board and officials	$ 35,700	$ 35,700	$ 29,689	$ 6,011
Registrar	82,992	82,992	75,010	7,982
Total board of elections	$ 118,692	$ 118,692	$ 104,699	$ 13,993
Total general government administration	$ 1,389,865	$ 1,418,779	$ 1,328,466	$ 90,313
Judicial administration:				
Courts:				
Circuit court	$ 29,171	$ 29,171	$ 25,388	$ 3,783
Combined court	12,000	12,000	8,292	3,708
Clerk of the circuit court	292,037	292,037	286,525	5,512
Sheriff - court security	161,606	178,673	178,673	-
Magistrates	500	500	425	75
Rappahannock legal services	2,000	2,000	2,000	-
Victim witness program	23,293	26,536	25,544	992
Commissioner of accounts	920	920	720	200
Total courts	$ 521,527	$ 541,837	$ 527,567	$ 14,270
Commonwealth's attorney:				
Commonwealth's attorney	$ 329,333	$ 329,414	$ 321,171	$ 8,243
Total judicial administration	$ 850,860	$ 871,251	$ 848,738	$ 22,513

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 1,795,108	$ 1,814,403	$ 1,714,407	$ 99,996
Public safety	16,148	17,671	9,241	8,430
E-911 system	849,596	999,596	949,251	50,345
Total law enforcement and traffic control	$ 2,660,852	$ 2,831,670	$ 2,672,899	$ 158,771
Fire and rescue services:				
Volunteer fire department	$ 122,000	$ 128,452	$ 128,452	$ -
Ambulance and rescue service	264,000	264,515	264,515	-
Emergency medical services	1,184,268	1,192,268	1,139,657	52,611
EMS Council	7,743	7,743	7,743	-
Total fire and rescue services	$ 1,578,011	$ 1,592,978	$ 1,540,367	$ 52,611
Correction and detention:				
Confinement of prisoners	$ 2,300	$ 2,300	$ 57	$ 2,243
Regional jail	938,195	938,195	660,142	278,053
Jefferson area community corrections	6,523	6,523	6,523	-
Juvenile detention	66,611	66,611	46,328	20,283
Probation office	19,729	20,829	15,927	4,902
Total correction and detention	$ 1,033,358	$ 1,034,458	$ 728,977	$ 305,481
Inspections:				
Building	$ 261,431	$ 261,431	$ 256,073	$ 5,358
Total inspections	$ 261,431	$ 261,431	$ 256,073	$ 5,358
Other protection:				
Animal control and shelter facility	$ 268,873	$ 271,326	$ 248,260	$ 23,066
Line of Duty Act	58,201	58,370	58,370	-
Services to abused families	1,000	1,000	1,000	-
Medical examiner (coroner)	600	600	220	380
Total other protection	$ 328,674	$ 331,296	$ 307,850	$ 23,446
Total public safety	$ 5,862,326	$ 6,051,833	$ 5,506,166	$ 545,667
Public works:				
Sanitation and waste removal:				
County landfill	$ 526,300	$ 526,300	$ 477,625	$ 48,675
Total sanitation and waste removal	$ 526,300	$ 526,300	$ 477,625	$ 48,675
Maintenance of general buildings and grounds:				
General properties	$ 516,210	$ 523,707	$ 473,229	$ 50,478
Total maintenance of general buildings and grounds	$ 516,210	$ 523,707	$ 473,229	$ 50,478
Total public works	$ 1,042,510	$ 1,050,007	$ 950,854	$ 99,153

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	$ 140,412	$ 140,412	$ 140,412	$ -
Total health	$ 140,412	$ 140,412	$ 140,412	$ -
Mental health and mental retardation:				
Chapter X board	$ 82,144	$ 82,144	$ 76,656	$ 5,488
Total mental health and mental retardation	$ 82,144	$ 82,144	$ 76,656	$ 5,488
Welfare:				
Administration	$ 2,076,046	$ 2,207,988	$ 1,890,932	$ 317,056
Hospice of the Rapidan	3,000	3,000	3,000	-
Madison free clinic	2,500	2,500	2,500	-
Rapp-Rapidan medical reserve corporation	1,000	1,000	1,000	-
Piedmont regional dental clinic	3,000	3,000	3,000	-
CSA - at risk youth	2,500,000	3,460,469	3,465,022	(4,553)
Total welfare	$ 4,585,546	$ 5,677,957	$ 5,365,454	$ 312,503
Total health and welfare	$ 4,808,102	$ 5,900,513	$ 5,582,522	$ 317,991
Education:				
Contributions to community colleges	$ 3,000	$ 3,000	$ 3,000	$ -
Contributions to component unit school board	8,368,408	8,486,280	8,273,550	212,730
Total education	$ 8,371,408	$ 8,489,280	$ 8,276,550	$ 212,730
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	$ 139,341	$ 199,341	$ 199,620	$ (279)
Recreation authority	173,892	231,392	157,318	74,074
Total parks and recreation	$ 313,233	$ 430,733	$ 356,938	$ 73,795
Cultural enrichment:				
Boys and girls club	$ 1,000	$ 1,000	$ 1,000	$ -
Senior center	525	525	525	-
Madison county fair	1,000	1,000	1,000	-
Total cultural enrichment	$ 2,525	$ 2,525	$ 2,525	$ -
Library:				
County library	$ 117,028	$ 117,028	$ 117,028	$ -
Total parks, recreation and cultural	$ 432,786	$ 550,286	$ 476,491	$ 73,795

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	$ 17,645	$ 17,645	$ 8,107	$ 9,538
Zoning and planning	140,507	140,507	133,714	6,793
Economic development	139,443	139,443	117,735	21,708
Rapidan Better Housing Corp.	7,000	7,000	7,000	-
Aging together	5,000	5,000	5,000	-
Board of zoning appeals	5,440	5,440	2,078	3,362
Board of building code appeals	700	700	-	700
Tourism	75,000	75,000	50,475	24,525
Planning district commission	16,057	16,057	16,057	-
Geographic information system	19,982	19,982	13,937	6,045
Piedmont workforce network	2,000	2,000	2,000	-
Madison habitat for humanity	500	500	-	500
Skyline CAP	47,585	47,585	47,585	-
Total planning and community development	$ 476,859	$ 476,859	$ 403,688	$ 73,171
Environmental management:				
Soil and water conservation district	$ 40,033	$ 40,033	$ 40,033	$ -
Forestry service	6,000	6,000	5,984	16
Water quality management	1,000	1,000	1,000	-
Total environmental management	$ 47,033	$ 47,033	$ 47,017	$ 16
Cooperative extension program:				
VPI extension	$ 97,558	$ 97,558	$ 84,290	$ 13,268
Northern VA 4-H center	750	750	750	-
Total cooperative extension program	$ 98,308	$ 98,308	$ 85,040	$ 13,268
Total community development	$ 622,200	$ 622,200	$ 535,745	$ 86,455
Nondepartmental:				
Miscellaneous	$ 64,650	$ 65,000	$ 1,116	$ 63,884
Contingency	447,991	-	-	-
Total nondepartmental	$ 512,641	$ 65,000	$ 1,116	$ 63,884
Debt service:				
Principal retirement	$ 1,086,043	$ 1,086,043	$ 1,086,042	$ 1
Interest and fiscal charges	308,634	308,634	297,873	10,761
Total debt service	$ 1,394,677	$ 1,394,677	$ 1,383,915	$ 10,762
Total General Fund	$ 25,287,375	$ 26,413,826	$ 24,890,563	$ 1,523,263

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
Capital Improvement Fund:				
Education:				
Contributions to component unit school board	$ 13	$ 13	$ -	$ 13
Capital Projects:				
Miscellaneous projects	$ -	$ -	$ 8,408	$ (8,408)
School capital projects	1,499,987	1,499,987	391,805	1,108,182
Total capital projects	$ 1,499,987	$ 1,499,987	$ 400,213	$ 1,099,774
Total Capital Improvements Fund	$ 1,500,000	$ 1,500,000	$ 400,213	$ 1,099,787
Total Expenditures--Primary Government	$ 26,787,375	$ 27,913,826	$ 25,290,776	$ 2,623,050
Discretely Presented Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction	$ 14,259,440	$ 14,294,843	$ 13,917,313	$ 377,530
Administration, attendance and health	972,490	972,490	900,369	72,121
Pupil transportation services	1,501,166	1,501,166	1,407,191	93,975
Operation and maintenance services	2,050,200	2,183,826	2,047,425	136,401
Technology	664,251	910,396	677,047	233,349
Total education	$ 19,447,547	$ 19,862,721	$ 18,949,345	$ 913,376
Debt service:				
Principal retirement	$ -	$ -	$ 61,378	$ (61,378)
Interest and fiscal charges	-	-	1,800	$ (1,800)
Total debt service	$ -	$ -	$ 63,178	$ (63,178)
Total School Operating Fund	$ 19,447,547	$ 19,862,721	$ 19,012,523	$ 850,198
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food program	$ 861,900	$ 861,900	$ 851,923	$ 9,977
School Capital Fund:				
Capital Projects:				
School projects	$ 13	$ 13	$ 13	$ -
Total capital projects	$ 13	$ 13	$ 13	$ -
Total School Capital Fund	$ 13	$ 13	$ 13	$ -
Total Expenditures--Discretely Presented Component Unit-- School Board	$ 20,309,460	$ 20,724,634	$ 19,864,459	$ 860,175

- Statistical Information -

COUNTY OF MADISON, VIRGINIA **Table 1**

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Adminis-tration	Judicial Adminis-tration	Public Safety	Public Works	Health and Welfare	Education	Parks Recreation and Cultural	Community Development	Interest on Debt	Total
2006-07	$ 1,167,738	$ 581,515	$ 4,014,589	$ 1,382,984	$ 2,290,794	$ 7,206,592	$ 307,191	$ 1,172,189	$ 234,594	$ 18,358,186
2007-08	1,159,581	611,026	4,311,119	1,553,922	2,513,784	7,656,901	283,031	732,319	205,686	19,027,369
2008-09	1,274,260	816,078	4,279,844	1,432,619	2,652,806	7,455,744	354,226	435,164	206,551	18,907,292
2009-10	1,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	199,776	19,344,082
2010-11	1,208,692	772,906	4,487,980	1,275,161	2,880,632	8,285,417	364,838	654,796	179,355	20,109,777
2011-12	1,227,155	1,060,673	4,744,000	932,928	3,804,200	7,967,091	382,268	484,057	132,026	20,734,398
2012-13	1,444,310	1,259,543	5,044,642	1,134,355	4,639,198	7,736,750	430,365	483,237	226,396	22,398,796
2013-14	1,191,034	1,207,655	5,486,234	958,957	4,752,444	13,029,097	422,822	511,140	315,760	27,875,143
2014-15	1,385,253	1,133,013	5,199,293	948,947	4,932,052	9,350,811	450,261	588,519	292,905	24,281,054
2015-16	1,361,313	1,153,156	5,300,042	956,205	5,537,755	10,374,212	477,023	524,074	282,647	25,966,427

COUNTY OF MADISON, VIRGINIA **Table 2**

Government-Wide Revenues
Last Ten Fiscal Years

	Program Revenues			General Revenues										
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Local Sales and Use Tax	Comm-unication Tax (1)	Consumers' Utility Tax	Motor Vehicle Licenses	Restaurant Food Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs (1)	Revenues from the Use of Money & Property	Miscella-neous	Total
2006-07	$ 844,410	$ 2,970,282	$ 775,166	$ 10,575,070	$ 945,452	$ 285,814	$ 533,146	$ 352,763	$ 329,270	$ 440,733	$ 1,160,745	$ 434,989	$ 277,296	$ 19,925,136
2007-08	802,944	3,000,591	30,000	10,796,759	885,111	666,524	321,026	346,983	337,062	298,080	1,132,739	299,916	151,095	19,068,830
2008-09	700,279	3,471,398	95,724	16,597,542	871,669	605,598	323,111	11,395	328,782	274,476	1,089,378	150,953	249,562	24,769,867
2009-10	683,771	3,192,291	-	11,966,643	776,952	608,119	304,321	1,410	320,479	265,345	1,082,024	174,695	133,961	19,510,011
2010-11	914,025	3,433,918	-	12,513,243	763,844	-	347,299	418,414	318,251	282,431	1,763,040	125,474	185,893	21,065,832
2011-12	1,237,560	4,168,508	6,250	13,623,003	839,405	-	317,594	420,975	335,143	401,744	1,756,719	99,377	268,350	23,474,628
2012-13	948,345	4,302,181	-	14,158,939	856,431	-	321,273	423,225	341,365	418,580	1,749,093	112,497	613,492	24,245,421
2013-14	1,062,962	4,650,409	4,601,477	14,730,276	865,583	-	322,800	425,198	351,835	408,787	1,749,820	120,246	290,046	29,579,439
2014-15	1,015,066	5,016,167	-	14,880,317	965,923	-	334,364	436,137	380,853	421,898	1,727,109	106,236	290,340	25,574,410
2015-16	1,030,798	5,301,202	-	14,881,805	982,248	-	334,021	447,600	401,303	432,878	1,736,350	115,497	386,279	26,049,981

(1) Starting in FY 2011 Communication Tax is reported as a revenue from the commonwealth instead of a local revenue in accordance with the Auditor of Public Accounts.

General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes (3)	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscel-laneous	Recovered Costs	Inter-governmental (2)	Total
2006-07	$ 10,479,228	$ 2,887,178	$ 243,660	$ 159,163	$ 436,563	$ 938,793	$ 340,875	$ -	$ 15,448,144	$ 30,933,604
2007-08	10,641,562	2,854,786	285,298	68,780	300,560	962,013	226,991	-	14,733,412	30,073,402
2008-09	16,255,821	2,415,031	213,156	127,581	180,985	844,561	416,134	-	14,926,950	35,380,219
2009-10	11,881,329	2,276,626	193,601	160,201	213,718	818,527	214,365	-	14,020,795	29,779,162
2010-11	12,527,310	2,130,239	228,572	162,755	168,030	957,404	336,102	-	14,368,576	30,878,988
2011-12	13,638,769	2,314,861	164,269	152,815	129,874	1,304,487	741,178	-	15,606,531	34,052,784
2012-13	14,250,356	2,360,874	161,826	164,756	146,549	987,866	909,130	-	16,559,976	35,541,333
2013-14	14,491,657	2,374,203	242,529	189,681	152,516	968,135	519,461	-	16,795,001	35,733,183
2014-15	14,916,195	2,539,175	176,783	218,303	128,613	919,345	697,966	-	17,107,278	36,703,658
2015-16	14,939,437	2,598,050	212,473	170,894	123,980	968,408	1,063,394	-	17,568,139	37,644,775

(1) Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

(3) In 2009, the County changed to semiannual collections for real estate taxes. In the year of change one and a half years of real estate taxes were collected.

COUNTY OF MADISON, VIRGINIA **Table 4**

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Admini-stration	Judicial Admini-stration	Public Safety	Public Works	Health and Welfare	Education(2)	Recreation and Cultural	Community Develop-ment	Non-departmental	Capital Projects	Debt Service	Total
2006-07	$ 1,076,421	$ 547,999	$ 4,001,064	$ 1,366,803	$ 2,266,613	$ 17,735,628	$ 300,210	$ 1,156,839	$ 6,886	$ 519,851	$ 811,873	$ 29,790,187
2007-08	1,069,986	580,475	4,103,144	1,503,808	2,492,297	18,274,023	278,166	727,606	2,969	2,487,444	791,972	32,311,890
2008-09	1,066,321	779,987	4,095,111	1,384,744	2,637,754	17,766,916	283,468	434,648	141,418	3,580,242	800,187	32,970,796
2009-10	1,032,617	751,801	4,285,339	1,213,242	2,549,199	17,619,776	302,702	382,894	84,874	4,634,042	1,648,163	34,504,649
2010-11	1,079,799	752,503	4,423,250	1,203,558	2,899,404	17,506,718	304,055	653,101	111,112	239,673	1,585,967	30,759,140
2011-12	1,063,875	730,518	4,915,378	1,184,056	3,795,114	18,111,745	314,751	481,807	90,040	52,249	1,892,410	32,631,943
2012-13	1,265,783	763,682	4,869,780	1,146,436	4,454,921	18,972,672	360,431	481,924	130,309	1,038,856	2,581,873	36,066,667
2013-14	1,219,249	865,373	5,634,475	999,430	4,731,099	19,094,380	435,199	508,977	36,702	4,663,682	1,232,766	39,421,332
2014-15	1,298,574	819,898	5,465,454	1,025,561	4,950,311	19,626,160	420,701	595,144	5,584	6,539,841	1,428,288	42,175,516
2015-16	1,328,466	848,738	5,506,166	950,854	5,582,522	19,804,268	476,491	535,745	1,116	400,226	1,447,093	36,881,685

(1) Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

COUNTY OF MADISON, VIRGINIA **Table 5**

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2006-07	$ 11,500,532	$ 11,177,781	97.19%	$ 184,236	$ 11,362,017	98.80%	$ 449,996	3.91%
2007-08	11,652,043	11,254,150	96.59%	212,406	11,466,556	98.41%	626,000	5.37%
2008-09	17,587,904	16,116,635	91.63%	977,283	17,093,918	97.19%	1,067,952	6.07%
2009-10	12,769,838	11,763,290	92.12%	863,163	12,626,453	98.88%	1,103,966	8.65%
2010-11	13,253,517	12,332,708	93.05%	993,265	13,325,973	100.55%	1,226,886	9.26%
2011-12	13,415,513	12,322,112	91.85%	949,858	13,271,970	98.93%	1,137,175	8.48%
2012-13	14,099,257	13,045,127	92.52%	902,588	13,947,715	98.93%	1,163,158	8.25%
2013-14	14,346,454	13,203,008	92.03%	931,044	14,134,052	98.52%	1,359,533	9.48%
2014-15	14,599,617	13,851,493	94.88%	702,747	14,554,240	99.69%	1,457,348	9.98%
2015-16	14,705,489	13,404,674	91.15%	1,175,209	14,579,883	99.15%	1,457,348	9.91%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes Commonwealth of Virginia Personal Property Tax Relief Act funds.

COUNTY OF MADISON, VIRGINIA **Table 6**

Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (2)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
2006-07	$ 1,264,715,300	$ 163,607,309	$ 1,417,940	$ 6,190,939	$ 23,301,149	$ 33,151,419	$ 1,492,384,056
2007-08	1,298,909,100	162,442,134	1,509,889	5,871,140	26,275,770	24,477,476	1,519,485,509
2008-09	2,931,263,050	147,441,726	1,323,762	6,014,590	27,220,872	37,295,445	3,150,559,445
2009-10	1,962,094,200	122,898,091	1,331,600	4,930,033	26,865,146	41,188,982	2,159,308,052
2010-11	1,968,205,900	119,915,146	1,356,400	4,490,180	20,612,489	42,548,911	2,157,129,026
2011-12	1,978,255,150	115,602,303	1,351,300	4,386,450	24,618,756	47,248,097	2,171,462,056
2012-13	1,785,742,800	116,902,835	1,367,700	3,801,840	22,921,593	46,116,154	1,976,852,922
2013-14	1,591,460,450	117,824,549	1,104,500	3,844,827	20,776,576	44,805,961	1,779,816,863
2014-15	1,605,038,450	118,207,845	1,142,200	4,144,481	24,428,195	48,828,075	1,801,789,246
2015-16	1,620,377,400	114,334,699	1,160,600	4,071,363	24,036,071	47,366,304	1,811,346,437

(1) 100% fair market value.
(2) FY 09 includes 2008 and 1st half of 2009 assessment. FY 09 was the first year the County collected Real Estate Taxes in semiannual installments.

COUNTY OF MADISON, VIRGINIA **Table 7**

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital (2)
2006-07	$ 0.59	$ 2.14	$ 0.59	$ 1.10	$ 0.86
2007-08	0.59	2.14	0.59	1.10	0.86
2008-09	0.44	2.14	0.44	1.47	0.86
2009-10	0.44	2.95/2.80	0.44	1.47	0.86
2010-11	0.44/0.50	2.95/2.80	0.44	1.47	0.86
2011-12	0.50/0.53	2.95/2.80	0.50	1.62	0.86
2012-13	0.53/0.67	3.45/2.80	0.53	1.67	0.86
2013-14	0.67/0.68	3.45	0.67	1.67	0.86
2014-15	0.68	3.45	0.68	1.67	0.86
2015-16	0.68	3.45	0.68	1.67	0.86

(1) Per $100 of assessed value.

(2) Levied at 20% of fair market value through FY 05 -- at 100% in FY 06.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	12,520	$ 1,492,384,056	$ 5,750,840	$ 5,750,840	0.0039	459
2007-08	12,520	1,519,485,509	5,174,039	5,174,039	0.0034	413
2008-09	12,520	3,150,559,445	7,599,998	7,599,998	0.0024	607
2009-10	12,520	2,159,308,052	7,743,068	7,743,068	0.0036	618
2010-11	13,308	2,157,129,026	6,428,248	6,428,248	0.0030	483
2011-12	13,308	2,171,462,056	4,810,000	4,810,000	0.0022	361
2012-13	13,308	1,976,852,922	13,242,500	13,242,500	0.0067	995
2013-14	13,200	1,779,816,863	12,881,500	12,881,500	0.0072	976
2014-15	13,200	1,801,789,246	12,939,000	12,939,000	0.0072	980
2015-16	13,200	1,811,346,437	12,483,000	12,483,000	0.0069	946

(1) Bureau of the Census.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.
Excludes compensated absences and landfill closure liability.

COUNTY OF MADISON, VIRGINIA **Table 9**

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2006-07	$ 570,017	$ 241,856	$ 811,873	$ 29,790,187	2.73%
2007-08	576,801	215,171	791,972	32,311,890	2.45%
2008-09	584,041	216,146	800,187	32,970,796	2.43%
2009-10	1,451,006	197,157	1,648,163	34,504,649	4.78%
2010-11	1,390,719	195,248	1,585,967	30,759,140	5.16%
2011-12	1,698,131	144,328	1,842,459	32,631,943	5.65%
2012-13	2,448,163	133,710	2,581,873	36,066,667	7.16%
2013-14	1,008,153	274,563	1,282,716	39,421,332	3.25%
2014-15	1,119,911	308,377	1,428,288	42,175,516	3.39%
2015-16	1,147,420	299,673	1,447,093	36,881,685	3.92%

(1) Includes primary government and discretely presented component unit.

- Compliance -

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Madison, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Madison, Virginia's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 21, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Madison, 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 Madison, Virginia's major federal programs for the year ended June 30, 2016. County of Madison, 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 Madison, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Madison, 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 Madison, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Madison, 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 Madison, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Madison, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 21, 2016

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Justice			
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	$ 1,492
Asset Forfeitures	16.000	N/A	3,996
Crime Victim Assistance	15.575	N/A	3,242
Total Department of Justice			$ 8,730
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC1454256	$ 6,587
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	$ 12,518
Temporary Assistance for Needy Families	93.558	0400109/0400110	105,477
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	132
Low-Income Home Energy Assistance	93.568	0600409/0600410	11,759
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	18,516
Chafee Education and Training Vouchers Program	93.599	9160110	3,866
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	584
Foster Care - Title IV-E	93.658	1100109/1100110	239,637
Adoption Assistance	93.659	1120109/1120110	61,782
Social Services Block Grant	93.667	1000109/1000110	149,641
Chafee Foster Care Independence Program	93.674	9150108/9150109/91501110	5,121
Children's Health Insurance Program	93.767	0540109/0540110	5,440
Medical Assistance Program	93.778	1200109/1200110	169,525
Total Department of Health and Human Services			$ 783,998
Department of Homeland Security:			
Pass Through Payments:			
Virginia Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	$ 2,448

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016 (continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued)			
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112/0040111/0040112	$ 135,954
Total Expenditures of Federal Awards-Primary Government			$ 937,717
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	$ 57,463
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	369,861
			427,324
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941/2014IN109941	75,208
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.559	2013IN109941/2014IN109941	419
Total Department of Agriculture/Child Nutrition Cluster			$ 502,951
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A120046/S010130046	$ 381,019
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A13044	86,809
English Language Acquisition State Grants	84.365	N/A	603
Special Education - Grants to States (Special Education Cluster)	84.027	H027A120107/H027A130107	388,104
Special Education - Preschool Grants (Special Education Cluster)	84.173	H173A120112/H173A130112	11,175
Special Education Cluster Total			399,279
Advanced Placement Program	84.330	S330B130008	492
Career and Technical Education -- Basic Grants to States	84.048	V048A120046/V048A130046	32,736
Total Department of Education			$ 900,938
Total Expenditures of Federal Awards-Component Unit School Board			$ 1,403,889
Total Expenditures of Federal Awards-Reporting Entity			$ 2,341,606

See accompanying notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Madison, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Madison, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Madison, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	$ 1,030,244
Total primary government	$ 1,030,244
Component Unit School Board:	
School Operating Fund	$ 900,938
School Cafeteria Fund	502,951
Total component unit school board	$ 1,403,889
Total federal expenditures per basic financial statements	$ 2,434,133
Payments in lieu of taxes	$ (92,527)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 2,341,606

COUNTY OF MADISON, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.