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COUNTY
OF
SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

COUNTY OF SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

Prepared by

Mandy R. Belyea, Finance Director

Shenandoah County, Virginia

**COUNTY OF SHENANDOAH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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INTRODUCTORY SECTION

County of Shenandoah

BOARD OF SUPERVISORS

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

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



Tel: 540.459.6165 Fax: 540.459.6168
www.shenandoahcountyva.us

OFFICE OF COUNTY ADMINISTRATION

MARY T. PRICE
COUNTY ADMINISTRATOR

EVAN L. VASS
ASSISTANT COUNTY ADMINISTRATOR

December 12, 2016

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the County of Shenandoah (County) for the fiscal year ended 2016. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

□ **The Reporting Entity and Economic Outlook** □

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

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

Although a rural county, the County's 2016 population was 42,228. Shenandoah County enjoys a diversified economy, with manufacturing accounting for approximately 24% of the jobs in the County and health care accounting for roughly 11%. Agriculture accounts for less than 1% of the employment in the County due to the fact that most farmers are self-employed and many have jobs off the farm to supplement their incomes. The County's unemployment is lower than the State average, and from June 2015 to June 2016, Shenandoah County saw its unemployment rates decrease from 4.7 percent to 4.3 percent.

The County is pleased to again report the continuation of two significant economic development projects during fiscal year 2016. During fiscal year 2015, Andros Foods North America (Andros), a subsidiary of France-based Andros Food Products, began its investment of \$73 million over three years to expand its operations in Shenandoah County; during fiscal year 2016, Andros added production and warehouse space and equipment to increase apple processing capacity for pouch products as well as process additional fruits. By the end of the three years, the project will create 160 new jobs within Shenandoah County. Additionally, during fiscal year 2015, Route 11 Potato Chips commenced its expansion of its existing potato chip production facility located within the County; during fiscal year 2016, it continued its investment of \$1.2 million, which includes the installation of a second production line in its current facility creating 13 new jobs.

□ **Major Initiatives and Goals** □

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

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

During fiscal year 2015, the County began the design and engineering of a new landfill cell at the County's landfill. The County's sanitary landfill is an 80-acre property that has been the sole repository of solid waste within Shenandoah County since the late 1970s. Construction of the nearly 5.5 acre landfill cell began in the late summer of 2015 and was substantially completed in August 2016; the new lined cell will begin receiving solid waste in the winter of 2016 as the current active cells are closed and decommissioned. This project has a final cost of approximately \$3.2 million.

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

During fiscal year 2016, the County made significant improvements to its Structure Fire Training Building; this building is used to support the County's annual Firefighter I and II Academy as well as training by individual fire departments throughout the County. The improvements to the building, including the replacement of thermal tiles and repairs of mortar joints, were necessary to continue operating the facility for structure fire simulation (i.e., conducting live burns). Conducting live fire simulations in a controlled environment with instructors is the best way to prepare firefighters for what they will experience on an incident when suppressing structure fires and guiding rescue operations. The project had a final cost of approximately \$132,000, and the County received \$79,150 in grant funding from the Virginia Department of Fire Programs for this project.

□ Financial Information □

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

Single Audit

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

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2016 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

Budgeting Controls

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

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

Relevant financial policies

The County of Shenandoah, Virginia has adopted a comprehensive set of financial policies. The County has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to appropriations and transfers to other funds). Anticipated fiscal year 2016 revenues were less

than appropriations and transfers to other funds by \$5,375,908 as a result of several large, one-time capital projects. In such cases, the policy allows for appropriation of fund balance to close the gap. However, because of continued measures taken during the year to control expenditures and an increase in certain revenue sources, the decrease in fund balance was only \$2,828,751 for the year, which was largely attributed to the aforementioned landfill cell development project that the County self-funded.

□ **Other Information** □

Independent Audit

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

Awards

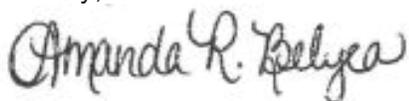
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Shenandoah, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

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

Sincerely,



Amanda R. Belyea, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

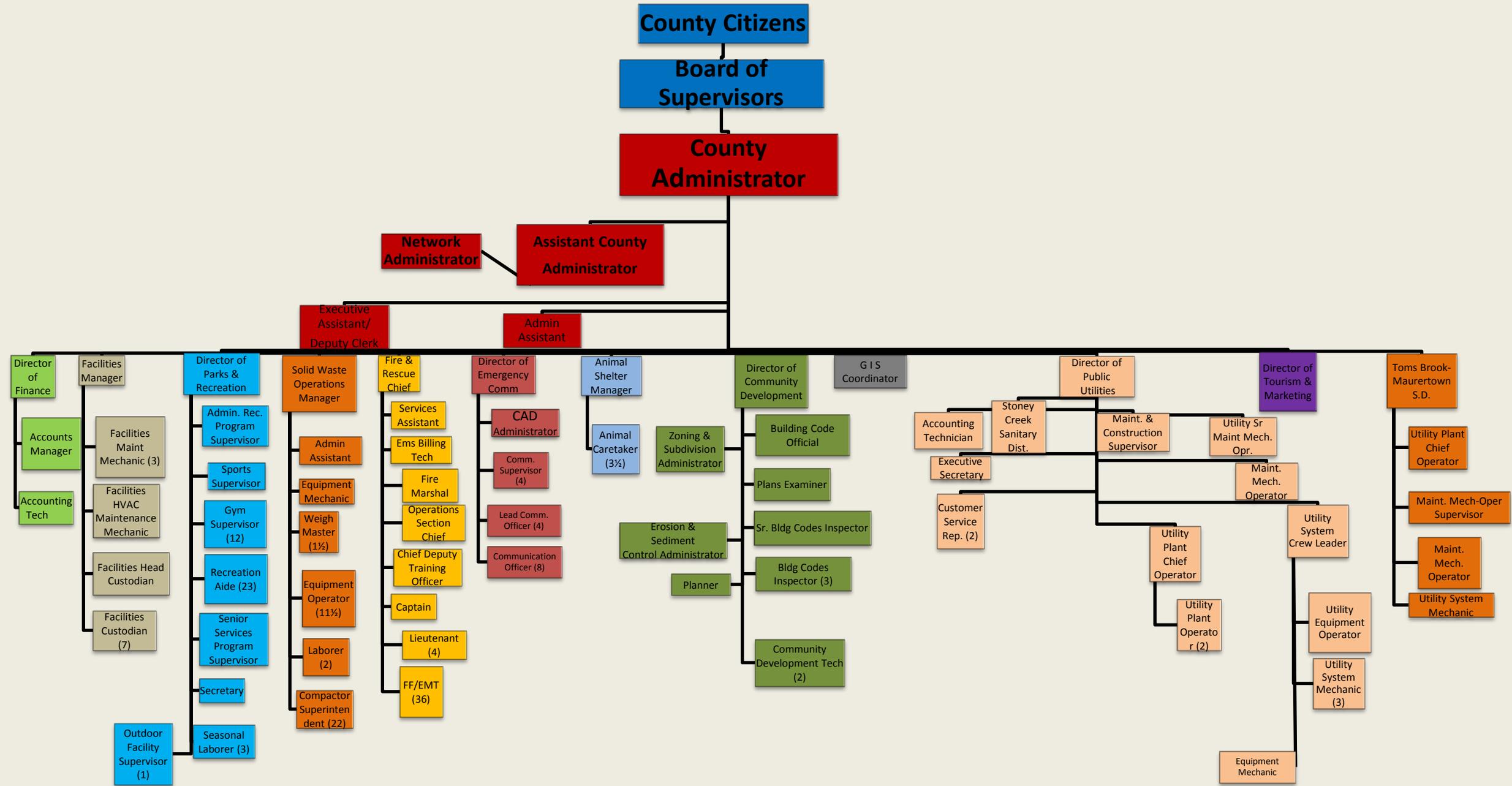
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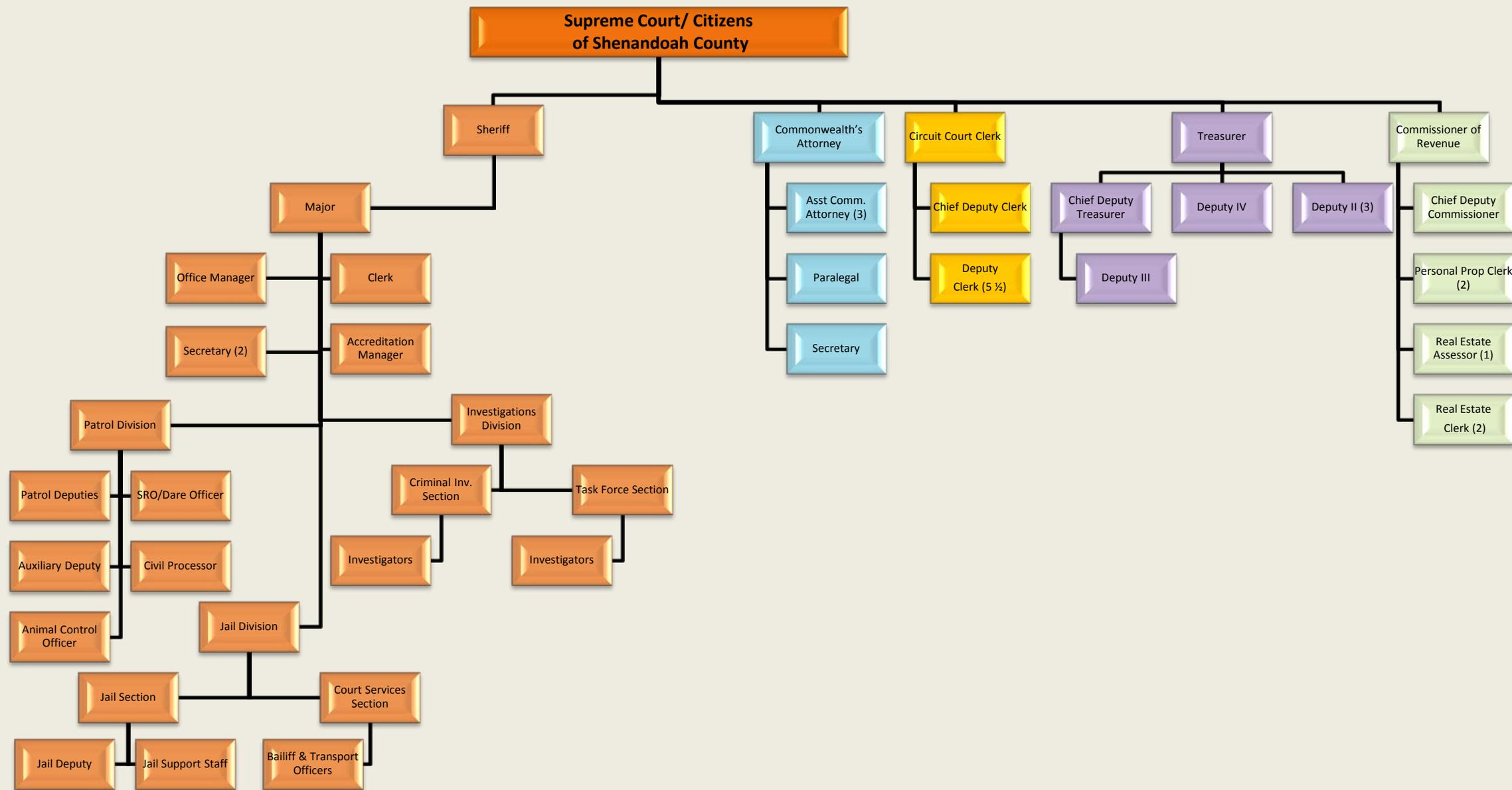
**County of Shenandoah
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO





COUNTY OF SHENANDOAH, VIRGINIA

BOARD OF SUPERVISORS

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

Dick Neese, District 1
Steven A. Baker, District 2

Cindy Bailey, District 4
Marsha Shruntz, District 5

COUNTY SCHOOL BOARD

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

Irving L. Getz, District 5
Katheryn A. Freakley, District 4

Kathryn G. Holsinger, District 3
Sonya Williams-Giersch, District 6

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of and for the year ended June 30, 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 business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73, and 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 12-19, 101, and 102-107, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the County of Shenandoah, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Shenandoah, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Shenandoah, Virginia (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. The MD&A also includes a comparative analysis for the fiscal year ended June 30, 2015.

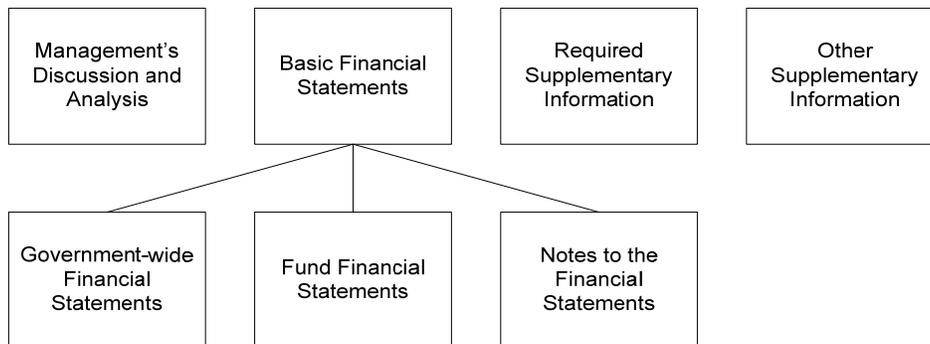
Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$22,414,529 (net position). Of this amount, \$3,110,538 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$23,875,918, a decrease of \$3,153,962 in comparison with the prior year. Approximately \$10,656,213 or 45 percent of the total fund balance is unassigned and available for spending at the County's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund of \$10,656,213 represents 18 percent of total general fund expenditures.
- The County's total long-term obligations decreased by \$1,749,034 during the current fiscal year, primarily due to the payment of principal on its indebtedness.

Overview of the Financial Statements

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

Components of the Financial Report



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

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors also need to be considered to determine the overall financial position of the County.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, judicial administration, public safety, public works, health and welfare, parks and recreation and cultural, and community development. Business-type activities of the County include the Toms Brook-Maurertown Sanitary District, the Stoney Creek Sanitary District, North Fork Wastewater Treatment Plant fund, and the Landfill fund.

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

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

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

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

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,414,529 at the close of the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Shenandoah County's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents 70 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position

County of Shenandoah, Virginia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 49,136,488	\$ 50,894,976	\$ 1,674,461	\$ 2,120,278	\$ 50,810,949	\$ 53,015,254
Capital assets	47,117,234	50,096,535	12,956,641	9,766,677	60,073,875	59,863,212
Total assets	<u>\$ 96,253,722</u>	<u>\$ 100,991,511</u>	<u>\$ 14,631,102</u>	<u>\$ 11,886,955</u>	<u>\$ 110,884,824</u>	<u>\$ 112,878,466</u>
Total deferred outflows of resources	<u>\$ 1,257,470</u>	<u>\$ 1,169,479</u>	<u>\$ 175,544</u>	<u>\$ 167,752</u>	<u>\$ 1,433,014</u>	<u>\$ 1,337,231</u>
Current liabilities	\$ 1,814,015	\$ 1,918,223	\$ 370,916	\$ 240,171	\$ 2,184,931	\$ 2,158,394
Long-term liabilities	51,021,622	54,054,094	13,957,329	12,673,890	64,978,951	66,727,984
Total liabilities	<u>\$ 52,835,637</u>	<u>\$ 55,972,317</u>	<u>\$ 14,328,245</u>	<u>\$ 12,914,061</u>	<u>\$ 67,163,882</u>	<u>\$ 68,886,378</u>
Total deferred inflows of resources	<u>\$ 22,265,217</u>	<u>\$ 21,757,294</u>	<u>\$ 474,210</u>	<u>\$ 566,164</u>	<u>\$ 22,739,427</u>	<u>\$ 22,323,458</u>
Net position:						
Net investment in capital assets	\$ 4,480,259	\$ 3,945,296	\$ 11,198,699	\$ 7,613,307	\$ 15,678,958	\$ 11,558,603
Restricted:						
Capital projects	410,500	68,610	-	-	410,500	68,610
Asset forfeiture	3,214,533	3,509,063	-	-	3,214,533	3,509,063
Unrestricted	14,305,046	16,908,410	(11,194,508)	(9,038,825)	3,110,538	7,869,585
Total net position	<u>\$ 22,410,338</u>	<u>\$ 24,431,379</u>	<u>\$ 4,191</u>	<u>\$ (1,425,518)</u>	<u>\$ 22,414,529</u>	<u>\$ 23,005,861</u>

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

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Summary of Changes in Net Position

County of Shenandoah, Virginia's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,299,367	\$ 2,039,879	\$ 3,129,676	\$ 2,936,436	\$ 5,429,043	\$ 4,976,315
Operating grants and contributions	8,263,660	7,492,689	-	-	8,263,660	7,492,689
Capital grants and contributions	311,238	492,667	36,168	104,333	347,406	597,000
General revenues:						
Property taxes	41,148,042	39,124,452	580,181	569,402	41,728,223	39,693,854
Other local taxes	6,524,188	6,540,794	-	-	6,524,188	6,540,794
Other	5,375,955	5,260,408	16,917	61,824	5,392,872	5,322,232
Total revenues	<u>\$ 63,922,450</u>	<u>\$ 60,950,889</u>	<u>\$ 3,762,942</u>	<u>\$ 3,671,995</u>	<u>\$ 67,685,392</u>	<u>\$ 64,622,884</u>
Expenses:						
General						
government administration	\$ 2,897,841	\$ 2,668,706	\$ -	\$ -	\$ 2,897,841	\$ 2,668,706
Judicial						
administration	2,042,118	2,083,473	-	-	2,042,118	2,083,473
Public safety	14,947,334	12,701,606	-	-	14,947,334	12,701,606
Public works	1,147,692	1,677,832	-	-	1,147,692	1,677,832
Health and welfare	7,143,608	6,513,167	-	-	7,143,608	6,513,167
Education	28,333,067	27,252,564	-	-	28,333,067	27,252,564
Parks, recreation and culture	1,666,378	1,589,374	-	-	1,666,378	1,589,374
Community development	1,491,749	732,115	-	-	1,491,749	732,115
Interest	2,037,564	2,187,944	-	-	2,037,564	2,187,944
Business-type activities	-	-	6,569,373	5,183,076	6,569,373	5,183,076
Total expenses	<u>\$ 61,707,351</u>	<u>\$ 57,406,781</u>	<u>\$ 6,569,373</u>	<u>\$ 5,183,076</u>	<u>\$ 68,276,724</u>	<u>\$ 62,589,857</u>
Increase (decrease) in net position before transfers	\$ 2,215,099	\$ 3,544,108	\$ (2,806,431)	\$ (1,511,081)	\$ (591,332)	\$ 2,033,027
Transfers	<u>(4,236,140)</u>	<u>(1,363,318)</u>	<u>4,236,140</u>	<u>1,363,318</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ (2,021,041)	\$ 2,180,790	\$ 1,429,709	\$ (147,763)	\$ (591,332)	\$ 2,033,027
Net position beginning	<u>24,431,379</u>	<u>22,250,589</u>	<u>(1,425,518)</u>	<u>(1,277,755)</u>	<u>23,005,861</u>	<u>20,972,834</u>
Net position ending	<u>\$ 22,410,338</u>	<u>\$ 24,431,379</u>	<u>\$ 4,191</u>	<u>\$ (1,425,518)</u>	<u>\$ 22,414,529</u>	<u>\$ 23,005,861</u>

Governmental activities – Governmental activities decreased the County's net position by \$2,021,041.

Key elements of this decrease are as follows:

- Property taxes increased \$2,023,590 in fiscal year 2016 compared to fiscal year 2015. This is partly due to the rise in personal property taxes from an increase in the tax rate of \$0.10 as well as higher personal property assessments. The increase is also attributed to higher collections on prior years'

real property and personal property accounts as a result of more aggressive collection efforts on delinquent tax accounts.

- Public safety expenses increased by \$2,245,728 partly due to an increase in the cost of operating the regional jail and partly due to an in spending of federal asset sharing funds.
- Education expenses increased by \$1,080,503, which is partially due to the County's increased local contribution to the operations of the Shenandoah County Public Schools; this increase can also be attributed to increased contributions from the Federal and State government.
- Community development expenses increased by \$759,634 largely as a result of pass-through grant funding from the Commonwealth of Virginia related to two economic development projects that occurred during fiscal year 2016.
- Transfers increased by \$2,872,822 as a result of the landfill cell development project within the business-type activities and the resultant transfers from governmental activities.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities – Business-type activities of the two Sanitary Districts increased the Shenandoah County Government's net position by \$223,862. This was an increase of \$25,367 from the previous fiscal year. This increase is primarily the result of larger water and sewer sales for the Stoney Creek Sanitary District as compared to the prior fiscal year.

Two other enterprise funds are included in the business-type activities. First is the North Fork Wastewater Treatment Plant and the second is the Landfill Enterprise Fund. In fiscal year 2011, the North Fork Wastewater Treatment Plant fund was created and the shift generated an increase in assets. In fiscal year 2016, this fund experienced an increase in assets of \$28,540. The Landfill Enterprise Fund was created in fiscal year 2012 in response to the leachate line project. The creation of this fund required significant changes to the financial statements as assets moved from the General Fund to the Landfill Fund. The landfill had a negative impact on the business-type activities of \$6,120,240 for fiscal year 2016; however, the General Fund assets benefit from this transfer.

Financial Analysis of the County's Funds

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

Governmental funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,875,918 a decrease of \$3,153,962 in comparison with the prior year. Approximately 45% of the total fund balance or \$10,656,213 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is assigned to indicate that is not available to finance operations as it has been designated by the Board of Supervisors for future capital projects.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,656,213, while the total fund balance was \$15,823,751. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.4 percent of total general fund expenditures, while total fund balance represents 27.3 percent of that same amount.

The General Fund's fund balance decreased \$2,828,751 during the current fiscal year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a \$926,975 increase in appropriations and can be briefly summarized as follows:

- \$381,440 increase in public safety expenditures due in part to the receipt and expenditures associated with various grant and other law enforcement programs including the State and Community Highway Safety, U.S. Forest Service Patrol, Federal Equitable Asset Sharing, Project Lifesaver, Project Backpack, and Triad programs.
- \$561,139 increase in community development expenditures primarily due to the receipt of pass-through grant funding from the Commonwealth of Virginia to support two economic development projects.

Fiscal year 2016 actual revenues were approximately \$1,509,736 more than the fiscal year 2016 final budgeted revenues. Fiscal year 2016 actual expenditures were approximately \$1,834,943 less than the fiscal year 2016 final budgeted expenditures. Reasons for these variances are briefly summarized as follows:

- General property taxes were \$1,509,736 more than the final budgeted revenues primarily due to increased personal property tax collections that were higher than anticipated; this was a result of both an \$0.10 increase in the personal property tax rate as well as higher personal property assessments.
- Intergovernmental revenues from the Federal government were \$623,268 less than the budgeted revenues due to less receipts than anticipated within the Federal Asset Sharing program.
- Education expenditures were \$722,561 less than the budgeted expenditures as a result of less transfers to the County School Board throughout the fiscal year.
- Capital project expenditures were \$987,064 less than the final budgeted expenditures due to the delay in completion of several capital projects that carried over into the subsequent fiscal year.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$47,117,234 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total of the County's investment in capital assets for the current fiscal year did not significantly change from the prior fiscal year.

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County of Shenandoah, Virginia's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,592,816	\$ 4,592,816	\$ 503,500	\$ 503,500	\$ 5,096,316	\$ 5,096,316
Building and improvements	49,897,072	52,170,422	-	-	49,897,072	52,170,422
Utility plant in service	-	-	28,709,118	27,783,841	28,709,118	27,783,841
Equipment	8,681,364	8,466,011	-	-	8,681,364	8,466,011
Construction in progress	<u>757,789</u>	<u>647,581</u>	<u>3,498,150</u>	<u>576,250</u>	<u>4,255,939</u>	<u>1,223,831</u>
Subtotal	\$ 63,929,041	\$ 65,876,830	\$ 32,710,768	\$ 28,863,591	\$ 96,639,809	\$ 94,740,421
Accumulated depreciation	<u>(16,811,807)</u>	<u>(15,780,295)</u>	<u>(19,754,127)</u>	<u>(19,096,914)</u>	<u>(36,565,934)</u>	<u>(34,877,209)</u>
Net capital assets	<u>\$ 47,117,234</u>	<u>\$ 50,096,535</u>	<u>\$ 12,956,641</u>	<u>\$ 9,766,677</u>	<u>\$ 60,073,875</u>	<u>\$ 59,863,212</u>

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$46,093,224. The bonded debt outstanding comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's long-term debt decreased by \$4,175,324.

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

Economic Factors and Next Year's Budgets and Rates

- The June 2016 unemployment rate for the County was 4.7 percent, which is a decrease from a rate of 4.3 percent in June 2015. The County's rate is slightly lower than the state average of 4.4 percent and the national average rate of 5.3 percent.
- Growth in the County is expected to continue to remain slow, which will continue to cause general property and other local tax revenues to experience minimal growth.
- Earnings on idle cash continue to remain at low levels.
- It is expected that the Commonwealth of Virginia may continue to decrease its funding to localities, particularly given the impact of federal government budgetary cuts to the Commonwealth.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Net Position
June 30, 2016

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	Library
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 21,187,514	\$ 976,312	\$ 22,163,826	\$ 5,890,740	\$ 215,065
Cash in custody of others	8,645	-	8,645	-	-
Restricted cash - customer deposits	-	25,700	25,700	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	22,374,230	313,353	22,687,583	-	-
Accounts receivable	1,290,249	419,619	1,709,868	252,486	-
Internal balances	66,806	(66,806)	-	-	-
Due from component unit	1,849,163	-	1,849,163	-	-
Due from other governmental units	1,903,616	-	1,903,616	1,896,182	5,181
Inventories	-	-	-	77,416	-
Prepaid items	45,765	6,283	52,048	9,620	28,187
Deposits	-	-	-	5,000	-
Restricted assets:					
Cash and cash equivalents	410,500	-	410,500	-	-
Capital assets (net of accumulated depreciation):					
Land	4,592,816	503,500	5,096,316	5,725,275	-
Buildings and improvements	39,678,485	1,442,822	41,121,307	38,736,151	187,150
Wells, lines, reservoirs	-	4,647,844	4,647,844	-	-
Machinery and equipment	2,088,144	2,864,325	4,952,469	1,579,930	12,480
Construction in progress	757,789	3,498,150	4,255,939	-	-
Total assets	\$ 96,253,722	\$ 14,631,102	\$ 110,884,824	\$ 54,172,800	\$ 448,063
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 1,257,470	\$ 175,544	\$ 1,433,014	\$ 5,045,324	\$ -
Items related to measurement of net pension liability	-	-	-	969,000	-
Total deferred outflows of resources	\$ 1,257,470	\$ 175,544	\$ 1,433,014	\$ 6,014,324	\$ -
LIABILITIES					
Accounts payable	\$ 868,897	\$ 325,350	\$ 1,194,247	\$ 5,375,014	\$ 272
Retainage payable	-	13,429	13,429	-	-
Accrued interest payable	597,876	6,438	604,314	-	-
Due to primary government	-	-	-	1,849,163	-
Unearned revenue	347,242	-	347,242	-	-
Deposits payable-restricted assets	-	25,700	25,700	-	-
Long-term liabilities:					
Due within one year	4,541,109	319,377	4,860,486	217,185	-
Due in more than one year	46,480,513	13,637,952	60,118,465	59,633,471	-
Total liabilities	\$ 52,835,637	\$ 14,328,245	\$ 67,163,882	\$ 67,074,833	\$ 272
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 20,661,209	\$ 274,385	\$ 20,935,594	\$ -	\$ -
Deferred charge refunding	286,886	-	286,886	-	-
Items related to measurement of net pension liability	1,317,122	199,825	1,516,947	5,124,456	-
Total deferred inflows of resources	\$ 22,265,217	\$ 474,210	\$ 22,739,427	\$ 5,124,456	\$ -
NET POSITION					
Net investment in capital assets	\$ 4,480,259	\$ 11,198,699	\$ 15,678,958	\$ 46,041,356	\$ 199,630
Restricted:					
Capital projects	410,500	-	410,500	-	-
Asset forfeiture	3,214,533	-	3,214,533	-	-
Unrestricted (deficit)	14,305,046	(11,194,508)	3,110,538	(58,053,521)	248,161
Total net position	\$ 22,410,338	\$ 4,191	\$ 22,414,529	\$ (12,012,165)	\$ 447,791

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,897,841	\$ -	\$ 317,953	\$ -
Judicial administration	2,042,118	206,785	736,058	-
Public safety	14,947,334	861,624	2,287,782	79,150
Public works	1,147,692	473	18,880	311,238
Health and welfare	7,143,608	-	4,346,316	-
Education	28,333,067	390,566	-	-
Parks, recreation, and cultural	1,666,378	427,623	5,000	-
Community development	1,491,749	412,296	551,671	-
Interest on long-term debt	2,037,564	-	-	-
Total governmental activities	<u>\$ 61,707,351</u>	<u>\$ 2,299,367</u>	<u>\$ 8,263,660</u>	<u>\$ 390,388</u>
Business-type activities:				
Stoney Creek Sanitary District	\$ 1,496,335	\$ 1,171,310	\$ -	\$ -
Toms Brook Maurertown Sanitary District	736,982	652,603	-	36,168
North Fork Wastewater	272,530	65,473	-	-
Landfill	4,063,526	1,240,290	-	-
Total business-type activities	<u>6,569,373</u>	<u>3,129,676</u>	<u>-</u>	<u>36,168</u>
Total primary government	<u>\$ 68,276,724</u>	<u>\$ 5,429,043</u>	<u>\$ 8,263,660</u>	<u>\$ 426,556</u>
COMPONENT UNITS:				
School Board	\$ 65,564,882	\$ 3,633,559	\$ 36,774,456	\$ 11,637
Library	950,742	26,644	929,611	-
Total component units	<u>\$ 66,515,624</u>	<u>\$ 3,660,203</u>	<u>\$ 37,704,067</u>	<u>\$ 11,637</u>

General revenues:
 General property taxes
 Local sales tax
 Consumer utility taxes
 Motor vehicle licenses
 Tax on recordation and wills
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	Library	
\$ (2,579,888)	\$ -	\$ (2,579,888)	\$ -	\$ -	
(1,099,275)	-	(1,099,275)	-	-	
(11,718,778)	-	(11,718,778)	-	-	
(817,101)	-	(817,101)	-	-	
(2,797,292)	-	(2,797,292)	-	-	
(27,942,501)	-	(27,942,501)	-	-	
(1,233,755)	-	(1,233,755)	-	-	
(527,782)	-	(527,782)	-	-	
(2,037,564)	-	(2,037,564)	-	-	
<u>\$ (50,753,936)</u>	<u>\$ -</u>	<u>\$ (50,753,936)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (325,025)	\$ (325,025)	\$ -	\$ -	
-	(48,211)	(48,211)	-	-	
-	(207,057)	(207,057)	-	-	
-	(2,823,236)	(2,823,236)	-	-	
-	(3,403,529)	(3,403,529)	-	-	
<u>\$ (50,753,936)</u>	<u>\$ (3,403,529)</u>	<u>\$ (54,157,465)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (25,145,230)	\$ -	
-	-	-	-	5,513	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,145,230)</u>	<u>\$ 5,513</u>	
\$ 41,148,042	\$ 580,181	\$ 41,728,223	\$ -	\$ -	
3,246,390	-	3,246,390	-	-	
1,881,288	-	1,881,288	-	-	
871,892	-	871,892	-	-	
347,726	-	347,726	-	-	
176,892	-	176,892	-	-	
422,388	5,783	428,171	19,232	-	
782,381	11,134	793,515	164,172	2,979	
4,092,036	-	4,092,036	27,893,327	10,307	
(4,236,140)	4,236,140	-	-	-	
<u>\$ 48,732,895</u>	<u>\$ 4,833,238</u>	<u>\$ 53,566,133</u>	<u>\$ 28,076,731</u>	<u>\$ 13,286</u>	
\$ (2,021,041)	\$ 1,429,709	\$ (591,332)	\$ 2,931,501	\$ 18,799	
24,431,379	(1,425,518)	23,005,861	(14,943,666)	428,992	
<u>\$ 22,410,338</u>	<u>\$ 4,191</u>	<u>\$ 22,414,529</u>	<u>\$ (12,012,165)</u>	<u>\$ 447,791</u>	

FUND FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
 Balance Sheet
 Governmental Funds
 June 30, 2016

Exhibit 3

	Primary Government			
	General	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,135,347	\$ 7,863,564	\$ 188,603	\$ 21,187,514
Cash in custody of others	8,645	-	-	8,645
Receivables (net of allowance for uncollectibles):				
Taxes receivable	22,374,230	-	-	22,374,230
Accounts receivable	1,290,249	-	-	1,290,249
Due from other funds	66,806	-	-	66,806
Due from component unit	1,849,163	-	-	1,849,163
Due from other governmental units	1,903,616	-	-	1,903,616
Prepaid items	45,765	-	-	45,765
Restricted assets:				
Cash and cash equivalents	410,500	-	-	410,500
Total assets	<u>\$ 41,084,321</u>	<u>\$ 7,863,564</u>	<u>\$ 188,603</u>	<u>\$ 49,136,488</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 868,897	\$ -	\$ -	\$ 868,897
Unearned revenue	347,242	-	-	347,242
Total liabilities	<u>\$ 1,216,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,139</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 24,044,431	\$ -	\$ -	\$ 24,044,431
FUND BALANCES				
Nonspendable	\$ 45,765	\$ -	\$ -	\$ 45,765
Restricted	3,625,033	-	-	3,625,033
Assigned	1,496,740	7,863,564	188,603	9,548,907
Unassigned	10,656,213	-	-	10,656,213
Total fund balances	<u>\$ 15,823,751</u>	<u>\$ 7,863,564</u>	<u>\$ 188,603</u>	<u>\$ 23,875,918</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,084,321</u>	<u>\$ 7,863,564</u>	<u>\$ 188,603</u>	<u>\$ 49,136,488</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2016

Exhibit 4

	<u>Primary Government</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 23,875,918
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,117,234
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,779,214
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,257,470
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(51,619,498)</u>
Net position of governmental activities	<u>\$ 22,410,338</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 5

	Primary Government				Total Governmental Funds
	General	Debt Service	County Capital Projects	Total Nonmajor Funds	
REVENUES					
General property taxes	\$ 40,894,148	\$ -	\$ -	\$ -	40,894,148
Other local taxes	6,524,188	-	-	-	6,524,188
Permits, privilege fees, and regulatory licenses	432,609	-	-	-	432,609
Fines and forfeitures	66,671	-	-	-	66,671
Revenue from the use of money and property	422,334	-	54	-	422,388
Charges for services	1,800,087	-	-	-	1,800,087
Miscellaneous	752,481	514,696	7,858	-	1,275,035
Recovered costs	492,482	-	-	-	492,482
Intergovernmental:					
Commonwealth	10,334,634	-	79,150	-	10,413,784
Federal	2,332,300	-	-	-	2,332,300
Total revenues	\$ 64,051,934	\$ 514,696	\$ 87,062	\$ -	\$ 64,653,692
EXPENDITURES					
Current:					
General government administration	\$ 2,861,575	\$ -	\$ -	\$ -	2,861,575
Judicial administration	1,949,965	-	-	-	1,949,965
Public safety	14,736,082	-	-	-	14,736,082
Public works	1,149,372	-	-	-	1,149,372
Health and welfare	7,474,288	-	-	-	7,474,288
Education	25,685,320	-	-	-	25,685,320
Parks, recreation, and cultural	1,522,188	-	-	-	1,522,188
Community development	1,629,086	-	-	-	1,629,086
Nondepartmental	13,533	-	-	-	13,533
Capital projects	519,620	-	156,868	-	676,488
Debt service:					
Principal retirement	336,816	3,700,750	-	-	4,037,566
Interest and other fiscal charges	14,018	2,232,533	-	-	2,246,551
Total expenditures	\$ 57,891,863	\$ 5,933,283	\$ 156,868	\$ -	\$ 63,982,014
Excess (deficiency) of revenues over (under) expenditures	\$ 6,160,071	\$ (5,418,587)	\$ (69,806)	\$ -	\$ 671,678
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 5,235,600	\$ -	\$ -	5,235,600
Transfers out	(9,399,322)	-	(72,418)	-	(9,471,740)
Issuance of Capital leases	410,500	-	-	-	410,500
Total other financing sources (uses)	\$ (8,988,822)	\$ 5,235,600	\$ (72,418)	\$ -	\$ (3,825,640)
Net change in fund balances	\$ (2,828,751)	\$ (182,987)	\$ (142,224)	\$ -	\$ (3,153,962)
Fund balances - beginning	18,652,502	182,987	8,005,788	188,603	27,029,880
Fund balances - ending	\$ 15,823,751	\$ -	\$ 7,863,564	\$ 188,603	\$ 23,875,918

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

COUNTY OF SHENANDOAH, VIRGINIA
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

Exhibit 6

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (3,153,962)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(2,979,301)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	913,314
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,785,406
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.	<u>(586,498)</u>
Change in net position of governmental activities	\$ <u><u>(2,021,041)</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit 7

	Enterprise Funds				Total
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 435,140	\$ 571,172	\$ -	\$ -	\$ 1,006,312
Restricted cash-customer deposits	9,300	16,400	-	-	25,700
Taxes receivable, net of allowances for uncollectibles	283,665	29,688	-	-	313,353
Accounts receivable, net of allowances for uncollectibles	215,967	75,528	7,449	120,675	419,619
Due from other funds	4,723	-	-	-	4,723
Prepaid items	3,260	3,023	-	-	6,283
Total current assets	\$ 952,055	\$ 695,811	\$ 7,449	\$ 120,675	\$ 1,775,990
Noncurrent assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 37,251	\$ 84,047	\$ 4,950	\$ 377,252	\$ 503,500
Building and improvements	-	-	32,356	1,410,466	1,442,822
Wells, lines, reservoirs	2,558,897	2,088,947	-	-	4,647,844
Machinery and equipment	680,992	42,987	1,286,826	853,520	2,864,325
Construction in progress	184,035	2,936	-	3,311,179	3,498,150
Total noncurrent assets	\$ 3,461,175	\$ 2,218,917	\$ 1,324,132	\$ 5,952,417	\$ 12,956,641
Total assets	\$ 4,413,230	\$ 2,914,728	\$ 1,331,581	\$ 6,073,092	\$ 14,732,631
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 74,660	\$ 26,081	\$ -	\$ 74,803	\$ 175,544
LIABILITIES					
Current liabilities:					
Reconciled overdraft	\$ -	\$ -	\$ 30,000	\$ -	\$ 30,000
Accounts payable	52,328	19,764	9,829	243,429	325,350
Deposits payable-restricted assets	9,300	16,400	-	-	25,700
Accrued interest payable	1,500	621	2,746	1,571	6,438
Due to other funds	-	66,806	4,723	-	71,529
Retainage payable	-	13,429	-	-	13,429
Compensated absences	14,464	4,074	-	11,836	30,374
Bonds payable	150,000	21,691	56,012	-	227,703
Capital leases	-	-	-	61,300	61,300
Total current liabilities	\$ 227,592	\$ 142,785	\$ 103,310	\$ 318,136	\$ 791,823
Noncurrent liabilities:					
Compensated absences	\$ 43,390	\$ 12,222	\$ -	\$ 35,507	\$ 91,119
Bonds payable	-	338,173	1,005,058	-	1,343,231
Capital leases	-	-	-	125,707	125,707
Landfill closure and post-closure care	-	-	-	11,431,086	11,431,086
Net pension liability	239,705	83,735	-	240,165	563,605
Net OPEB Obligations	36,964	6,956	-	39,284	83,204
Total noncurrent liabilities	\$ 320,059	\$ 441,086	\$ 1,005,058	\$ 11,871,749	\$ 13,637,952
Total liabilities	\$ 547,651	\$ 583,871	\$ 1,108,368	\$ 12,189,884	\$ 14,429,774
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 247,033	\$ 27,352	\$ -	\$ -	\$ 274,385
Items related to measurement of net pension liability	89,299	32,275	-	78,251	199,825
Total deferred inflows of resources	\$ 336,332	\$ 59,627	\$ -	\$ 78,251	\$ 474,210
NET POSITION					
Net investment in capital assets	\$ 3,311,174	\$ 1,859,053	\$ 263,062	\$ 5,765,410	\$ 11,198,699
Unrestricted	292,733	438,258	(39,849)	(11,885,650)	(11,194,508)
Total net position	\$ 3,603,907	\$ 2,297,311	\$ 223,213	\$ (6,120,240)	\$ 4,191

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 8

	Enterprise Funds				
	Stoney Creek	Toms Brook	North Fork	Landfill	Total
	Sanitary District	Mauretown Sanitary District	Wastewater		
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 467,099	\$ 238,173	\$ -	\$ -	\$ 705,272
Sewer sales	704,211	396,655	-	-	1,100,866
Septage income	-	17,775	65,473	-	83,248
Waste collection charges	-	-	-	1,240,290	1,240,290
Total operating revenues	\$ 1,171,310	\$ 652,603	\$ 65,473	\$ 1,240,290	\$ 3,129,676
OPERATING EXPENSES					
Treatment and purification	\$ 558,752	\$ 289,345	\$ -	\$ -	\$ 848,097
Maintenance	251,115	94,399	184,942	-	530,456
Administration	208,481	62,284	-	-	270,765
Other	298,326	88,804	14,260	-	401,390
Refuse collection	-	-	-	724,580	724,580
Refuse disposal	-	-	-	1,383,405	1,383,405
Landfill closure and post-closure costs	-	-	-	1,596,277	1,596,277
Depreciation and amortization	170,061	185,348	39,308	355,680	750,397
Total operating expenses	\$ 1,486,735	\$ 720,180	\$ 238,510	\$ 4,059,942	\$ 6,505,367
Operating income (loss)	\$ (315,425)	\$ (67,577)	\$ (173,037)	\$ (2,819,652)	\$ (3,375,691)
NONOPERATING REVENUES (EXPENSES)					
General property taxes	\$ 525,615	\$ 54,566	\$ -	\$ -	\$ 580,181
Investment earnings	2,461	3,322	-	-	5,783
Other	8,065	3,069	-	-	11,134
Interest expense	(9,600)	(16,802)	(34,020)	(3,584)	(64,006)
Total nonoperating revenues (expenses)	\$ 526,541	\$ 44,155	\$ (34,020)	\$ (3,584)	\$ 533,092
Income before contributions and transfers	\$ 211,116	\$ (23,422)	\$ (207,057)	\$ (2,823,236)	\$ (2,842,599)
Capital contributions	\$ -	\$ 36,168	\$ -	\$ -	\$ 36,168
Transfers in	7,537	-	235,597	4,000,543	4,243,677
Transfers out	-	(7,537)	-	-	(7,537)
Change in net position	\$ 218,653	\$ 5,209	\$ 28,540	\$ 1,177,307	\$ 1,429,709
Total net position - beginning	\$ 3,385,254	\$ 2,292,102	\$ 194,673	\$ (7,297,547)	\$ (1,425,518)
Total net position - ending	\$ 3,603,907	\$ 2,297,311	\$ 223,213	\$ (6,120,240)	\$ 4,191

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 9

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,162,460	\$ 663,295	\$ 63,854	\$ 1,243,049	\$ 3,132,658
Payments to suppliers	(469,063)	(318,508)	(209,697)	(438,092)	(1,435,360)
Payments to employees	(850,863)	(229,726)	-	(1,556,093)	(2,636,682)
Net cash provided (used for) operating activities	\$ (157,466)	\$ 115,061	\$ (145,843)	\$ (751,136)	\$ (939,384)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	\$ 7,537	\$ -	\$ 235,597	\$ 4,000,543	\$ 4,243,677
General property taxes	576,166	54,196	-	-	630,362
Transfers to other funds	-	(7,537)	-	-	(7,537)
Net cash provided (used for) noncapital financing activities	\$ 583,703	\$ 46,659	\$ 235,597	\$ 4,000,543	\$ 4,866,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase and construction of capital assets	\$ (178,989)	\$ (510,982)	\$ (51,930)	\$ (3,185,032)	\$ (3,926,933)
Principal paid on capital debt	(260,000)	(20,736)	(54,406)	(60,287)	(395,429)
Interest paid on capital debt	(12,850)	(16,838)	(34,152)	(4,088)	(67,928)
Capital contributions	-	36,168	-	-	36,168
Net cash provided (used for) capital and related financing activities	\$ (451,839)	\$ (512,388)	\$ (140,488)	\$ (3,249,407)	\$ (4,354,122)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	\$ 2,461	\$ 3,322	\$ -	\$ -	\$ 5,783
Net cash provided (used for) investing activities	\$ 2,461	\$ 3,322	\$ -	\$ -	\$ 5,783
Net increase (decrease) in cash and cash equivalents	\$ (23,141)	\$ (347,346)	\$ (50,734)	\$ -	\$ (421,221)
Cash and cash equivalents (including restricted cash)- beginning	467,581	934,918	20,734	-	1,423,233
Cash and cash equivalents (including restricted cash)- ending	\$ 444,440	\$ 587,572	\$ (30,000)	\$ -	\$ 1,002,012
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	\$ (315,425)	\$ (67,577)	\$ (173,037)	\$ (2,819,652)	\$ (3,375,691)
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:					
Depreciation and amortization expense	\$ 170,061	\$ 185,348	\$ 39,308	\$ 355,680	\$ 750,397
Other non-operating income	8,065	3,069	-	-	11,134
Non-cash closure and post closure costs (recovery)	-	-	-	1,596,277	1,596,277
(Increase) decrease in accounts receivable	(15,342)	872	(1,619)	2,759	(13,330)
(Increase) decrease in prepaid items	(673)	(655)	-	-	(1,328)
(Increase) decrease in due from other funds	(4,723)	7,006	-	-	2,283
(Increase) decrease in deferred outflows of resources	(2,065)	(398)	-	(5,329)	(7,792)
Increase (decrease) in accounts payable and accrued liabilities	14,885	2,993	(15,217)	119,080	121,741
Increase (decrease) in due to other funds	(7,006)	(17,775)	4,722	-	(20,059)
Increase (decrease) in compensated absences	630	4,496	-	1,058	6,184
Increase (decrease) in deposits payable	(900)	400	-	-	(500)
Increase (decrease) in net pension liability	25,161	7,874	-	34,709	67,744
Increase (decrease) in deferred inflows of resources	(33,982)	(11,316)	-	(39,808)	(85,106)
Increase (decrease) in net OPEB obligation	3,848	724	-	4,090	8,662
Total adjustments	\$ 157,959	\$ 182,638	\$ 27,194	\$ 2,068,516	\$ 2,436,307
Net cash provided (used for) operating activities	\$ (157,466)	\$ 115,061	\$ (145,843)	\$ (751,136)	\$ (939,384)
Schedule of non-cash capital and related financing activities:					
Landfill closure and post-closure costs (recovery)	\$ -	\$ -	\$ -	\$ 1,596,277	\$ -

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

Exhibit 10

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 744,717
Receivables:	
Accounts receivable	<u>580,848</u>
Total assets	<u>\$ 1,325,565</u>
LIABILITIES	
Amounts held for social service clients	\$ 6,539
Amounts held for locality rescue agencies	<u>1,319,026</u>
Total liabilities	<u>\$ 1,325,565</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

Exhibit 11

	<u>Private-Purpose Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 16
Total additions	<u>16</u>
DEDUCTIONS	
Scholarships	\$ 10,126
Total deductions	<u>10,126</u>
Change in net position	\$ (10,110)
Net position - beginning	10,110
Net position - ending	<u><u>\$ -</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

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

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

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

Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Joint Venture – The County of Rappahannock, the County of Shenandoah, and the County of Warren participate in supporting the Rappahannock-Shenandoah-Warren (RSW) Regional Jail, which serves as the localities' regional adult detention center. The RSW Regional Jail became operational on July 1, 2014. The RSW Regional Jail is governed by a nine-member board, an Authority, consisting of three members each from the three participating counties. The participating localities pay a per diem charge each year based on the participating localities' usage of the jail for the preceding three years. In April 2012, the RSW Regional Jail Authority issued \$45,240,000 in moral obligation bonds with varying annual payments, with a final maturity at April 1, 2043. The bonds were issued at a premium of \$4,992,732. The outstanding principal portion and unamortized premium of the bonds for the RSW Regional Jail at June 30, 2016 total \$50,232,732. While the participating localities have an ongoing financial responsibility to fund the RSW Regional Jail debt should it lack sufficient funds to make scheduled debt service payments, the participating localities do not have an equity interest in the jail. During fiscal year 2016, the County contributed \$2,173,925 for the operations of the jail.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

A. Financial Reporting Entity (Continued)

Other Organizations (Continued)

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

Summary financial information for the RSW Regional Jail at June 30, 2016 is provided below:

		RSW Regional Jail
Total assets and deferred outflows of resources	\$	80,982,629
Total liabilities and deferred inflows of resources		51,556,076
Total net position	\$	29,426,553
For the year ended June 30, 2016		
Operating revenue	\$	13,648,881
Operating expenses		(11,451,771)
Nonoperating income (expense)		(1,807,350)
Change in net position	\$	389,760
Net position at beginning of year		29,036,793
Net position at end of year	\$	29,426,553

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

Jointly Governed Organizations – The County, in conjunction with other localities has created the Northwestern Regional Juvenile Detention Center and the Northwestern Community Services Board. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$240,646 for operations to the Northwestern Community Services Board and \$429,208 to the Northwestern Regional Juvenile Detention Center. The School Board contributed \$1,671,321 to the Shenandoah Valley Regional Program for operations. The County does not maintain an ongoing financial interest in these organizations.

B. Government-wide and fund financial statements

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the activities for Virginia Public Assistance, Forfeited Drug Assets, Sheriff Federal Case, Jail Canteen, Law Library, Transient Occupancy, Gypsy Moth, Spay/Neuter, Pump and Haul, Seven Bends Day Care, Jail Telephone, Purchase Development Rights, Project Lifesaver, Triad, Crime Prevention, DARE, Sludge Disposal and Landfill Recovery Funds.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

The government reports the following governmental fund types:

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

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

The government reports the following fiduciary fund types:

The *private-purpose trust fund* is used to account for resources legally held in trust to be used to award scholarships to selected recipients. Private-purpose funds consist of the Scholarship funds. All resources of the fund, including any earnings on invested resources, may be used to support the County's scholarship activities.

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Districts, and government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

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

2. Receivables and payables

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due and collectible semi-annually on June 5th and December 5th. The County bills and collects its own property taxes.

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,304,932 at June 30, 2016 and is comprised solely of property taxes. This allowance represents 0.6732% of the total levies for the previous six years.

Accounts receivable are stated at book value. The Sanitary Districts calculate their allowance for uncollectible utility accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$553 for Toms Brook-Maurertown Sanitary District and \$6,354 for Stoney Creek Sanitary District at June 30, 2016.

5. Inventories and prepaid items

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

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

6. Restricted assets

At June 30, 2016, the County's restricted assets consisted of unspent debt proceeds in the General fund in the amount of \$410,500 and enterprise funds customer deposits in the amount of \$25,700.

7. Capital assets

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

7. Capital assets (continued)

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

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

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

8. Compensated absences

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

9. Long-term obligations

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

10. Fund equity

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

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

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

10. Fund equity (continued)

The detail of the County’s primary government fund balances is detailed below:

	General Fund	Major Capital Projects Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 45,765	\$ -	\$ -	\$ 45,765
Restricted:				
Debt service proceeds	\$ 410,500	\$ -	\$ -	\$ 410,500
Asset forfeiture proceeds-Virginia	71,336	-	-	71,336
Asset forfeiture proceeds-Federal	3,143,197	-	-	3,143,197
Total Restricted Fund Balance	\$ 3,625,033	\$ -	\$ -	\$ 3,625,033
Assigned:				
Capital projects	\$ -	\$ 7,863,564	\$ 100,084	\$ 7,963,648
Transient occupancy	322,811	-	-	322,811
Seven Bends Student Center	98,209	-	-	98,209
Sludge disposal	360,249	-	-	360,249
Landfill recovery	229,249	-	-	229,249
Telephone commissions	185,114	-	-	185,114
Other purposes	301,108	-	88,519	389,627
Total Assigned Fund Balance	\$ 1,496,740	\$ 7,863,564	\$ 188,603	\$ 9,548,907
Unassigned	\$ 10,656,213	\$ -	\$ -	\$ 10,656,213
Total Fund Balances	\$ 15,823,751	\$ 7,863,564	\$ 188,603	\$ 23,875,918

11. Net position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net position flow assumption

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

13. Reclassifications

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

E. Investments

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

F. Use of Estimates

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

G. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The County also shows a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

G. Deferred Outflows/Inflows of Resources (continued)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

H. Pensions

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

I. Adoption of Accounting Principles

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.

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 4.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

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

	Primary Government	Component Unit School Board
General obligation bonds	\$ (34,481,868)	\$ -
Lease revenue bonds payable	(7,000,000)	-
Unamortized bond premium	(1,467,922)	-
Literary loans payable	(1,572,500)	-
Accrued interest payable	(597,876)	-
Capital leases payable	(937,079)	-
Net pension liability	(4,037,264)	(56,177,917)
Net OPEB obligation	(598,796)	(2,804,000)
Compensated absences	(926,193)	(868,739)
Items related to measurement of net pension liability	-	969,000
	<hr/>	<hr/>
<i>Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities</i>	\$ <u>(51,619,498)</u>	\$ <u>(58,881,656)</u>

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

	Primary Government	Component Unit School Board
Unavailable revenue - property taxes	\$ 3,383,222	\$ -
Deferred charge on refunding	(286,886)	-
Items related to measurement of net pension liability	(1,317,122)	(5,124,456)
<i>Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental</i>	\$ <u>1,779,214</u>	\$ <u>(5,124,456)</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

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

	Primary Government	Component Unit School Board
Capital outlay	\$ 1,001,871	\$ 1,133,143
Depreciation expense	(1,333,425)	(2,438,468)
Primary government capital asset allocation	<u>(2,647,747)</u>	<u>2,647,747</u>
<i>Net adjustment to increase (decrease) net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (2,979,301)</u>	<u>\$ 1,342,422</u>

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

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

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

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

	<u>Primary Government</u>
Issuance of capital leases	\$ (410,500)
Principal repayments:	
Amortization of premium on bond issue	139,432
Amortization of deferred amount on refunding	18,908
Principal repayments:	
General obligation bonds	3,121,250
Lease revenue bonds	265,000
Literary loans	314,500
Capital leases	<u>336,816</u>
<i>Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 3,785,406</u>

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (89,645)	\$ 34,179
Accrued interest payable	50,647	-
Net pension liability	(582,043)	(3,409,758)
Deferred outflows related to pension payments subsequent to the measurement date	96,881	1,214,314
Net OPEB obligation	<u>(62,338)</u>	<u>(396,000)</u>
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (586,498)</u>	<u>\$ (2,557,265)</u>

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Property Taxes	\$ 253,894	\$ -
Changes in deferred inflows related to the measurement of the net pension liability	<u>659,420</u>	<u>4,154,740</u>
<i>Net adjustment to increase (decrease) net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 913,314</u>	<u>\$ 4,154,740</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2016 (Continued)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The appropriation for each function can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government activities and the School Board is authorized to transfer budgeted amounts within the school system's categories. The legal level of budgetary control is at the function level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund and School Cafeteria Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Budgetary data presented in the accompanying financial statements includes both the original and the amended budget for the year ended June 30, 2016. Several supplemental appropriations were necessary during the year.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Investments)

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

Credit Risk of Debt Securities

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

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.
2. Repurchase agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least "AA" or equivalent by Moody's and/or Standard & Poor's.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Local Government Investment Pool (LGIP) Fund is comprised of legal investments authorized for public funds and has an average maturity of 30 days.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 20,406,907
Total	\$ 20,406,907

External Investment Pool

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

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 5—INTERFUND OBLIGATIONS:

	Receivable Primary Government/ Component Unit	Payable Primary Government/ Component Unit	Due from Other Funds	Due to Other Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Primary Government:				
General Fund	\$ 1,849,163	\$ -	\$ 66,806	\$ -
Toms Brook-Maurertown Sanitary District	-	-	-	66,806
Stoney Creek Sanitary District	-	-	4,723	-
North Fork Wastewater	-	-	-	4,723
Sub-total	<u>\$ 1,849,163</u>	<u>\$ -</u>	<u>\$ 71,529</u>	<u>\$ 71,529</u>
Discretely Presented Component Units:				
School Operating Fund	\$ -	\$ 1,849,163	\$ -	\$ -
Sub-total	<u>\$ -</u>	<u>\$ 1,849,163</u>	<u>\$ -</u>	<u>\$ -</u>
Total reporting entity	<u>\$ 1,849,163</u>	<u>\$ 1,849,163</u>	<u>\$ 71,529</u>	<u>\$ 71,529</u>

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

NOTE 6—INTERFUND TRANSFERS:

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

Fund	Transfers In	Transfers Out
<u> </u>	<u> </u>	<u> </u>
Primary Government:		
General Fund	\$ -	\$ (9,399,322)
County Debt Service	5,235,600	-
County Capital Projects	-	(72,418)
Stoney Creek Sanitary District	7,537	-
District	-	(7,537)
North Fork Wastewater	235,597	-
Landfill	4,000,543	-
Total	<u>\$ 9,479,277</u>	<u>\$ (9,479,277)</u>

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

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

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

During fiscal year 1994, the General Fund built a septage handling facility at the Toms Brook-Maurertown Sanitary District location for \$235,240. This amount is being repaid to the General Fund from tipping fees that are collected by Toms Brook and from septic application fees collected by the General Fund on behalf of the District. The balance as of June 30, 2016 was \$66,806.

NOTE 8—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 1,215,557
Local sales taxes	631,692	-
Comprehensive services act funds	313,531	-
Public assistance and welfare	116,190	-
Fringe benefits	247,058	-
Other funds	289,714	-
Federal Government:		
Public assistance and welfare	135,477	-
Payment in lieu of taxes	165,053	-
Other funds	4,901	-
School funds	-	607,494
Cafeteria funds	-	73,131
Total	\$ <u>1,903,616</u>	\$ <u>1,896,182</u>

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 9—CAPITAL ASSETS:

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,592,816	\$ -	\$ -	\$ 4,592,816
Construction in progress	647,581	357,693	(247,485)	757,789
Total capital assets not being depreciated	<u>\$ 5,240,397</u>	<u>\$ 357,693</u>	<u>\$ (247,485)</u>	<u>\$ 5,350,605</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 52,170,422	\$ 160,749	\$ (2,434,099)	\$ 49,897,072
Machinery and equipment	8,466,011	730,914	(515,561)	8,681,364
Total capital assets being depreciated	<u>\$ 60,636,433</u>	<u>\$ 891,663</u>	<u>\$ (2,949,660)</u>	<u>\$ 58,578,436</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,673,591)	\$ (632,010)	\$ 87,014	\$ (10,218,587)
Machinery and equipment	(6,106,704)	(701,415)	214,899	(6,593,220)
Total accumulated depreciation	<u>\$ (15,780,295)</u>	<u>\$ (1,333,425)</u>	<u>\$ 301,913</u>	<u>\$ (16,811,807)</u>
Total capital assets being depreciated, net	<u>\$ 44,856,138</u>	<u>\$ (441,762)</u>	<u>\$ (2,647,747)</u>	<u>\$ 41,766,629</u>
Governmental activities capital assets, net	<u>\$ 50,096,535</u>	<u>\$ (84,069)</u>	<u>\$ (2,895,232)</u>	<u>\$ 47,117,234</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 503,500	\$ -	\$ -	\$ 503,500
Construction in progress	576,250	3,847,771	(925,871)	3,498,150
Total capital assets not being depreciated	<u>\$ 1,079,750</u>	<u>\$ 3,847,771</u>	<u>\$ (925,871)</u>	<u>\$ 4,001,650</u>
Capital assets being depreciated:				
Buildings and infrastructure	\$ 3,722,070	\$ 141,575	\$ -	\$ 3,863,645
Water distribution system	12,890,897	714,454	-	13,605,351
Machinery and equipment	11,170,874	162,432	(93,184)	11,240,122
Total capital assets being depreciated	<u>\$ 27,783,841</u>	<u>\$ 1,018,461</u>	<u>\$ (93,184)</u>	<u>\$ 28,709,118</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,209,815)	\$ (211,008)	\$ -	\$ (2,420,823)
Wells, lines and reservoirs	(8,701,667)	(255,840)	-	(8,957,507)
Machinery and equipment	(8,185,432)	(283,549)	93,184	(8,375,797)
Total accumulated depreciation	<u>\$ (19,096,914)</u>	<u>\$ (750,397)</u>	<u>\$ 93,184</u>	<u>\$ (19,754,127)</u>
Business-type activities, capital assets, net	<u>\$ 9,766,677</u>	<u>\$ 4,115,835</u>	<u>\$ (925,871)</u>	<u>\$ 12,956,641</u>

Capital assets of the governmental activities in the amount of \$2,770,919 were transferred to the Component Unit School Board, additionally, a net transfer of \$123,172 was transferred in accumulated depreciation from the governmental activities to the Component Unit School Board, due to debt repayments made by the Primary Government for the year ended June 30, 2016 as required by the Code of Virginia.

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 9—CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:	
General government administration	\$ 261,471
Judicial administration	241,554
Public safety	646,521
Public works	2,400
Health and welfare	39,724
Culture and recreation	141,755
Total depreciation expense-governmental activities	<u>\$ 1,333,425</u>
Business-type Activities:	
Stoney Creek Sanitary District	\$ 170,061
Toms Brook-Maurertown Sanitary District	185,348
North Fork Wastewater Fund	39,308
Landfill	355,680
Total depreciation expense business-type activities	<u>\$ 750,397</u>

Capital Leases:

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

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment	\$ 1,609,360	\$ 311,285
Less: Accumulated depreciation	(936,118)	(51,881)
Total	<u>\$ 673,242</u>	<u>\$ 259,404</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 355,746	\$ 64,442
2018	243,223	64,442
2019	161,506	64,442
2020	123,539	-
2021	85,961	-
Total minimum lease payments	<u>\$ 969,975</u>	<u>\$ 193,326</u>
Less: Amount representing interest	(32,896)	(6,319)
Present value of minimum lease payments	<u>\$ 937,079</u>	<u>\$ 187,007</u>

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 9—CAPITAL ASSETS (CONTINUED):

Discretely presented component units:

Activity for the School Board for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,725,275	\$ -	\$ -	\$ 5,725,275
Construction in progress	325,047	817,420	(1,142,467)	-
Total capital assets not being depreciated	<u>\$ 6,050,322</u>	<u>\$ 817,420</u>	<u>\$ (1,142,467)</u>	<u>\$ 5,725,275</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 64,901,096	\$ 3,638,536	\$ -	\$ 68,539,632
Machinery and equipment	8,918,753	590,573	(23,467)	9,485,859
Total capital assets being depreciated	<u>\$ 73,819,849</u>	<u>\$ 4,229,109</u>	<u>\$ (23,467)</u>	<u>\$ 78,025,491</u>
Accumulated depreciation:				
Buildings and improvements	\$ (27,824,444)	\$ (1,979,037)	\$ -	\$ (29,803,481)
Machinery and equipment	(7,346,793)	(582,603)	23,467	(7,905,929)
Total accumulated depreciation	<u>\$ (35,171,237)</u>	<u>\$ (2,561,640)</u>	<u>\$ 23,467</u>	<u>\$ (37,709,410)</u>
Total capital assets being depreciated, net	<u>\$ 38,648,612</u>	<u>\$ 1,667,469</u>	<u>\$ -</u>	<u>\$ 40,316,081</u>
School Board capital assets, net	<u>\$ 44,698,934</u>	<u>\$ 2,484,889</u>	<u>\$ (1,142,467)</u>	<u>\$ 46,041,356</u>

Depreciation expense for the Component Unit School Board was \$2,438,468 and a net transfer of \$123,172 was transferred in accumulated depreciation from the primary government due to debt repayments for the year ended June 30, 2016.

Activity for the Shenandoah County Library for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and system	\$ 285,197	\$ -	\$ -	\$ 285,197
Machinery and equipment	157,368	-	-	157,368
Total capital assets being depreciated	<u>\$ 442,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,565</u>
Accumulated depreciation:				
Buildings and system	\$ (90,917)	\$ (7,130)	\$ -	\$ (98,047)
Machinery and equipment	(141,736)	(3,152)	-	(144,888)
Total accumulated depreciation	<u>\$ (232,653)</u>	<u>\$ (10,282)</u>	<u>\$ -</u>	<u>\$ (242,935)</u>
Total Library capital assets being depreciated, net	<u>\$ 209,912</u>	<u>\$ (10,282)</u>	<u>\$ -</u>	<u>\$ 199,630</u>

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 10—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$347,242 is comprised of the following:

- A. Unearned Revenue – Former Employee – In conjunction with the plea agreement of the former County landfill director on criminal charges of mail fraud, money laundering and forfeiture of assets, he agreed to provide restitution to the County in the amount of \$400,000 of which \$229,055 was outstanding at June 30, 2016. Payments commenced February 1, 1996, with final payment due February 1, 2001. This agreement is secured by the personal residence of the former director and other assets. Other restitution received by the County from the sale of assets seized by the authorities in September 1994 will not be applied against this restitution amount. The February 1, 1998 and 1997 payments were not made by the former employee. Therefore, the plea agreement was violated. As a result of violating the agreement, the former employee's personal residence was seized and sold on September 23, 1997, for \$192,500. After payment of liens and selling expense, the County received \$106,598 in July 1998.
- B. Asset Forfeiture Proceeds – Assets seized as a result of law enforcement raids awaiting approval from the federal government totaled \$118,187 at June 30, 2016.

NOTE 11—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$20,661,209 and \$24,044,431 respectively, is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2016, but paid in advance by the taxpayers totaled \$2,169,575 in the general fund at June 30, 2016.
- B. Unbilled Property Taxes – Property taxes for the second half of 2016 that had not been billed as of June 30, 2016 amounted to \$18,491,634.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$3,383,222 at June 30, 2016.

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS:

Changes in long-term obligations

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

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016
Governmental Activities:				
General Obligation Bonds	\$ 37,603,118	\$ -	\$ 3,121,250	\$ 34,481,868
Bond Premium	1,607,354	-	139,432	1,467,922
Literary Loan Funds	1,887,000	-	314,500	1,572,500
Lease Revenue Bonds	7,265,000	-	265,000	7,000,000
Capital Leases	863,395	410,500	336,816	937,079
Compensated Absences	836,548	591,574	501,929	926,193
Net pension liability	3,455,221	4,375,216	3,793,173	4,037,264
Net OPEB Obligation	536,458	145,200	82,862	598,796
Total Governmental Activities	<u>\$ 54,054,094</u>	<u>\$ 5,522,490</u>	<u>\$ 8,554,962</u>	<u>\$ 51,021,622</u>
Business-type Activities:				
General Obligation/Revenue Bonds	\$ 1,906,076	\$ -	\$ 335,142	\$ 1,570,934
Capital Leases	247,294	-	60,287	187,007
Compensated Absences	115,308	75,369	69,185	121,492
Net Pension Liability	495,861	609,920	542,176	563,605
Net OPEB Obligation	74,542	19,800	11,138	83,204
Landfill Closure and Post-Closure Care	9,834,809	1,596,277	-	11,431,086
Total Business-type Activities	<u>\$ 12,673,890</u>	<u>\$ 2,301,366</u>	<u>\$ 1,017,928</u>	<u>\$ 13,957,328</u>
Total Long-Term Obligations	<u>\$ 66,727,984</u>	<u>\$ 7,823,856</u>	<u>\$ 9,572,890</u>	<u>\$ 64,978,950</u>

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

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

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

Year Ending June 30,	Governmental Activities			
	Capital Leases		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 341,191	\$ 14,555	\$ 280,000	\$ 277,825
2018	234,146	9,077	285,000	265,047
2019	155,945	5,560	300,000	252,281
2020	120,775	2,764	315,000	239,097
2021	85,022	941	330,000	224,369
2022	-	-	345,000	208,172
2023	-	-	365,000	190,328
2024	-	-	385,000	171,935
2025	-	-	405,000	153,415
2026	-	-	415,000	135,478
2027	-	-	365,000	118,041
2028	-	-	220,000	104,716
2029	-	-	175,000	10,095
2030	-	-	160,000	89,725
2031	-	-	165,000	83,497
2032	-	-	170,000	77,663
2033	-	-	180,000	70,969
2034	-	-	185,000	64,641
2035	-	-	190,000	58,781
2036	-	-	195,000	52,728
2037	-	-	205,000	46,403
2038	-	-	210,000	39,844
2039	-	-	215,000	33,125
2040	-	-	225,000	26,169
2041	-	-	230,000	18,975
2042	-	-	240,000	11,544
2043	-	-	245,000	3,875
Total	\$ <u>937,079</u>	\$ <u>32,897</u>	\$ <u>7,000,000</u>	\$ <u>3,028,738</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

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

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		State Literary Loans	
	Principal	Interest	Principal	Interest
2017	\$ 3,245,277	\$ 1,756,699	\$ 314,500	\$ 47,174
2018	3,379,655	1,619,034	314,500	37,740
2019	3,509,398	1,479,771	314,500	28,306
2020	3,649,519	1,332,368	314,500	18,870
2021	3,788,880	1,173,813	314,500	9,434
2022	3,932,564	1,007,332	-	-
2023	4,072,128	833,193	-	-
2024	2,162,469	703,893	-	-
2025	2,218,180	622,133	-	-
2026	2,032,314	538,513	-	-
2027	2,094,789	452,190	-	-
2028	262,490	9,947	-	-
2029	134,205	2,015	-	-
Total	<u>\$ 34,481,868</u>	<u>\$ 11,530,901</u>	<u>\$ 1,572,500</u>	<u>\$ 141,524</u>

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

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

Year Ending June 30,	Business-type Activities					
	Stoney Creek Sanitary District Bonds		Toms Brook-Maurertown Sanitary District Bonds		North Fork Wastewater VRA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 150,000	\$ 3,000	\$ 21,691	\$ 15,749	\$ 56,012	\$ 32,547
2018	-	-	22,687	14,753	57,665	30,894
2019	-	-	23,729	13,711	59,367	29,192
2020	-	-	24,819	12,621	61,120	27,440
2021	-	-	25,960	11,480	62,924	25,636
2022	-	-	27,152	10,288	64,781	23,779
2023	-	-	28,400	9,040	66,693	21,867
2024	-	-	29,704	7,736	68,661	19,898
2025	-	-	31,069	6,371	70,688	17,872
2026	-	-	32,496	4,944	72,774	15,785
2027	-	-	33,989	3,451	74,922	13,637
2028	-	-	35,550	1,890	77,133	11,426
2029	-	-	22,618	337	79,410	9,150
2030	-	-	-	-	81,753	6,806
2031	-	-	-	-	84,166	4,393
2032	-	-	-	-	23,001	1,909
	<u>\$ 150,000</u>	<u>\$ 3,000</u>	<u>\$ 359,864</u>	<u>\$ 112,371</u>	<u>\$ 1,061,070</u>	<u>\$ 292,231</u>

Year Ending June 30,	Business-type Activities Landfill Capital Lease	
	Principal	Interest
	2017	\$ 61,300
2018	62,330	2,112
2019	63,377	1,065
	<u>\$ 187,007</u>	<u>\$ 6,319</u>

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT

Details of long-term obligations:

Governmental Activities:

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Capital leases:		
\$148,883 issued December 8, 2011, due in quarterly installments of \$8,031-\$10,809 beginning July 15, 2012, through April 15, 2017, for the purchase of field lighting	\$ 31,374	\$ 31,373
\$381,985 issued June 25, 2012, due in quarterly installments of \$20,123 beginning August 15, 2012, through May 15, 2017, for the purchase of five school buses	79,590	79,590
\$393,907 issued June 20, 2013, due in quarterly installments of \$20,429 beginning August 15, 2013, through May 15, 2018, for the purchase of five school buses	160,675	79,728
\$396,970 issued June 17, 2014, due in semi-annual installments of \$37,772 beginning July 24, 2014, through July 24, 2019, for the purchase of five school buses	254,940	71,270
\$410,500 issued June 28, 2016, due in quarterly installments of \$21,491 beginning September 28, 2016, through June 28, 2021, for the purchase of five school buses	<u>410,500</u>	<u>79,230</u>
Total capital leases	<u>\$ 937,079</u>	<u>\$ 341,191</u>
Lease Revenue Bonds:		
\$3,255,000 2011B refunding bonds were issued on November 26, 2011, due in varying annual installments beginning June 1, 2012, through June 1, 2029, bearing interest at 2.97%	\$ 2,595,000	\$ 185,000
\$4,495,000 2012C lease revenue bonds were issued on December 6, 2012, due in varying annual installments beginning October 1, 2015 through October 1, 2042, bearing interest at varying rates ranging from 3.125%-4.845%	<u>4,405,000</u>	<u>95,000</u>
Total lease revenue bonds	<u>\$ 7,000,000</u>	<u>\$ 280,000</u>

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$4,000,000 VRA bond for Town of Mt. Jackson WWTP expansion project, issued in 2008, semi-annual payments of \$136,219 maturing January 1, 2029, with interest payable at 3%.	\$ 2,822,394	\$ 189,173
\$15,760,000 VRA bond issued November 19, 2009, due in semi-annual installments totaling \$1,539,334 maturing October 1, 2026, with interest payable at 5.125%	12,460,000	915,000
\$25,140,000 Virginia Public School Authority Bonds 2002, issued May 16, 2002, at a premium of \$836,018, annual payments of \$2,019,563 through July 15, 2022, with interest payable semi-annually at rates of 3.6% to 5.6%.	11,880,000	1,450,000
\$4,130,808 Virginia Public School Authority Bonds 2004B, issued November 10, 2004, at a premium of \$303,424, maturing annually through January 15, 2025, with interest payable semi-annually at rates of 4.6% to 5.6%.	2,024,474	211,104
\$7,435,000 Virginia Public School Authority Bonds 2010, issued July 8, 2010, annual payments of \$480,000 through June 1, 2027, with interest payable semi-annually at rates of 2.7%. Interest is reimbursed by a federal interest subsidy.	<u>5,295,000</u>	<u>480,000</u>
Total general obligation bonds	<u>\$ 34,481,868</u>	<u>\$ 3,245,277</u>

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COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Literary Fund Loans:		
\$1,290,000 issued April 1, 2001 for the renovation of Ashby Lee Elementary School, due in annual installments of \$64,500 from April 1, 2002 through April 1, 2021, plus interest at 3%.	\$ 322,500	\$ 64,500
\$1,931,000 issued April 1, 2001 for the renovation of Sandy Hook Elementary School, due in annual installments of \$96,550 from April 1, 2002 through April 1, 2021, plus interest at 3%.	482,750	96,550
\$3,069,000 issued April 1, 2001 for the renovation of W. W. Robinson Elementary School, due in annual installments of \$153,450 from April 1, 2002 through April 1, 2021, plus interest at 3%.	<u>767,250</u>	<u>153,450</u>
Total Literary Fund Loans	\$ <u>1,572,500</u>	\$ <u>314,500</u>
Unamortized Bond Premium	\$ <u>1,467,922</u>	\$ <u>139,433</u>
Compensated absences	\$ <u>926,193</u>	\$ <u>220,708</u>
Net pension liability	\$ <u>4,037,264</u>	\$ <u>-</u>
Net OPEB obligation	\$ <u>598,796</u>	\$ <u>-</u>
Total Governmental Activities Long-term Obligation	<u>\$ 51,021,622</u>	<u>\$ 4,541,109</u>

Business-type Activities:

Stoney Creek Sanitary District:

Revenue bond:

\$2,660,000 Water and Sewer Revenue Bonds issued August 7, 2003, due in annual principal installments of \$35,000 to \$260,000 from October 1, 2003, through October 1, 2016, interest rates from 2.0% to 5.0% payable semi-annually.	\$ <u>150,000</u>	\$ <u>150,000</u>
Compensated absences	\$ <u>57,854</u>	\$ <u>14,464</u>
Net pension liability	\$ <u>239,705</u>	\$ <u>-</u>
Net OPEB obligation	\$ <u>36,964</u>	\$ <u>-</u>
Total Stoney Creek Sanitary District	<u>\$ 484,523</u>	<u>\$ 164,464</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Business-type Activities: (continued)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
<u>Toms Brook-Maurertown Sanitary District:</u>		
<u>General Obligation Revenue Bonds:</u>		
\$634,000 General Obligation Bond Series of 1995, with interest only payable annually in February 1996 and 1997, and thereafter payable in monthly installments of \$3,120, including principal and interest at 4.5% per annum beginning in March 1997, and ending in February 2029.	\$ <u>359,864</u>	\$ <u>21,691</u>
Compensated absences	\$ <u>16,296</u>	\$ <u>4,074</u>
Net pension liability	\$ <u>83,735</u>	\$ <u>-</u>
Net OPEB obligation	\$ <u>6,956</u>	\$ <u>-</u>
Total Toms Brook-Maurertown Sanitary District	\$ <u>466,851</u>	\$ <u>25,765</u>
 <u>North Fork Wastewater:</u>		
<u>Lease Revenue Bond:</u>		
\$1,304,415 VRA Bond 2011, payable semi-annually beginning on December 1, 2012 of \$7,106, including principal and interest at 2.93%, and ending in June 2032.	\$ <u>1,061,070</u>	\$ <u>56,012</u>
 <u>Landfill:</u>		
<u>Capital lease:</u>		
\$311,285 issued December 23, 2014, due in quarterly installments of \$64,376 beginning January 1, 2015, through January 1, 2019, for the purchase of a bulldozer	\$ <u>187,007</u>	\$ <u>61,300</u>
Landfill closure and post-closure care	\$ <u>11,431,086</u>	\$ <u>-</u>
Compensated absences	\$ <u>47,343</u>	\$ <u>11,836</u>
Net pension liability	\$ <u>240,165</u>	\$ <u>-</u>
Net OPEB obligation	\$ <u>39,284</u>	\$ <u>-</u>
Total landfill	\$ <u>11,944,885</u>	\$ <u>73,136</u>
Total Business-type Activities	\$ <u><u>13,957,329</u></u>	\$ <u><u>319,377</u></u>

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

DISCRETLY PRESENTED COMPONENT UNIT-SCHOOL BOARD:

Changes in long-term obligations:

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amount Due Within One Year
Compensated absences	\$ 902,918	\$ 505,572	\$ 539,751	\$ 868,739	\$ 217,185
Net pension liability	52,768,159	10,111,503	6,701,745	56,177,917	-
Net OPEB obligation	2,408,000	757,000	361,000	2,804,000	-
 Total	 \$ <u>56,079,077</u>	 \$ <u>11,374,075</u>	 \$ <u>7,602,496</u>	 \$ <u>59,850,656</u>	 \$ <u>217,185</u>

NOTE 13—OTHER LIABILITIES – ENTERPRISE FUNDS:

The other liabilities of the Sanitary Districts at June 30, 2016, consist of the following:

	Stoney Creek	Toms-Brook Maurertown	Total
Security deposits	\$ 9,300	\$ 16,400	\$ 25,700
 Total	 \$ <u>9,300</u>	 \$ <u>16,400</u>	 \$ <u>25,700</u>

NOTE 14—DEFERRED COMPENSATION PLAN:

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

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

NOTE 15—PENSION PLAN:

Plan Description

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	118	121
Inactive members:		
Vested inactive members	33	16
Non-vested inactive members	67	42
Inactive members active elsewhere in VRS	124	14
Total inactive members	224	72
Active members	369	220
Total covered employees	<u>711</u>	<u>413</u>

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 11.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,433,014 and \$1,321,421 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 8.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 15—PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$329,365 and \$373,815 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 15—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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.

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 15—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 41,581,383	\$ 37,630,301	\$ 3,951,082
Changes for the year:			
Service cost	\$ 2,097,765	\$ -	\$ 2,097,765
Interest	2,851,117	-	2,851,117
Differences between expected and actual experience	(666,172)	-	(666,172)
Contributions - employer	-	1,314,841	(1,314,841)
Contributions - employee	-	601,964	(601,964)
Net investment income	-	1,739,727	(1,739,727)
Benefit payments, including refunds of employee contributions	(1,702,272)	(1,702,272)	-
Administrative expenses	-	(23,243)	23,243
Other changes	-	(366)	366
Net changes	\$ 2,580,438	\$ 1,930,651	\$ 649,787
Balances at June 30, 2015	\$ 44,161,821	\$ 39,560,952	\$ 4,600,869

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 12,458,604	\$ 11,647,445	\$ 811,159
Changes for the year:			
Service cost	\$ 447,419	\$ -	\$ 447,419
Interest	850,571	-	850,571
Differences between expected and actual experience	(9,646)	-	(9,646)
Contributions - employer	-	376,586	(376,586)
Contributions - employee	-	207,759	(207,759)
Net investment income	-	534,599	(534,599)
Benefit payments, including refunds of employee contributions	(615,175)	(615,175)	-
Administrative expenses	-	(7,246)	7,246
Other changes	-	(112)	112
Net changes	\$ 673,169	\$ 496,411	\$ 176,758
Balances at June 30, 2015	\$ 13,131,773	\$ 12,143,856	\$ 987,917

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 11,032,806	\$ 4,600,869	\$ (667,249)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 2,451,249	\$ 987,917	\$ (252,115)

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$1,211,214 and \$160,604, 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:

	<u>Primary Government</u>		<u>Component Unit School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 535,036	\$ -	\$ 6,817
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 981,911	\$ -	\$ 304,639
Employer contributions subsequent to the measurement date	<u>1,433,014</u>	<u>-</u>	<u>329,365</u>	<u>-</u>
Total	<u>\$ 1,433,014</u>	<u>\$ 1,516,947</u>	<u>\$ 329,365</u>	<u>\$ 311,456</u>

\$1,433,014 and \$329,365 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:

<u>Year ended June 30,</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	(518,512)	(123,001)
2018	(518,512)	(123,001)
2019	(518,511)	(121,331)
2020	49,080	55,877
2021	(10,492)	-
Thereafter	-	-

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$4,715,959, and \$4,430,421 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 \$55,190,000 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 .43849% as compared to .42994% at June 30, 2014.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$4,058,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 760,000
Net difference between projected and actual earnings on pension plan investments	-	3,380,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	969,000	673,000
Employer contributions subsequent to the measurement date	<u>4,715,959</u>	<u>-</u>
Total	<u>\$ 5,684,959</u>	<u>\$ 4,813,000</u>

\$4,715,959 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	(1,480,000)
2018	(1,480,000)
2019	(1,480,000)
2020	577,000
2021	19,000
Thereafter	-

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 15—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)	\$ 80,765,324	\$ 55,190,000	\$ 34,136,087

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.

COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS:

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

Primary Government:

Health Insurance Program

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$139,000 for fiscal year 2016. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

Health Insurance Program (continued)

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

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

Annual Required Contribution (ARC)	\$ 139,000
Interest on OPEB Obligation	26,000
Adjustment to ARC	<u>(26,000)</u>
Annual OPEB cost	\$ 139,000
Contributions Made	<u>(68,000)</u>
Increase in Net OPEB Obligation	\$ 71,000
Net OPEB Obligation - beginning of year	<u>611,000</u>
Net OPEB Obligation - end of year	<u><u>\$ 682,000</u></u>

The County’s net OPEB obligation was reported as \$598,796 and \$83,204 in the governmental and business-type activities, respectively. The general fund is responsible for the payment of the governmental activities net OPEB obligation. Likewise, the Stoney Creek and Toms Brook-Maurertown Sanitary Districts and the landfill fund are responsible for the business-type activities net OPEB cost.

The County made an OPEB contribution of \$68,000 during fiscal year 2016 which did not equal the required annual OPEB cost of \$139,000. 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:

Primary Government:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 139,000	48.9%	\$ 682,000
June 30, 2015	133,000	54.1%	611,000
June 30, 2014	128,000	41.4%	550,000

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

Health Insurance Program (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

		Primary Government
Actuarial accrued liability (AAL)	\$	1,281,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	1,281,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	11,846,950
UAAL as a percentage of covered payroll		10.81%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

Health Insurance Program (continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

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

Actuarial Assumptions:

Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	9% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. Plan Description

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

An employee, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of \$4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

A. Plan Description (continued)

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 15.

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

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

For 2016, the County’s contribution of \$8,892 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:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2016	\$ 8,892	100%	\$ -
June 30, 2015	8,567	100%	-
June 30, 2014	11,740	100%	-

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$	227,734
Actuarial value of plan assets	\$	199,317
Unfunded actuarial accrued liability	\$	28,417
Funded ratio (actuarial value of plan assets/AAL)		87.52%
Covered payroll (active plan members)	\$	6,869,895
UAAL as a percentage of covered payroll		0.41%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

E. Actuarial Methods and Assumptions

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

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

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

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

Component Unit School Board:

A. Plan Description

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The estimated pay as you go cost for OPEB benefits is \$757,000 for fiscal year 2016. The Component Unit School Board has elected not to pre-fund OPEB liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

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

Annual Required Contribution (ARC)	\$	759,000
Interest on OPEB Obligation		102,000
Adjustment to ARC		(104,000)
Annual OPEB cost	\$	<u>757,000</u>
Contributions Made		(361,000)
Increase in Net OPEB Obligation	\$	396,000
Net OPEB Obligation - beginning of year		<u>2,408,000</u>
Net OPEB Obligation - end of year	\$	<u><u>2,804,000</u></u>

The Component Unit School Board made an OPEB contribution of \$361,000 during fiscal year 2016 which did not equal the required annual OPEB cost of \$757,000. The Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Component Unit School Board:			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 757,000	47.7%	\$ 2,804,000
June 30, 2015	727,000	37.1%	2,408,000
June 30, 2014	650,000	50.0%	1,951,000

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

D. Funded Status and Funding Progress

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

		Component Unit School Board
Actuarial accrued liability (AAL)	\$	7,655,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	7,655,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	34,448,200
UAAL as a percentage of covered payroll		22.22%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

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

Actuarial Assumptions:

	<u>Component Unit School Board Unfunded</u>
Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	9% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. Plan Description

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

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of \$4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

VRS Health Insurance Credit Program (Continued)

A. Plan Description (continued)

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 15.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$358,905, \$345,012, and \$348,819, respectively and equaled the required contributions for each year.

NOTE 17—CONTINGENT LIABILITIES:

Federal programs in which the county and its component units participate were audited in accordance with the provisions of the Uniform Guidance. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures, if any, would be immaterial.

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

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COUNTY OF SHENANDOAH, VIRGINIA

**Notes to the Financial Statements
June 30, 2016 (Continued)**

NOTE 18—RISK MANAGEMENT:

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

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

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

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

State and federal laws and regulations require that the County of Shenandoah place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. During fiscal year 2003, the County opened new landfill cells and significantly completed closure of its old landfill. The estimated liability for landfill closure and post-closure care costs has a balance of \$11,431,086 as of June 30, 2016, which is based on the estimated number of years remaining, which is zero for the old landfill and zero for the new landfill cells and the capacity used to date which is estimated to be 99.9% for the new landfill. The estimated total current cost of the landfill closure and post-closure care of \$11,431,086 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain both of the landfills were incurred as of June 30, 2016. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

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COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 20—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Stoney Creek Sanitary District	Toms Brook Sanitary District	North Fork Wastewater Fund	Landfill Fund	Total Enterprise Funds
Operating revenue	\$ 1,171,310	\$ 652,603	\$ 65,473	\$ 1,240,290	\$ 3,129,676
Depreciation and amortization	170,061	185,348	39,308	355,680	750,397
Operating income (loss)	(315,425)	(67,577)	(173,037)	(2,819,652)	(3,375,691)
Current connection fees	-	36,168	-	-	36,168
Property, plant and equipment additions, net of retirements	(178,989)	(510,982)	(51,930)	(3,185,032)	(3,926,933)
Net working capital	724,463	553,026	(95,861)	(197,461)	984,167
Total assets	4,413,230	2,914,728	1,331,581	6,073,092	14,732,631
Long-term liabilities	320,059	441,086	1,005,058	11,871,749	13,637,952
Net position	3,603,907	2,297,311	223,213	(6,120,240)	4,191

NOTE 21—LITIGATION:

At June 30, 2016, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

NOTE 22—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.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2016 (Continued)

NOTE 22—UPCOMING PRONOUNCEMENTS (continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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

General Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 38,714,600	\$ 38,714,600	\$ 40,894,148	\$ 2,179,548
Other local taxes	6,628,200	6,628,200	6,524,188	(104,012)
Permits, privilege fees, and regulatory licenses	334,778	334,778	432,609	97,831
Fines and forfeitures	75,000	75,000	66,671	(8,329)
Revenue from the use of money and property	347,000	383,252	422,334	39,082
Charges for services	1,840,737	1,840,737	1,800,087	(40,650)
Miscellaneous	168,000	312,687	752,481	439,794
Recovered costs	608,115	618,045	492,482	(125,563)
Intergovernmental:				
Commonwealth	10,062,962	10,679,331	10,334,634	(344,697)
Federal	3,093,502	2,955,568	2,332,300	(623,268)
Total revenues	<u>\$ 61,872,894</u>	<u>\$ 62,542,198</u>	<u>\$ 64,051,934</u>	<u>\$ 1,509,736</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,750,806	\$ 2,867,033	\$ 2,861,575	\$ 5,458
Judicial administration	1,929,240	1,977,344	1,949,965	27,379
Public safety	14,245,060	14,626,500	14,736,082	(109,582)
Public works	1,148,368	1,236,488	1,149,372	87,116
Health and welfare	7,605,612	7,547,857	7,474,288	73,569
Education	26,407,881	26,407,881	25,685,320	722,561
Parks, recreation, and cultural	1,430,993	1,448,813	1,522,188	(73,375)
Community development	1,206,364	1,767,503	1,629,086	138,417
Nondepartmental	575,300	340,703	13,533	327,170
Capital projects	1,500,207	1,506,684	519,620	987,064
Debt service:				
Principal retirement	-	-	336,816	(336,816)
Interest and other fiscal charges	-	-	14,018	(14,018)
Total expenditures	<u>\$ 58,799,831</u>	<u>\$ 59,726,806</u>	<u>\$ 57,891,863</u>	<u>\$ 1,834,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,073,063</u>	<u>\$ 2,815,392</u>	<u>\$ 6,160,071</u>	<u>\$ 3,344,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (8,448,971)	\$ (9,679,013)	\$ (9,399,322)	\$ 279,691
Issuance of capital leases	-	-	410,500	410,500
Total other financing sources (uses)	<u>\$ (8,448,971)</u>	<u>\$ (9,679,013)</u>	<u>\$ (8,988,822)</u>	<u>\$ 690,191</u>
Net change in fund balances	\$ (5,375,908)	\$ (6,863,621)	\$ (2,828,751)	\$ 4,034,870
Fund balances - beginning	5,375,908	6,863,621	18,652,502	11,788,881
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,823,751</u>	<u>\$ 15,823,751</u>

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

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 2,097,765	\$ 1,508,647
Interest	2,851,117	2,676,488
Differences between expected and actual experience	(666,172)	-
Benefit payments, including refunds of employee contributions	<u>(1,702,272)</u>	<u>(1,678,590)</u>
Net change in total pension liability	\$ 2,580,438	\$ 2,506,545
Total pension liability - beginning	41,581,383	39,074,838
Total pension liability - ending (a)	<u>\$ 44,161,821</u>	<u>\$ 41,581,383</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,314,841	\$ 1,629,069
Contributions - employee	601,964	660,270
Net investment income	1,739,727	5,094,975
Benefit payments, including refunds of employee contributions	(1,702,272)	(1,678,590)
Administrative expense	(23,243)	(26,677)
Other	<u>(366)</u>	<u>268</u>
Net change in plan fiduciary net position	\$ 1,930,651	\$ 5,679,315
Plan fiduciary net position - beginning	37,630,301	31,950,986
Plan fiduciary net position - ending (b)	<u>\$ 39,560,952</u>	<u>\$ 37,630,301</u>
County's net pension liability - ending (a) - (b)	\$ 4,600,869	\$ 3,951,082
Plan fiduciary net position as a percentage of the total pension liability	89.58%	90.50%
Covered payroll	\$ 11,980,248	\$ 13,032,381
County's net pension liability as a percentage of covered payroll	38.40%	30.32%

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

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

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 447,419	\$ 457,061
Interest	850,571	804,295
Differences between expected and actual experience	(9,646)	-
Benefit payments, including refunds of employee contributions	<u>(615,175)</u>	<u>(585,358)</u>
Net change in total pension liability	\$ 673,169	\$ 675,998
Total pension liability - beginning	12,458,604	11,782,606
Total pension liability - ending (a)	<u>\$ 13,131,773</u>	<u>\$ 12,458,604</u>
Plan fiduciary net position		
Contributions - employer	\$ 376,586	\$ 425,500
Contributions - employee	207,759	201,912
Net investment income	534,599	1,583,539
Benefit payments, including refunds of employee contributions	(615,175)	(585,358)
Administrative expense	(7,246)	(8,448)
Other	<u>(112)</u>	<u>83</u>
Net change in plan fiduciary net position	\$ 496,411	\$ 1,617,228
Plan fiduciary net position - beginning	11,647,445	10,030,217
Plan fiduciary net position - ending (b)	<u>\$ 12,143,856</u>	<u>\$ 11,647,445</u>
School Division's net pension liability - ending (a) - (b)	\$ 987,917	\$ 811,159
Plan fiduciary net position as a percentage of the total pension liability	92.48%	93.49%
Covered payroll	\$ 4,162,752	\$ 4,045,497
School Division's net pension liability as a percentage of covered payroll	23.73%	20.05%

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

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

	<u>2015</u>		<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.43849%		0.42994%
Employer's Proportionate Share of the Net Pension Liability	\$ 55,190,000	\$	51,957,000
Employer's Covered Payroll	\$ 30,554,628	\$	31,425,592
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181%		165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%		70.88%

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

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	\$ 1,433,014	\$ 1,433,014	\$ -	\$ 12,364,231	11.59%
2015	1,321,421	1,321,421	-	11,980,248	11.03%
2014	1,616,015	1,616,015	-	13,032,381	12.40%
2013	1,337,231	1,337,231	-	11,814,373	11.32%
2012	990,583	990,583	-	10,885,524	9.10%
2011	998,629	998,629	-	10,973,944	9.10%
2010	1,036,997	1,036,997	-	11,296,267	9.18%
2009	1,026,270	1,026,270	-	11,179,417	9.18%
2008	894,627	894,627	-	10,612,425	8.43%
2007	796,106	796,106	-	9,443,727	8.43%
Component Unit School Board (nonprofessional)					
2016	\$ 329,365	\$ 329,365	\$ -	\$ 3,667,762	8.98%
2015	373,815	373,815	-	4,162,752	8.98%
2014	425,991	425,991	-	4,045,497	10.53%
2013	410,155	410,155	-	3,895,105	10.53%
2012	328,286	328,286	-	3,688,609	8.90%
2011	324,788	324,788	-	3,649,301	8.90%
2010	321,564	321,564	-	3,787,556	8.49%
2009	323,027	323,027	-	3,804,788	8.49%
2008	249,711	249,711	-	3,645,416	6.85%
2007	237,521	237,521	-	3,467,456	6.85%
Component Unit School Board (professional)					
2016	\$ 4,715,959	\$ 4,715,959	\$ -	\$ 33,541,671	14.06%
2015	4,430,421	4,430,421	-	30,554,628	14.50%
2014	3,664,224	3,664,224	-	31,425,592	11.66%
2013	3,663,267	3,663,267	-	31,417,384	11.66%
2012	1,837,320	1,837,320	-	29,025,592	6.33%
2011	1,177,089	1,177,089	-	29,951,374	3.93%
2010	1,958,090	1,958,090	-	22,225,766	8.81%
2009	2,735,027	2,735,027	-	31,044,574	8.81%
2008	3,070,573	3,070,573	-	29,811,388	10.30%
2007	2,656,614	2,656,614	-	25,717,464	10.33%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Year Ended June 30, 2016

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

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

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Component Unit School Board - Professional Employees

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

**Schedule of OPEB Funding Progress
June 30, 2016**

PRIMARY GOVERNMENT:**County Other Postemployment Benefit Program**

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/14 [®]	\$ -	\$ 1,281,000	\$ 1,281,000	0.00%	\$ 11,846,950	10.81%
06/30/14	-	1,219,000	1,219,000	0.00%	11,558,000	10.55%
06/30/12	-	1,017,000	1,017,000	0.00%	8,948,000	11.37%

* Valuation performed bi-annually

® = Roll-forward of valuation date results to June 30, 2016

Virginia Retirement System-Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/15	\$ 199,317	\$ 227,734	\$ 28,417	87.52%	\$ 6,869,895	0.41%
06/30/14	195,039	208,455	13,416	93.56%	6,541,352	0.21%
06/30/13	175,211	200,168	24,957	87.53%	6,122,090	0.41%

DISCRETELY PRESENTED COMPONENT UNIT:**School Board Other Postemployment Benefit Program**

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/14 [®]	\$ -	\$ 7,655,000	\$ 7,655,000	0.00%	\$ 34,448,200	22.22%
06/30/14	-	7,197,000	7,197,000	0.00%	33,608,000	21.41%
06/30/12	-	5,877,000	5,877,000	0.00%	26,517,000	22.16%

* Valuation performed bi-annually

® = Roll-forward of valuation date results to June 30, 2016

OTHER SUPPLEMENTARY INFORMATION

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

County Debt Service Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 566,000	\$ 566,000	\$ 514,696	\$ (51,304)
Total revenues	\$ 566,000	\$ 566,000	\$ 514,696	\$ (51,304)
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,760,975	\$ 3,760,975	\$ 3,700,750	\$ 60,225
Interest and other fiscal charges	2,236,685	2,236,685	2,232,533	4,152
Total expenditures	\$ 5,997,660	\$ 5,997,660	\$ 5,933,283	\$ 64,377
Excess (deficiency) of revenues over (under) expenditures	\$ (5,431,660)	\$ (5,431,660)	\$ (5,418,587)	\$ 13,073
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,431,660	\$ 5,431,660	\$ 5,235,600	\$ (196,060)
Total other financing sources (uses)	\$ 5,431,660	\$ 5,431,660	\$ 5,235,600	\$ (196,060)
Net change in fund balances	\$ -	\$ -	\$ (182,987)	\$ (182,987)
Fund balances - beginning	-	-	182,987	182,987
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County Capital Projects Fund
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 4,291	\$ 54	\$ (4,237)
Miscellaneous	-	-	7,858	7,858
Intergovernmental revenues:				
Commonwealth	-	-	79,150	79,150
Total revenues	\$ -	\$ 4,291	\$ 87,062	\$ 82,771
EXPENDITURES				
Capital projects	\$ 810,908	\$ 34,793	\$ 156,868	\$ (122,075)
Total expenditures	\$ 810,908	\$ 34,793	\$ 156,868	\$ (122,075)
Excess (deficiency) of revenues over (under) expenditures	\$ (810,908)	\$ (30,502)	\$ (69,806)	\$ (39,304)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (72,418)	\$ (72,418)
Total other financing sources (uses)	\$ -	\$ -	\$ (72,418)	\$ (72,418)
Net change in fund balances	\$ (810,908)	\$ (30,502)	\$ (142,224)	\$ (111,722)
Fund balances - beginning	810,908	30,502	8,005,788	7,975,286
Fund balances - ending	\$ -	\$ -	\$ 7,863,564	\$ 7,863,564

COMBINING FUND STATEMENTS

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

COUNTY OF SHENANDOAH, VIRGINIA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

Exhibit 22

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

COUNTY OF SHENANDOAH, VIRGINIA
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

Exhibit 23

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Ambulance Recovery</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,539	\$ 738,178	\$ 744,717
Receivables:			
Accounts receivable	-	580,848	580,848
Total assets	<u>\$ 6,539</u>	<u>\$ 1,319,026</u>	<u>\$ 1,325,565</u>
LIABILITIES			
Amounts held for social services clients	\$ 6,539	\$ -	\$ 6,539
Amounts held for locality rescue agencies	-	1,319,026	1,319,026
Total liabilities	<u>\$ 6,539</u>	<u>\$ 1,319,026</u>	<u>\$ 1,325,565</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2016

Exhibit 24

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare				
ASSETS				
Cash and cash equivalents	\$ 1,175	\$ 8,498	\$ 3,134	\$ 6,539
Total assets	<u>\$ 1,175</u>	<u>\$ 8,498</u>	<u>\$ 3,134</u>	<u>\$ 6,539</u>
LIABILITIES				
Amounts held for social services clients	\$ 1,175	\$ 8,498	\$ 3,134	\$ 6,539
Total liabilities	<u>\$ 1,175</u>	<u>\$ 8,498</u>	<u>\$ 3,134</u>	<u>\$ 6,539</u>
Ambulance Recovery				
ASSETS				
Cash and cash equivalents	\$ 675,514	\$ 1,221,548	\$ 1,158,884	\$ 738,178
Accounts receivable	350,837	1,388,895	1,158,884	580,848
Total assets	<u>\$ 1,026,351</u>	<u>\$ 2,610,443</u>	<u>\$ 2,317,768</u>	<u>\$ 1,319,026</u>
LIABILITIES				
Amounts held for locality rescue agencies	\$ 1,026,351	\$ 2,610,443	\$ 2,317,768	\$ 1,319,026
Total liabilities	<u>\$ 1,026,351</u>	<u>\$ 2,610,443</u>	<u>\$ 2,317,768</u>	<u>\$ 1,319,026</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 676,689	\$ 1,230,046	\$ 1,162,018	\$ 744,717
Accounts receivable	350,837	1,388,895	1,158,884	580,848
Total assets	<u>\$ 1,027,526</u>	<u>\$ 2,618,941</u>	<u>\$ 2,320,902</u>	<u>\$ 1,325,565</u>
LIABILITIES				
Amounts held for social services clients	\$ 1,175	\$ 8,498	\$ 3,134	\$ 6,539
Amounts held for locality rescue agencies	1,026,351	2,610,443	2,317,768	1,319,026
Total liabilities	<u>\$ 1,027,526</u>	<u>\$ 2,618,941</u>	<u>\$ 2,320,902</u>	<u>\$ 1,325,565</u>

**DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

COUNTY OF SHENANDOAH, VIRGINIA
 Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2016

Exhibit 25

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,988,623	\$ 902,117	\$ 5,890,740
Receivables (net of allowance for uncollectibles):			
Accounts receivable	252,486	-	252,486
Due from other governmental units	1,823,051	73,131	1,896,182
Inventories	-	77,416	77,416
Prepaid items	9,620	-	9,620
Deposits	5,000	-	5,000
Total assets	<u>\$ 7,078,780</u>	<u>\$ 1,052,664</u>	<u>\$ 8,131,444</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 344,443	\$ 4,536	\$ 348,979
Accrued payroll	4,885,174	140,861	5,026,035
Due to primary government	1,849,163	-	1,849,163
Total liabilities	<u>\$ 7,078,780</u>	<u>\$ 145,397</u>	<u>\$ 7,224,177</u>
Fund balances:			
Nonspendable:			
Inventory	\$ -	\$ 77,416	\$ 77,416
Prepaid items	9,620	-	9,620
Assigned:			
Cafeteria	-	829,851	829,851
Unassigned	(9,620)	-	(9,620)
Total fund balances	<u>\$ -</u>	<u>\$ 907,267</u>	<u>\$ 907,267</u>
Total liabilities and fund balances	<u>\$ 7,078,780</u>	<u>\$ 1,052,664</u>	<u>\$ 8,131,444</u>

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

Total fund balances per above	\$ 907,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,041,356
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(5,124,456)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	5,045,324
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(58,881,656)</u>
Net position of governmental activities	<u>\$ (12,012,165)</u>

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

Exhibit 26

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 16,040	\$ 3,192	\$ 19,232
Charges for services	2,887,110	746,449	3,633,559
Miscellaneous	89,696	74,476	164,172
Recovered costs	32,308	-	32,308
Intergovernmental:			
Local government	25,245,580	-	25,245,580
Commonwealth	32,468,031	45,987	32,514,018
Federal	2,844,753	1,427,322	4,272,075
Total revenues	<u>\$ 63,583,518</u>	<u>\$ 2,297,426</u>	<u>\$ 65,880,944</u>
EXPENDITURES			
Current:			
Education	\$ 63,583,518	\$ 2,305,822	\$ 65,889,340
Total expenditures	<u>\$ 63,583,518</u>	<u>\$ 2,305,822</u>	<u>\$ 65,889,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (8,396)</u>	<u>\$ (8,396)</u>
Net change in fund balances	\$ -	\$ (8,396)	\$ (8,396)
Fund balances - beginning	-	915,663	915,663
Fund balances - ending	<u>\$ -</u>	<u>\$ 907,267</u>	<u>\$ 907,267</u>

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

Net change in fund balances - total governmental funds \$ (8,396)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. 1,342,422

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 4,154,740

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. (2,557,265)

Change in net position of governmental activities \$ 2,931,501

COUNTY OF SHENANDOAH, VIRGINIA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 14,000	\$ 14,000	\$ 16,040	\$ 2,040
Charges for services	3,399,124	3,544,063	2,887,110	(656,953)
Miscellaneous	354,226	246,226	89,696	(156,530)
Recovered costs	40,000	-	32,308	32,308
Intergovernmental:				
Local government	25,942,370	26,077,370	25,245,580	(831,790)
Commonwealth	32,051,808	32,054,869	32,468,031	413,162
Federal	2,658,901	2,658,901	2,844,753	185,852
Total revenues	<u>\$ 64,460,429</u>	<u>\$ 64,595,429</u>	<u>\$ 63,583,518</u>	<u>\$ (1,011,911)</u>
EXPENDITURES				
Current:				
Education	\$ 64,460,429	\$ 64,595,429	\$ 63,583,518	\$ 1,011,911
Total expenditures	<u>\$ 64,460,429</u>	<u>\$ 64,595,429</u>	<u>\$ 63,583,518</u>	<u>\$ 1,011,911</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,724	\$ 3,724	\$ 3,192	\$ (532)
914,500	914,500	746,449	(168,051)
1,000	1,000	74,476	73,476
-	-	-	-
-	-	-	-
45,000	45,000	45,987	987
1,311,953	1,311,953	1,427,322	115,369
<u>\$ 2,276,177</u>	<u>\$ 2,276,177</u>	<u>\$ 2,297,426</u>	<u>\$ 21,249</u>
\$ 2,476,177	\$ 2,476,177	\$ 2,305,822	\$ 170,355
<u>\$ 2,476,177</u>	<u>\$ 2,476,177</u>	<u>\$ 2,305,822</u>	<u>\$ 170,355</u>
\$ (200,000)	\$ (200,000)	\$ (8,396)	\$ 191,604
\$ (200,000)	\$ (200,000)	\$ (8,396)	\$ 191,604
200,000	200,000	915,663	715,663
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 907,267</u>	<u>\$ 907,267</u>

SUPPORTING SCHEDULES

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Schedule 1
 Page 1 of 6

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 25,670,100	\$ 25,670,100	\$ 26,048,283	\$ 378,183
Real and personal public service corporation taxes	1,095,400	1,095,400	1,461,963	366,563
Personal property taxes	8,795,300	8,795,300	10,098,011	1,302,711
Mobile home taxes	22,000	22,000	26,941	4,941
Machinery and tools taxes	2,286,800	2,286,800	2,290,714	3,914
Merchants capital	270,000	270,000	268,204	(1,796)
Penalties	325,000	325,000	348,447	23,447
Interest	250,000	250,000	351,585	101,585
Total general property taxes	<u>\$ 38,714,600</u>	<u>\$ 38,714,600</u>	<u>\$ 40,894,148</u>	<u>\$ 2,179,548</u>
Other local taxes:				
Local sales and use taxes	\$ 3,275,000	\$ 3,275,000	\$ 3,246,390	\$ (28,610)
Consumers' utility taxes	2,000,000	2,000,000	1,881,288	(118,712)
Utility license taxes	28,200	28,200	29,323	1,123
Motor vehicle licenses	840,000	840,000	871,892	31,892
Taxes on recordation and wills	350,000	350,000	347,726	(2,274)
Transient occupancy tax	135,000	135,000	147,569	12,569
Total other local taxes	<u>\$ 6,628,200</u>	<u>\$ 6,628,200</u>	<u>\$ 6,524,188</u>	<u>\$ (104,012)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 24,500	\$ 24,500	\$ 20,313	\$ (4,187)
Land use application fees	38,300	38,300	52,550	14,250
Transfer fees	-	-	2,082	2,082
Permits and other licenses	271,978	271,978	357,664	85,686
Total permits, privilege fees, and regulatory licenses	<u>\$ 334,778</u>	<u>\$ 334,778</u>	<u>\$ 432,609</u>	<u>\$ 97,831</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 75,000	\$ 75,000	\$ 66,671	\$ (8,329)
Revenue from use of money and property:				
Revenue from use of money	\$ 15,000	\$ 51,252	\$ 89,743	\$ 38,491
Revenue from use of property	332,000	332,000	332,591	591
Total revenue from use of money and property	<u>\$ 347,000</u>	<u>\$ 383,252</u>	<u>\$ 422,334</u>	<u>\$ 39,082</u>
Charges for services:				
Excess fees of clerk	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Charges for courthouse security	90,480	90,480	95,344	4,864
Law library fees	26,400	26,400	14,354	(12,046)
Charges for Commonwealth's Attorney	3,700	3,700	4,304	604
Charges for animal protection	12,000	12,000	8,843	(3,157)
Charges for parks and recreation	299,157	299,157	427,623	128,466
Charges for spay and neuter	4,000	4,000	3,865	(135)
Charges for day care	420,000	420,000	390,566	(29,434)
Charges for courthouse maintenance	25,000	25,000	26,112	1,112
Charges for ambulance recoveries	950,000	950,000	821,168	(128,832)
Charges for services - other	-	-	7,908	7,908
Total charges for services	<u>\$ 1,840,737</u>	<u>\$ 1,840,737</u>	<u>\$ 1,800,087</u>	<u>\$ (40,650)</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Schedule 1
 Page 2 of 6

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Miscellaneous:				
Miscellaneous	\$ 168,000	\$ 202,048	\$ 259,827	\$ 57,779
Refunds and recoveries	-	110,639	492,654	382,015
Total miscellaneous	<u>\$ 168,000</u>	<u>\$ 312,687</u>	<u>\$ 752,481</u>	<u>\$ 439,794</u>
Recovered costs:				
Other recovered costs	\$ 608,115	\$ 618,045	\$ 492,482	\$ (125,563)
Total recovered costs	<u>\$ 608,115</u>	<u>\$ 618,045</u>	<u>\$ 492,482</u>	<u>\$ (125,563)</u>
Total revenue from local sources	<u>\$ 48,716,430</u>	<u>\$ 48,907,299</u>	<u>\$ 51,385,000</u>	<u>\$ 2,477,701</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 82,500	\$ 82,500	\$ 35,194	\$ (47,306)
Mobile home titling tax	12,400	12,400	9,529	(2,871)
State recordation tax	180,000	180,000	220,735	40,735
Personal property tax relief funds	3,647,829	3,647,829	3,647,829	-
Total noncategorical aid	<u>\$ 3,922,729</u>	<u>\$ 3,922,729</u>	<u>\$ 3,913,287</u>	<u>\$ (9,442)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 372,989	\$ 372,989	\$ 366,711	\$ (6,278)
Sheriff	1,717,210	1,730,770	1,750,151	19,381
Commissioner of revenue	124,965	124,965	124,505	(460)
Treasurer	128,282	128,409	125,372	(3,037)
Registrar/electoral board	48,954	48,954	57,071	8,117
Clerk of the Circuit Court	322,737	322,737	307,546	(15,191)
Total shared expenses	<u>\$ 2,715,137</u>	<u>\$ 2,728,824</u>	<u>\$ 2,731,356</u>	<u>\$ 2,532</u>
Other categorical aid:				
Litter control grant	\$ 18,000	\$ 18,000	\$ 18,880	\$ 880
Welfare administration and assistance	1,253,000	1,253,000	1,108,611	(144,389)
Forfeited drug assets	-	-	6,327	6,327
DMV grant	-	4,180	-	(4,180)
Comprehensive services act	1,741,400	1,741,400	1,599,153	(142,247)
VJCCCA grant	31,204	31,204	31,204	-
Victim-witness grant	53,367	53,367	61,372	8,005
Wireless E-911 grant	92,000	92,000	115,473	23,473
Fire programs fund	135,397	135,397	128,966	(6,431)
Economic opportunity grant	-	400,000	400,000	-
Extradition of prisoners	-	2,472	2,745	273
Rent health department	-	-	7,200	7,200
Other categorical aid	100,728	296,758	210,060	(86,698)
Total other categorical aid	<u>\$ 3,425,096</u>	<u>\$ 4,027,778</u>	<u>\$ 3,689,991</u>	<u>\$ (337,787)</u>
Total categorical aid	<u>\$ 6,140,233</u>	<u>\$ 6,756,602</u>	<u>\$ 6,421,347</u>	<u>\$ (335,255)</u>
Total revenue from the Commonwealth	<u>\$ 10,062,962</u>	<u>\$ 10,679,331</u>	<u>\$ 10,334,634</u>	<u>\$ (344,697)</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Intergovernmental: (continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 103,276	\$ 103,276	\$ 178,749	\$ 75,473
Categorical aid:				
DMV ground transportation safety grant	\$ 24,760	\$ 24,760	\$ 16,672	\$ (8,088)
U.S. Forest Service Patrol	8,960	8,960	5,280	(3,680)
Bullet proof vest grant	-	6,296	11,197	4,901
Welfare administration and assistance	1,682,000	1,682,000	1,638,552	(43,448)
Forfeited drug assets	1,009,435	1,058,271	143,983	(914,288)
Project lifesaver	-	-	470	470
Homeland security grant	23,509	-	23,509	23,509
Triad grant	-	-	2,650	2,650
Highway planning and construction	177,562	-	311,238	311,238
Other categorical aid	64,000	72,005	-	(72,005)
Total categorical aid	<u>\$ 2,990,226</u>	<u>\$ 2,852,292</u>	<u>\$ 2,153,551</u>	<u>\$ (698,741)</u>
Total revenue from the federal government	<u>\$ 3,093,502</u>	<u>\$ 2,955,568</u>	<u>\$ 2,332,300</u>	<u>\$ (623,268)</u>
Total General Fund	<u>\$ 61,872,894</u>	<u>\$ 62,542,198</u>	<u>\$ 64,051,934</u>	<u>\$ 1,509,736</u>
Debt Service Funds:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous:				
Interest subsidy	\$ 566,000	\$ 566,000	\$ 514,696	\$ (51,304)
Total miscellaneous	<u>\$ 566,000</u>	<u>\$ 566,000</u>	<u>\$ 514,696</u>	<u>\$ (51,304)</u>
Total Debt Service Fund	<u>\$ 566,000</u>	<u>\$ 566,000</u>	<u>\$ 514,696</u>	<u>\$ (51,304)</u>
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 4,291	\$ 54	\$ (4,237)
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 54</u>	<u>\$ (4,237)</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 7,858	\$ 7,858
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,858</u>	<u>\$ 7,858</u>
Revenue from the Commonwealth:				
Burn building	\$ -	\$ -	\$ 79,150	\$ 79,150
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,150</u>	<u>\$ 79,150</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 87,062</u>	<u>\$ 82,771</u>
Total Primary Government	<u>\$ 62,438,894</u>	<u>\$ 63,112,489</u>	<u>\$ 64,653,692</u>	<u>\$ 1,541,203</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 14,000	\$ 14,000	\$ 16,040	\$ 2,040
Total revenue from use of money and property	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 16,040</u>	<u>\$ 2,040</u>
Charges for services:				
Tuition and other payments	\$ 3,399,124	\$ 3,544,063	\$ 2,708,668	\$ (835,395)
Other charges for services	-	-	178,442	178,442
Total charges for services	<u>\$ 3,399,124</u>	<u>\$ 3,544,063</u>	<u>\$ 2,887,110</u>	<u>\$ (656,953)</u>
Miscellaneous:				
Other miscellaneous	\$ 354,226	\$ 246,226	\$ 89,696	\$ (156,530)
Total miscellaneous	<u>\$ 354,226</u>	<u>\$ 246,226</u>	<u>\$ 89,696</u>	<u>\$ (156,530)</u>
Recovered costs:				
Other recovered costs	\$ 40,000	-	\$ 32,308	\$ 32,308
Total revenue from local sources	<u>\$ 3,807,350</u>	<u>\$ 3,804,289</u>	<u>\$ 3,025,154</u>	<u>\$ (779,135)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Shenandoah, Virginia	\$ 25,942,370	\$ 26,077,370	\$ 25,245,580	\$ (831,790)
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax	\$ 6,668,309	\$ 6,668,309	\$ 6,721,802	\$ 53,493
Basic aid	16,571,821	16,571,821	15,990,967	(580,854)
Remedial summer school	82,465	82,465	75,720	(6,745)
Foster home children	52,742	52,742	48,892	(3,850)
GED	15,717	15,717	15,717	-
Gifted and talented	178,985	178,985	173,989	(4,996)
Remedial education	517,915	517,915	503,457	(14,458)
Special education	1,218,624	1,218,624	1,184,604	(34,020)
Textbook payments	366,425	366,425	356,196	(10,229)
Vocational education	619,068	619,068	585,850	(33,218)
Fringe benefits	2,909,464	2,909,464	2,828,242	(81,222)
Early reading intervention	104,647	104,647	100,622	(4,025)
Mentor teacher program	7,454	7,454	5,882	(1,572)
Homebound	9,044	9,044	7,033	(2,011)
Special education regional program	-	-	866,076	866,076
At risk program	443,558	443,558	431,150	(12,408)
Primary class size payments	725,731	725,731	685,241	(40,490)
School technology funds	284,000	284,000	410,000	126,000
School construction	-	-	11,637	11,637
Special education- foster children	-	-	46,003	46,003
Algebra readiness	68,028	68,028	70,142	2,114
English as a second language	225,785	225,785	215,540	(10,245)
Enrollment loss	-	-	14,036	14,036
Virginia preschool initiative payment	483,641	483,641	483,641	-
Academic year governors school	202,431	16,720	291,822	275,102
National board certification bonus	-	-	12,500	12,500
Other categorical aid	295,954	484,726	331,270	(153,456)
Total categorical aid	<u>\$ 32,051,808</u>	<u>\$ 32,054,869</u>	<u>\$ 32,468,031</u>	<u>\$ 413,162</u>
Total revenue from the Commonwealth	<u>\$ 32,051,808</u>	<u>\$ 32,054,869</u>	<u>\$ 32,468,031</u>	<u>\$ 413,162</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Operating Fund (continued):				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,061,330	\$ 1,061,330	\$ 1,259,587	\$ 198,257
Forest reserve	21,178	21,178	14,901	(6,277)
Title II Part A	182,564	182,564	184,035	1,471
Title VI-B	1,229,175	1,229,175	1,206,968	(22,207)
Title III-Part A	34,555	34,555	-	(34,555)
Vocational education	91,967	91,967	105,974	14,007
Preschool	38,132	38,132	47,318	9,186
Other	-	-	25,970	25,970
Total categorical aid	<u>\$ 2,658,901</u>	<u>\$ 2,658,901</u>	<u>\$ 2,844,753</u>	<u>\$ 185,852</u>
Total revenue from the federal government	<u>\$ 2,658,901</u>	<u>\$ 2,658,901</u>	<u>\$ 2,844,753</u>	<u>\$ 185,852</u>
Total School Operating Fund	<u>\$ 64,460,429</u>	<u>\$ 64,595,429</u>	<u>\$ 63,583,518</u>	<u>\$ (1,011,911)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 3,724</u>	<u>\$ 3,724</u>	<u>\$ 3,192</u>	<u>\$ (532)</u>
Charges for services:				
School food services	<u>\$ 914,500</u>	<u>\$ 914,500</u>	<u>\$ 746,449</u>	<u>\$ (168,051)</u>
Miscellaneous:				
Miscellaneous	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 74,476</u>	<u>\$ 73,476</u>
Total revenue from local sources	<u>\$ 919,224</u>	<u>\$ 919,224</u>	<u>\$ 824,117</u>	<u>\$ (95,107)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,987</u>	<u>\$ 987</u>
Total revenue from the Commonwealth	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,987</u>	<u>\$ 987</u>

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Cafeteria Fund (continued):				
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 1,311,953	\$ 1,311,953	\$ 1,269,796	\$ (42,157)
USDA commodities	-	-	157,526	157,526
Total categorical aid	<u>\$ 1,311,953</u>	<u>\$ 1,311,953</u>	<u>\$ 1,427,322</u>	<u>\$ 115,369</u>
Total revenue from the federal government	<u>\$ 1,311,953</u>	<u>\$ 1,311,953</u>	<u>\$ 1,427,322</u>	<u>\$ 115,369</u>
Total School Cafeteria Fund	<u>\$ 2,276,177</u>	<u>\$ 2,276,177</u>	<u>\$ 2,297,426</u>	<u>\$ 21,249</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 66,736,606</u>	<u>\$ 66,871,606</u>	<u>\$ 65,880,944</u>	<u>\$ (990,662)</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 238,490	\$ 238,490	\$ 213,784	\$ 24,706
General and financial information:				
County administrator	\$ 421,620	\$ 429,494	\$ 422,787	\$ 6,707
Budget	253,848	253,848	241,061	12,787
Legal services	72,000	72,000	126,198	(54,198)
Commissioner of revenue	455,041	461,055	439,539	21,516
Reassessment	209,095	209,095	171,626	37,469
Treasurer	547,188	587,208	559,611	27,597
Central accounting	68,000	68,000	74,960	(6,960)
Data processing	133,185	133,185	146,831	(13,646)
Geographic information system	104,955	106,284	101,152	5,132
Total general and financial information	<u>\$ 2,264,932</u>	<u>\$ 2,320,169</u>	<u>\$ 2,283,765</u>	<u>\$ 36,404</u>
Board of elections:				
Electoral board and officials	\$ 96,711	\$ 157,701	\$ 249,113	\$ (91,412)
Registrar	150,673	150,673	114,913	35,760
Total board of elections	<u>\$ 247,384</u>	<u>\$ 308,374</u>	<u>\$ 364,026</u>	<u>\$ (55,652)</u>
Total general government administration	<u>\$ 2,750,806</u>	<u>\$ 2,867,033</u>	<u>\$ 2,861,575</u>	<u>\$ 5,458</u>
Judicial administration:				
Courts:				
Circuit court	\$ 66,240	\$ 66,240	\$ 65,032	\$ 1,208
General district court	7,400	7,400	5,972	1,428
Special magistrates	3,775	3,775	2,664	1,111
Clerk of the circuit court	552,036	559,690	560,413	(723)
Sheriff	684,408	706,757	670,289	36,468
Juvenile domestic	14,475	14,475	8,397	6,078
Law library	23,300	9,300	18,908	(9,608)
Records restoration	-	14,565	14,565	-
Victim witness	54,425	62,430	62,046	384
Total courts	<u>\$ 1,406,059</u>	<u>\$ 1,444,632</u>	<u>\$ 1,408,286</u>	<u>\$ 36,346</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 523,181	\$ 532,712	\$ 541,679	\$ (8,967)
Total judicial administration	<u>\$ 1,929,240</u>	<u>\$ 1,977,344</u>	<u>\$ 1,949,965</u>	<u>\$ 27,379</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,523,712	\$ 4,766,952	\$ 5,006,608	\$ (239,656)
E-911 enforcement and traffic control	-	-	-	-
Total law enforcement and traffic control	<u>\$ 4,523,712</u>	<u>\$ 4,766,952</u>	<u>\$ 5,006,608</u>	<u>\$ (239,656)</u>
Fire and rescue services:				
Volunteer fire department	\$ 745,551	\$ 745,551	\$ 776,737	\$ (31,186)
Ambulance and rescue services	229,402	229,402	275,413	(46,011)
Forest fire extinction	9,495	9,495	9,495	-
Fire and rescue services	3,597,788	3,669,650	3,912,551	(242,901)
Total fire and rescue services	<u>\$ 4,582,236</u>	<u>\$ 4,654,098</u>	<u>\$ 4,974,196</u>	<u>\$ (320,098)</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Public safety: (continued)				
Correction and detention:				
Jail	\$ 2,579,269	\$ 2,579,269	\$ 2,177,188	\$ 402,081
Juvenile probation and detention	469,962	479,638	472,456	7,182
Total correction and detention	<u>\$ 3,049,231</u>	<u>\$ 3,058,907</u>	<u>\$ 2,649,644</u>	<u>\$ 409,263</u>
Inspections:				
Building	\$ 402,405	\$ 403,405	\$ 404,900	\$ (1,495)
Other protection:				
Animal control	\$ 144,967	\$ 145,142	\$ 128,057	\$ 17,085
Animal shelter	256,565	283,432	246,527	36,905
Medical examiner	900	900	1,180	(280)
Emergency services	1,285,044	1,313,664	1,324,970	(11,306)
Total other protection	<u>\$ 1,687,476</u>	<u>\$ 1,743,138</u>	<u>\$ 1,700,734</u>	<u>\$ 42,404</u>
Total public safety	<u>\$ 14,245,060</u>	<u>\$ 14,626,500</u>	<u>\$ 14,736,082</u>	<u>\$ (109,582)</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,148,368	\$ 1,236,488	\$ 1,149,372	\$ 87,116
Total public works	<u>\$ 1,148,368</u>	<u>\$ 1,236,488</u>	<u>\$ 1,149,372</u>	<u>\$ 87,116</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 316,933	\$ 316,933	\$ 316,933	\$ -
Mental health and mental retardation:				
Northwestern Community Services Board	\$ 241,646	\$ 241,646	\$ 241,646	\$ -
Total mental health and mental retardation	<u>\$ 241,646</u>	<u>\$ 241,646</u>	<u>\$ 241,646</u>	<u>\$ -</u>
Welfare administration	\$ 3,957,520	\$ 3,899,765	\$ 3,821,788	\$ 77,977
Comprehensive services act	2,741,574	2,741,574	2,733,244	8,330
Area Agency on Aging	83,000	83,000	83,000	-
Tax relief for the elderly	200,939	200,939	215,677	(14,738)
Other local health and welfare organizations	64,000	64,000	62,000	2,000
Total welfare administration	<u>\$ 7,047,033</u>	<u>\$ 6,989,278</u>	<u>\$ 6,915,709</u>	<u>\$ 73,569</u>
Total health and welfare	<u>\$ 7,605,612</u>	<u>\$ 7,547,857</u>	<u>\$ 7,474,288</u>	<u>\$ 73,569</u>

COUNTY OF SHENANDOAH, VIRGINIA
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 45,511	\$ 45,511	\$ 45,511	\$ -
Contribution to County School Board	25,942,370	25,942,370	25,245,580	696,790
Seven Bends student center	420,000	420,000	394,229	25,771
Total education	<u>\$ 26,407,881</u>	<u>\$ 26,407,881</u>	<u>\$ 25,685,320</u>	<u>\$ 722,561</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 724,565	\$ 728,075	\$ 792,064	\$ (63,989)
Cultural enrichment:				
Contributions to community programs	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Total cultural enrichment	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ -</u>
Library:				
Contribution to County Library	\$ 699,928	\$ 714,238	\$ 723,624	\$ (9,386)
Total parks, recreation, and cultural	<u>\$ 1,430,993</u>	<u>\$ 1,448,813</u>	<u>\$ 1,522,188</u>	<u>\$ (73,375)</u>
Community development:				
Planning and community development:				
Community development	\$ 396,260	\$ 396,260	\$ 370,958	\$ 25,302
Economic development	160,991	725,841	617,592	108,249
Tourism	196,354	192,013	186,506	5,507
Litter control	18,000	18,000	16,869	1,131
Total planning and community development	<u>\$ 771,605</u>	<u>\$ 1,332,114</u>	<u>\$ 1,191,925</u>	<u>\$ 140,189</u>
Environmental management:				
Soil and water conservation district	\$ 288,346	\$ 288,346	\$ 311,561	\$ (23,215)
Total environmental management	<u>\$ 288,346</u>	<u>\$ 288,346</u>	<u>\$ 311,561</u>	<u>\$ (23,215)</u>
Cooperative extension program:				
Extension office	\$ 146,413	\$ 147,043	\$ 125,600	\$ 21,443
Total community development	<u>\$ 1,206,364</u>	<u>\$ 1,767,503</u>	<u>\$ 1,629,086</u>	<u>\$ 138,417</u>
Nondepartmental:				
Judgments and settlements	\$ 475	\$ 514	\$ 189	\$ 325
Revenue refunds	19,550	9,550	13,344	(3,794)
Miscellaneous	555,275	330,639	-	330,639
Total nondepartmental	<u>\$ 575,300</u>	<u>\$ 340,703</u>	<u>\$ 13,533</u>	<u>\$ 327,170</u>
Capital projects:				
Other capital projects	\$ 1,500,207	\$ 1,506,684	\$ 519,620	\$ 987,064
Total capital projects	<u>\$ 1,500,207</u>	<u>\$ 1,506,684</u>	<u>\$ 519,620</u>	<u>\$ 987,064</u>
Debt service:				
Principal	\$ -	\$ -	\$ 336,816	\$ (336,816)
Interest and other fiscal charges	-	-	14,018	(14,018)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,834</u>	<u>\$ (350,834)</u>
Total General Fund	<u>\$ 58,799,831</u>	<u>\$ 59,726,806</u>	<u>\$ 57,891,863</u>	<u>\$ 1,834,943</u>

Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds:				
County Debt Service Fund				
Debt service:				
Principal	\$ 3,760,975	\$ 3,760,975	\$ 3,700,750	\$ 60,225
Interest and other fiscal charges	2,236,685	2,236,685	2,232,533	4,152
Total County Debt Service Fund	<u>\$ 5,997,660</u>	<u>\$ 5,997,660</u>	<u>\$ 5,933,283</u>	<u>\$ 64,377</u>
Capital Projects Funds:				
County Capital Projects Fund				
Capital projects expenditures:				
Shelter modifications	\$ -	\$ 34,793	\$ 24,676	\$ 10,117
Sheriff's office	600,000	-	-	-
Other	70,725	-	-	-
Burn building	140,183	-	132,192	(132,192)
Total County Capital Projects Expenditures	<u>\$ 810,908</u>	<u>\$ 34,793</u>	<u>\$ 156,868</u>	<u>\$ (122,075)</u>
 Total County Capital Projects Fund	 <u>\$ 810,908</u>	 <u>\$ 34,793</u>	 <u>\$ 156,868</u>	 <u>\$ (122,075)</u>
 Total Primary Government	 <u>\$ 65,608,399</u>	 <u>\$ 65,759,259</u>	 <u>\$ 63,982,014</u>	 <u>\$ 1,777,245</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instructional	\$ 49,315,542	\$ 49,418,824	\$ 49,126,956	\$ 291,868
Operating costs:				
Attendance and health services	2,459,143	2,464,293	2,978,776	(514,483)
Pupil transportation	4,470,634	4,479,997	4,759,428	(279,431)
Operation and maintenance of school plant	7,080,138	7,094,966	5,587,462	1,507,504
Electronic technology	1,134,972	1,137,349	1,130,896	6,453
Total operating costs	<u>\$ 15,144,887</u>	<u>\$ 15,176,605</u>	<u>\$ 14,456,562</u>	<u>\$ 720,043</u>
 Total School operating fund	 <u>\$ 64,460,429</u>	 <u>\$ 64,595,429</u>	 <u>\$ 63,583,518</u>	 <u>\$ 1,011,911</u>
School Cafeteria Fund:				
Education:				
School food services:				
School cafeteria	\$ 2,476,177	\$ 2,476,177	\$ 2,305,822	\$ 170,355
 Total school cafeteria fund	 <u>\$ 2,476,177</u>	 <u>\$ 2,476,177</u>	 <u>\$ 2,305,822</u>	 <u>\$ 170,355</u>
 Total Discretely Presented Component Unit School Board	 <u>\$ 66,936,606</u>	 <u>\$ 67,071,606</u>	 <u>\$ 65,889,340</u>	 <u>\$ 1,182,266</u>

STATISTICAL SECTION

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5-10
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	11-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	14-15
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	16-18

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

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COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
Net investment in capital assets	\$ 1,529,687	\$ 821,843	\$ 3,525,823	\$ 4,902,912
Restricted	-	-	315,168	315,168
Unrestricted	18,280,691	17,099,923	8,482,928	5,193,805
Total governmental activities net position	<u>\$ 19,810,378</u>	<u>\$ 17,921,766</u>	<u>\$ 12,323,919</u>	<u>\$ 10,411,885</u>
Business-type Activities:				
Net investment in capital assets	\$ 1,926,523	\$ 2,382,773	\$ 2,686,610	\$ 3,093,376
Restricted	-	-	59,736	-
Unrestricted	2,500,097	2,308,568	1,818,107	1,415,311
Total business-type activities net position	<u>\$ 4,426,620</u>	<u>\$ 4,691,341</u>	<u>\$ 4,564,453</u>	<u>\$ 4,508,687</u>
Primary government:				
Net investment in capital assets	\$ 3,456,210	\$ 3,204,616	\$ 6,212,433	\$ 7,996,288
Restricted	-	-	374,904	315,168
Unrestricted	20,780,788	19,408,491	10,301,035	6,609,116
Total primary government net position	<u>\$ 24,236,998</u>	<u>\$ 22,613,107</u>	<u>\$ 16,888,372</u>	<u>\$ 14,920,572</u>

Table 1

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 3,331,416	\$ (352,810)	\$ 766,198	\$ 2,474,405	\$ 3,945,296	\$ 4,480,259	
4,372,985	3,896,099	6,120,414	4,442,313	3,577,673	3,625,033	
5,091,476	16,893,494	16,233,023	20,139,058	16,908,410	14,305,046	
<u>\$ 12,795,877</u>	<u>\$ 20,436,783</u>	<u>\$ 23,119,635</u>	<u>\$ 27,055,776</u>	<u>\$ 24,431,379</u>	<u>\$ 22,410,338</u>	
\$ 3,633,593	\$ 6,106,858	\$ 6,744,936	\$ 7,182,189	\$ 7,613,307	\$ 11,198,699	
-	-	-	-	-	-	
1,436,310	(9,436,571)	(9,790,291)	(7,811,096)	(9,038,825)	(11,194,508)	
<u>\$ 5,069,903</u>	<u>\$ (3,329,713)</u>	<u>\$ (3,045,355)</u>	<u>\$ (628,907)</u>	<u>\$ (1,425,518)</u>	<u>\$ 4,191</u>	
\$ 6,965,009	\$ 5,754,048	\$ 7,511,134	\$ 9,656,594	\$ 11,558,603	\$ 15,678,958	
4,372,985	3,896,099	6,120,414	4,442,313	3,577,673	3,625,033	
6,527,786	7,456,923	6,442,732	12,327,962	7,869,585	3,110,538	
<u>\$ 17,865,780</u>	<u>\$ 17,107,070</u>	<u>\$ 20,074,280</u>	<u>\$ 26,426,869</u>	<u>\$ 23,005,861</u>	<u>\$ 22,414,529</u>	

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental Activities:				
General government administration	\$ 2,421,199	\$ 2,359,284	\$ 2,817,148	\$ 2,694,098
Judicial administration	1,384,331	1,797,846	1,686,886	1,563,538
Public safety	9,493,390	10,872,246	11,121,538	11,327,324
Public works	4,893,094	6,661,832	5,686,960	3,669,994
Health and welfare	6,588,118	6,589,034	6,331,863	6,147,406
Education	21,503,186	22,671,491	27,122,413	24,147,779
Parks, recreation, and cultural	1,440,098	1,992,628	1,465,416	1,820,175
Community development	1,251,165	883,431	1,151,216	965,207
Interest on long-term debt	2,176,372	2,017,426	2,003,040	2,152,971
Total governmental activities expenses	\$ 51,150,953	\$ 55,845,218	\$ 59,386,480	\$ 54,488,492
Business-type Activities:				
Sanitary Districts	\$ 2,201,825	\$ 2,439,706	\$ 2,600,989	\$ 2,354,749
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Total business-type activities expenses	\$ 2,201,825	\$ 2,439,706	\$ 2,600,989	\$ 2,354,749
Total primary government expenses	\$ 53,352,778	\$ 58,284,924	\$ 61,987,469	\$ 56,843,241
Program Revenues				
Governmental Activities:				
Charges for services:				
General government administration	\$ 6,174	\$ 524	\$ 48,746	\$ 23,382
Judicial administration	340,234	308,142	315,354	269,943
Public safety	93,359	123,461	122,117	122,681
Public works	1,207,667	1,195,032	1,075,280	1,005,193
Health and welfare	-	-	-	-
Education	486,364	494,698	522,635	469,308
Parks, recreation, and cultural	290,833	320,960	357,904	534,855
Community development	509,206	477,440	353,584	340,486
Operating grants and contributions	8,604,101	8,803,623	9,364,373	8,116,656
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	\$ 11,537,938	\$ 11,723,880	\$ 12,159,993	\$ 10,882,504
Business-type Activities:				
Charges for services:				
Sanitary Districts	\$ 1,339,808	\$ 1,414,774	\$ 1,468,721	\$ 1,446,521
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Capital grants and contributions	207,745	563,500	307,694	175,383
Total business-type activities program revenues	\$ 1,547,553	\$ 1,978,274	\$ 1,776,415	\$ 1,621,904
Total primary government program revenues	\$ 13,085,491	\$ 13,702,154	\$ 13,936,408	\$ 12,504,408
Net (expense) / revenue				
Governmental Activities	\$ (39,613,015)	\$ (44,121,338)	\$ (47,226,487)	\$ (43,605,988)
Business-type Activities	(654,272)	(461,432)	(824,574)	(732,845)
Total primary government net expense	\$ (40,267,287)	\$ (44,582,770)	\$ (48,051,061)	\$ (44,338,833)

Table 2

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	2,402,794	\$	2,714,331	\$	2,463,006	\$	1,969,430	\$	2,668,706	\$	2,897,841
	1,794,214		1,908,573		1,982,483		2,073,679		2,083,473		2,042,118
	11,247,826		11,627,376		13,053,085		13,932,695		12,701,606		14,947,334
	4,836,959		1,840,310		1,414,273		1,228,217		1,677,832		1,147,692
	6,728,853		7,462,916		6,971,130		6,420,661		6,513,167		7,143,608
	24,476,243		25,310,174		24,661,559		25,808,176		27,252,564		28,333,067
	1,487,353		1,528,660		1,426,020		1,548,584		1,589,374		1,666,378
	1,606,664		745,870		892,852		1,086,801		732,115		1,491,749
	2,728,110		2,845,792		2,639,028		2,285,296		2,187,944		2,037,564
\$	<u>57,309,016</u>	\$	<u>55,984,002</u>	\$	<u>55,503,436</u>	\$	<u>56,353,539</u>	\$	<u>57,406,781</u>	\$	<u>61,707,351</u>
\$	2,297,808	\$	2,211,341	\$	2,249,735	\$	2,189,967	\$	2,199,988	\$	2,233,317
	-		169,990		209,261		177,751		256,978		272,530
	-		2,768,790		2,833,612		409,841		2,726,110		4,063,526
\$	<u>2,297,808</u>	\$	<u>5,150,121</u>	\$	<u>5,292,608</u>	\$	<u>2,777,559</u>	\$	<u>5,183,076</u>	\$	<u>6,569,373</u>
\$	<u>59,606,824</u>	\$	<u>61,134,123</u>	\$	<u>60,796,044</u>	\$	<u>59,131,098</u>	\$	<u>62,589,857</u>	\$	<u>68,276,724</u>
\$	32,530	\$	41,362	\$	7,903	\$	-	\$	-	\$	-
	292,908		258,918		249,069		196,855		231,627		206,785
	78,043		73,224		1,046,987		924,949		622,799		861,624
	1,070,662		-		-		2,400		8,022		473
	-		-		27,283		-		-		-
	465,158		388,851		355,435		397,445		367,829		390,566
	481,901		454,494		262,619		428,031		383,428		427,623
	330,143		321,647		324,282		329,430		426,174		412,296
	8,500,571		8,043,215		7,994,332		8,941,953		7,492,689		8,263,660
	3,996,634		1,411,363		1,102,782		1,190,549		492,667		390,388
\$	<u>15,248,550</u>	\$	<u>10,993,074</u>	\$	<u>11,370,692</u>	\$	<u>12,411,612</u>	\$	<u>10,025,235</u>	\$	<u>10,953,415</u>
\$	1,555,987	\$	1,534,485	\$	1,628,981	\$	1,650,491	\$	1,662,924	\$	1,823,913
	-		132,693		100,784		105,479		66,336		65,473
	-		1,081,369		1,095,874		1,036,704		1,207,176		1,240,290
	239,000		329,067		515,666		202,000		104,333		36,168
\$	<u>1,794,987</u>	\$	<u>3,077,614</u>	\$	<u>3,341,305</u>	\$	<u>2,994,674</u>	\$	<u>3,040,769</u>	\$	<u>3,165,844</u>
\$	<u>17,043,537</u>	\$	<u>14,070,688</u>	\$	<u>14,711,997</u>	\$	<u>15,406,286</u>	\$	<u>13,066,004</u>	\$	<u>14,119,259</u>
\$	(42,060,466)	\$	(44,990,928)	\$	(44,132,744)	\$	(43,941,927)	\$	(47,381,546)	\$	(50,753,936)
	(502,821)		(2,072,507)		(1,951,303)		217,115		(2,142,307)		(3,403,529)
\$	<u>(42,563,287)</u>	\$	<u>(47,063,435)</u>	\$	<u>(46,084,047)</u>	\$	<u>(43,724,812)</u>	\$	<u>(49,523,853)</u>	\$	<u>(54,157,465)</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property taxes	\$ 29,257,624	\$ 29,220,882	\$ 30,598,287	\$ 31,119,938
Local sales and use taxes	3,113,379	3,238,398	3,313,542	2,909,578
Consumer utility taxes	801,128	477,500	322,715	325,862
Motor vehicle licenses taxes	891,116	552,815	795,000	815,279
Taxes on recordation and wills	1,718,438	2,100,986	1,960,982	1,995,591
Other local taxes	80,565	81,334	132,608	107,777
Unrestricted grants and contributions	4,307,511	4,626,255	3,876,482	3,842,578
Unrestricted revenues from use of money and property	916,709	776,679	326,895	121,661
Miscellaneous	187,605	324,047	302,129	455,690
Transfers	-	-	-	-
Total governmental activities	<u>\$ 41,274,075</u>	<u>\$ 41,398,896</u>	<u>\$ 41,628,640</u>	<u>\$ 41,693,954</u>
Business-type Activities:				
Property taxes	\$ 470,393	\$ 505,237	\$ 522,155	\$ 541,459
Unrestricted grants and contributions	5,143	8,852	-	-
Unrestricted revenues from use of money and property	84,725	106,304	39,957	21,019
Miscellaneous	131,421	105,760	116,020	114,601
Transfers	-	-	-	-
Total business-type activities	<u>\$ 691,682</u>	<u>\$ 726,153</u>	<u>\$ 678,132</u>	<u>\$ 677,079</u>
Total primary government	<u>\$ 41,965,757</u>	<u>\$ 42,125,049</u>	<u>\$ 42,306,772</u>	<u>\$ 42,371,033</u>
Change in Net Position				
Governmental Activities	\$ 1,661,060	\$ (2,722,442)	\$ (5,597,847)	\$ (1,912,034)
Business-type Activities	37,410	264,721	(146,442)	(55,766)
Total primary government	<u>\$ 1,698,470</u>	<u>\$ (2,457,721)</u>	<u>\$ (5,744,289)</u>	<u>\$ (1,967,800)</u>

Table 2

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	31,699,815	\$	33,793,896	\$	35,569,694	\$	37,418,269	\$	39,124,452	\$	41,148,042
	3,048,872		3,168,917		3,224,641		3,207,116		3,262,733		3,246,390
	298,353		1,962,053		1,943,136		1,994,637		1,955,209		1,881,288
	857,901		826,120		825,623		830,861		864,693		871,892
	1,994,437		258,430		347,126		304,745		291,431		347,726
	147,423		164,242		154,857		160,650		166,728		176,892
	3,791,210		3,959,108		3,874,170		4,066,927		4,036,318		4,092,036
	133,941		258,340		130,565		360,343		452,848		422,388
	2,816,283		1,237,842		2,705,887		1,106,265		771,242		782,381
	(343,777)		7,002,886		(1,632,819)		(1,571,745)		(1,363,318)		(4,236,140)
\$	<u>44,444,458</u>	\$	<u>52,631,834</u>	\$	<u>47,142,880</u>	\$	<u>47,878,068</u>	\$	<u>49,562,336</u>	\$	<u>48,732,895</u>
\$	561,634	\$	562,552	\$	592,586	\$	572,600	\$	569,402	\$	580,181
	-		-		-		-		-		-
	19,004		23,331		10,256		6,084		2,685		5,783
	139,622		89,893		-		48,904		59,139		11,134
	343,777		(7,002,886)		1,632,819		1,571,745		1,363,318		4,236,140
\$	<u>1,064,037</u>	\$	<u>(6,327,110)</u>	\$	<u>2,235,661</u>	\$	<u>2,199,333</u>	\$	<u>1,994,544</u>	\$	<u>4,833,238</u>
\$	<u>45,508,495</u>	\$	<u>46,304,724</u>	\$	<u>49,378,541</u>	\$	<u>50,077,401</u>	\$	<u>51,556,880</u>	\$	<u>53,566,133</u>
\$	2,383,992	\$	7,640,906	\$	3,010,136	\$	3,936,141	\$	2,180,790	\$	(2,021,041)
	561,216		(8,399,617)		284,358		2,416,448		(147,763)		1,429,709
\$	<u>2,945,208</u>	\$	<u>(758,711)</u>	\$	<u>3,294,494</u>	\$	<u>6,352,589</u>	\$	<u>2,033,027</u>	\$	<u>(591,332)</u>

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Total
2007	\$ 29,257,624	\$ 3,113,379	\$ 1,718,438	\$ 891,116	\$ 316,013	\$ 35,296,570
2008	29,220,882	3,238,398	2,100,986	552,815	477,500	35,590,581
2009	30,598,287	3,313,542	1,960,982	795,000	322,715	36,990,526
2010	31,119,938	2,909,578	1,995,591	815,279	325,862	37,166,248
2011	31,699,815	3,048,872	1,994,437	857,901	298,353	37,899,378
2012	33,793,896	3,168,917	1,962,053	826,120	258,430	40,009,416
2013	35,569,694	3,224,641	1,943,136	825,623	347,126	41,910,220
2014	37,418,269	3,207,116	1,994,637	830,861	304,745	43,755,628
2015	39,124,452	3,262,733	1,955,209	864,693	291,431	45,498,518
2016	41,148,042	3,246,390	1,881,288	871,892	347,726	47,495,338

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COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	16,656,188	16,823,568	11,621,797	10,747,591
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 16,656,188	\$ 16,823,568	\$ 11,621,797	\$ 10,747,591
All other governmental funds				
Reserved				
Unreserved, reported in:				
Special revenue funds	\$ 464,264	\$ 513,479	\$ 641,844	\$ 566,016
Capital projects funds	7,972,658	8,452,910	8,895,067	18,156,955
Debt service funds	-	-	-	-
Restricted, reported in:				
Capital projects funds	-	-	-	-
Committed, reported in:				
Landfill contingency	-	-	-	-
Assigned, reported in:				
Capital projects funds	-	-	-	-
Special revenue funds	-	-	-	-
Total all other governmental funds	\$ 8,436,922	\$ 8,966,389	\$ 9,536,911	\$ 18,722,971

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

Table 4

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-
42,362	88,905	16,995	39,075	70,758	45,765	
4,372,985	3,896,099	3,938,418	4,217,739	3,509,063	3,625,033	
-	5,035	-	-	-	-	
1,132,855	1,043,063	1,178,694	1,247,724	1,495,113	1,496,740	
<u>9,686,116</u>	<u>9,655,914</u>	<u>10,497,972</u>	<u>12,772,653</u>	<u>13,577,568</u>	<u>10,656,213</u>	
<u>\$ 15,234,318</u>	<u>\$ 14,689,016</u>	<u>\$ 15,632,079</u>	<u>\$ 18,277,191</u>	<u>\$ 18,652,502</u>	<u>\$ 15,823,751</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-
-	-	-	-	182,987	-	-
8,653,713	2,505,751	1,788,689	224,574	68,610	-	
-	39,303	-	-	-	-	
6,918,627	8,046,955	8,780,403	8,192,892	7,937,178	7,863,564	
<u>576,406</u>	<u>99,893</u>	<u>99,903</u>	<u>164,067</u>	<u>188,603</u>	<u>188,603</u>	
<u>\$ 16,148,746</u>	<u>\$ 10,691,902</u>	<u>\$ 10,668,995</u>	<u>\$ 8,581,533</u>	<u>\$ 8,377,378</u>	<u>\$ 8,052,167</u>	

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
General property taxes	\$ 29,159,806	\$ 29,555,714	\$ 30,532,857	\$ 30,805,595
Other local taxes	6,920,639	6,451,033	6,524,847	6,154,087
Permits, privilege fees and regulatory licenses	509,206	550,482	353,584	340,486
Fines and forfeitures	40,655	45,425	91,857	114,651
Revenue from use of money and property	916,709	776,679	326,895	121,661
Charges for services	2,383,976	2,423,291	2,350,179	2,310,711
Miscellaneous	640,321	345,555	302,129	455,690
Recovered costs	741,736	497,325	276,908	312,420
Intergovernmental:				
Commonwealth	10,155,332	10,647,989	10,031,639	10,126,436
Federal	2,440,267	2,185,623	3,209,216	1,832,798
Total revenues	<u>\$ 53,908,647</u>	<u>\$ 53,479,116</u>	<u>\$ 54,000,111</u>	<u>\$ 52,574,535</u>
Expenditures				
General government administration	\$ 2,418,823	\$ 2,401,055	\$ 2,853,762	\$ 2,637,070
Judicial administration	1,379,827	1,709,822	1,677,491	1,553,936
Public safety	9,564,087	11,211,113	10,726,741	10,965,435
Public works	4,110,671	3,598,286	2,920,804	2,686,143
Health and welfare	6,868,977	6,560,503	6,320,719	6,127,943
Education	17,660,412	19,535,900	23,088,598	21,303,551
Parks, recreation and cultural	1,374,490	1,553,319	1,717,606	1,780,076
Community development	718,688	878,681	860,309	965,488
Nondepartmental	30,000	59,500	35,596	196,308
Capital projects	2,177,928	4,016,683	4,021,266	7,338,539
Debt service:				
Principal	3,752,580	3,958,168	4,024,084	4,430,936
Interest and other fiscal charges	2,279,406	2,105,512	2,093,305	1,875,209
Bond issuance costs	-	-	-	-
Total expenditures	<u>\$ 52,335,889</u>	<u>\$ 57,588,542</u>	<u>\$ 60,340,281</u>	<u>\$ 61,860,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,572,758</u>	<u>\$ (4,109,426)</u>	<u>\$ (6,340,170)</u>	<u>\$ (9,286,099)</u>
Other financing sources (uses)				
Transfers in	\$ 5,410,369	\$ 6,266,659	\$ 6,688,843	\$ 6,078,976
Transfers out	(5,410,369)	(6,266,659)	(6,688,843)	(6,078,976)
Refunding bonds issued	-	-	-	-
Bonds issued	313,653	2,329,416	1,356,931	15,760,000
Premium on bonds issued	-	-	-	723,003
Capital leases	718,834	1,643,027	351,990	452,301
Notes Payable	-	-	-	662,649
Total other financing sources (uses)	<u>\$ 1,032,487</u>	<u>\$ 3,972,443</u>	<u>\$ 1,708,921</u>	<u>\$ 17,597,953</u>
Net change in fund balances	<u>\$ 2,605,245</u>	<u>\$ (136,983)</u>	<u>\$ (4,631,249)</u>	<u>\$ 8,311,854</u>
Debt service as a percentage of noncapital expenditures	12.03%	11.32%	10.86%	11.57%

Table 5

							Fiscal Year					
							2011	2012	2013	2014	2015	2016
\$	31,744,361	\$	33,009,862	\$	35,693,366	\$	37,482,790	\$	39,515,727	\$	40,894,148	
	6,346,986		6,379,762		6,495,383		6,498,009		6,540,794		6,524,188	
	330,143		321,647		347,305		349,335		445,277		432,609	
	107,215		77,345		78,423		71,259		83,303		66,671	
	133,941		258,340		130,565		360,343		452,848		509,396	
	2,313,987		1,139,504		1,847,850		1,858,516		1,511,299		1,800,087	
	2,334,514		1,237,842		2,705,887		1,805,065		1,092,112		1,267,177	
	482,269		276,297		499,341		550,983		512,397		492,482	
	10,387,854		9,948,179		10,281,425		10,303,365		9,562,497		10,334,634	
	5,900,561		3,465,508		2,689,859		3,896,064		2,459,177		2,332,300	
\$	<u>60,081,831</u>	\$	<u>56,114,286</u>	\$	<u>60,769,404</u>	\$	<u>63,175,729</u>	\$	<u>62,175,431</u>	\$	<u>64,653,692</u>	
\$	2,228,906	\$	2,435,352	\$	2,540,618	\$	2,463,728	\$	2,735,318	\$	2,861,575	
	1,579,642		1,685,561		1,764,922		1,822,544		1,890,580		1,949,965	
	10,781,294		11,645,005		13,244,694		14,007,900		13,795,977		14,736,082	
	2,983,349		1,100,767		1,062,575		1,172,071		1,088,347		1,149,372	
	6,707,951		6,876,762		6,775,287		6,353,432		6,836,916		7,474,288	
	21,197,950		22,090,351		22,094,286		23,354,643		24,856,868		25,685,320	
	1,469,314		1,487,219		1,384,394		1,408,573		1,465,408		1,522,188	
	930,856		953,673		951,035		1,033,232		1,058,542		1,629,086	
	15,159		133,482		16,891		13,374		14,152		13,533	
	10,764,620		6,628,375		6,932,038		3,535,193		672,597		676,488	
	4,390,177		7,176,059		3,897,642		3,802,563		3,830,034		4,037,566	
	2,932,961		2,800,854		2,569,834		2,476,051		2,396,218		2,246,551	
	-		57,604		156,175		-		-		-	
\$	<u>65,982,179</u>	\$	<u>65,071,064</u>	\$	<u>63,390,391</u>	\$	<u>61,443,304</u>	\$	<u>60,640,957</u>	\$	<u>63,982,014</u>	
\$	<u>(5,900,348)</u>	\$	<u>(8,956,778)</u>	\$	<u>(2,620,987)</u>	\$	<u>1,732,425</u>	\$	<u>1,534,474</u>	\$	<u>671,678</u>	
\$	3,874,348	\$	5,861,710	\$	5,868,257	\$	5,833,132	\$	5,565,693	\$	5,235,600	
	(3,874,348)		(7,192,458)		(7,501,076)		(7,404,877)		(6,929,011)		(9,471,740)	
	-		-		-		-		-		-	
	7,435,000		3,255,000		4,495,000		-		-		-	
	-		499,512		285,655		-		-		-	
	377,850		530,868		393,307		396,970		-		410,500	
	-		-		-		-		-		-	
\$	<u>7,812,850</u>	\$	<u>2,954,632</u>	\$	<u>3,541,143</u>	\$	<u>(1,174,775)</u>	\$	<u>(1,363,318)</u>	\$	<u>(3,825,640)</u>	
\$	<u>1,912,502</u>	\$	<u>(6,002,146)</u>	\$	<u>920,156</u>	\$	<u>557,650</u>	\$	<u>171,156</u>	\$	<u>(3,153,962)</u>	
	13.26%		16.98%		11.84%		10.86%		10.55%		9.98%	

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Total
2007 \$	29,159,806	\$ 3,113,379	\$ 1,718,438	\$ 891,116	\$ 801,128	\$ 35,683,867
2008	29,555,714	3,238,398	1,368,894	552,815	477,500	35,193,321
2009	30,532,857	3,313,542	1,243,628	795,000	322,715	36,207,742
2010	30,805,595	2,909,578	1,248,883	815,279	325,862	36,105,197
2011	31,744,361	3,048,872	1,994,437	857,901	298,353	37,943,924
2012	33,009,862	3,168,917	1,962,053	826,120	258,430	39,225,382
2013	35,693,366	3,224,641	1,943,136	825,623	347,126	42,033,892
2014	37,482,790	3,207,116	1,994,637	830,861	304,745	43,820,149
2015	39,515,727	3,262,733	1,955,209	864,693	291,431	45,889,793
2016	40,894,148	3,246,390	1,881,288	871,892	347,726	47,241,444

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COUNTY OF SHENANDOAH, VIRGINIA

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

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service (2)
2007	\$ 3,715,824,650	\$ 356,334,022	\$ 5,523,101	\$ 73,317,081	\$ 38,950,950	\$ 110,806,557
2008	3,841,542,450	378,309,055	5,539,784	66,351,535	43,652,302	125,063,172
2009	3,921,886,100	372,121,056	5,469,665	60,505,707	48,726,763	122,679,339
2010	4,371,701,000	346,758,402	4,443,414	64,372,075	46,001,179	149,466,288
2011	4,403,310,900	357,328,471	4,360,059	78,202,016	44,439,756	200,723,875
2012	4,413,197,300	363,099,193	4,271,041	74,030,957	45,520,162	194,503,654
2013	4,441,341,600	367,548,462	4,141,738	75,260,772	46,502,386	194,991,068
2014	4,465,692,800	381,440,803	4,202,476	74,590,349	48,541,466	209,304,337
2015	4,479,926,100	393,610,302	4,298,296	70,749,206	47,243,710	222,281,742
2016	4,364,147,300	420,770,509	4,870,181	80,349,258	46,311,933	241,371,336

Source: Commissioner of Revenue

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

Table 7

	Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$	4,300,756,361	\$ 6,242,932,735	68.89%	\$ 7.34
	4,460,458,298	5,680,665,178	78.52%	7.34
	4,531,388,630	5,115,011,435	88.59%	7.92
	4,982,742,358	4,877,868,192	102.15%	7.84
	5,088,365,077	5,202,827,277	97.80%	7.84
	5,094,622,307	4,702,872,987	108.33%	7.92
	5,129,786,026	4,735,332,803	108.33%	8.33
	5,183,772,231	4,785,167,757	108.33%	8.39
	5,218,109,356	4,910,237,467	106.27%	8.39
	5,157,820,517	4,999,826,015	103.16%	8.55

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

Direct Rates											
Fiscal Year		Real Estate		Personal Property		Mobile Homes		Machinery and Tools		Merchants' Capital	Total Direct Rate
2007	\$	0.51	\$	2.86	\$	0.51	\$	2.86	\$	0.60	\$ 7.34
2008		0.51		2.86		0.51		2.86		0.60	7.34
2009		0.51		3.15		0.51		3.15		0.60	7.92
2010		0.47		3.15		0.47		3.15		0.60	7.84
2011		0.47		3.15		0.47		3.15		0.60	7.84
2012		0.51		3.15		0.51		3.15		0.60	7.92
2013		0.54		3.50		0.54		3.15		0.60	8.33
2014		0.57		3.50		0.57		3.15		0.60	8.39
2015		0.57		3.50		0.57		3.15		0.60	8.39
2016		0.60		3.60		0.60		3.15		0.60	8.55

Source: County Commissioner of Revenue

(1) Per \$100 of assessed value

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2007	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
North Shenandoah Investors	Mfg	\$ 20,428,900	0.40%	\$ -	0.00%
Art Mortgage Borrower	Distribution	12,357,400	0.24%	13,795,500	0.32%
Schuller International Inc	Mfg	-	0.00%	9,929,900	0.23%
Howell Metal	Mfg	11,201,000	0.22%	9,845,700	0.23%
Bowman Andros Products	Mfg	9,741,800	0.19%	8,262,600	0.19%
Lowes Home Centers	Retail	9,308,000	0.18%	6,865,300	0.16%
Wal-Mart Real Estate	Retail	8,673,100	0.17%	7,303,100	0.17%
294 Front Royal LLC	Mfg	8,522,300	0.17%	9,163,000	0.21%
Valley Fertilizer and Chemical Co	Retail	8,409,800	0.16%	-	0.00%
Telesat Network Services	Communications	8,026,300	0.16%	8,939,600	0.21%
Masco Cabinetry	Mfg	7,080,600	0.14%	8,032,500	0.19%
Spectrum I Woodstock	Retail	-	0.00%	5,755,800	0.13%
		<u>\$ 103,749,200</u>	<u>2.01%</u>	<u>\$ 87,893,000</u>	<u>2.04%</u>

Source: Commissioner of Revenue

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax (1,3) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy (1,3)		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 28,582,118	\$ 27,256,379	95.36%	\$ 1,303,811	\$ 28,560,190	99.92%
2008	29,698,692	28,304,547	95.31%	1,358,319	29,662,866	99.88%
2009	31,221,250	28,851,374	92.41%	2,320,836	31,172,210	99.84%
2010	31,762,302	28,815,151	90.72%	2,478,284	31,293,435	98.52%
2011	32,838,732	29,867,700	90.95%	2,438,294	32,305,994	98.38%
2012	35,018,934	33,281,231	95.04%	1,039,768	34,320,999	98.01%
2013	36,226,476	33,721,380	93.08%	1,966,700	35,688,080	98.51%
2014	39,644,404	37,448,266	94.46%	1,471,805	38,920,071	98.17%
2015	39,858,420	37,876,812	95.03%	880,366	38,757,178	97.24%
2016	41,321,753	39,421,018	95.40%	-	39,421,018	95.40%

Source: Commissioner of Revenue, County Treasurer's office

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Does not include PPTRA reimbursements from the Commonwealth of Virginia.

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COUNTY OF SHENANDOAH, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	General Obligation Bonds	Notes Payable
2007	\$ 33,817,733	\$ 4,420,500	\$ 4,315,597	\$ 2,020,718	\$ 3,066,198	\$ 20,450
2008	33,403,293	4,088,500	4,179,796	2,860,442	2,838,236	16,330
2009	31,999,361	3,774,000	4,044,912	2,341,443	2,591,701	11,721
2010	45,560,848	3,459,500	4,338,322	1,865,903	2,339,188	6,888
2011	50,367,176	3,145,000	3,972,674	1,060,237	2,284,811	1,379
2012	48,306,971	2,830,500	3,255,000	1,145,505	3,072,421	-
2013	45,442,086	2,516,000	7,595,000	1,131,300	2,802,329	-
2014	42,362,464	2,201,500	7,435,000	1,196,369	2,266,352	-
2015	39,210,472	1,887,000	7,265,000	863,395	1,906,076	-
2016	35,949,790	1,572,500	7,000,000	937,079	1,570,934	-

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

Table 11

<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$ -	\$ 47,661,196	3.91%	\$ 1,190
97,343	47,483,940	3.67%	1,170
71,135	44,834,273	3.38%	1,094
53,284	57,623,933	4.34%	1,404
46,585	60,877,862	4.54%	1,450
4,301	58,614,698	4.24%	1,386
-	59,486,715	3.99%	1,397
-	55,461,685	3.58%	1,299
247,294	51,379,237	3.15%	1,194
187,007	47,217,310	2.85%	1,118

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2007	\$ 38,238,233	\$ -	\$ 38,238,233	0.89%	\$ 955
2008	37,491,793	-	37,491,793	0.84%	924
2009	35,773,361	-	39,818,273	0.88%	972
2010	49,020,348	-	49,020,348	0.98%	1,195
2011	53,512,176	-	53,512,176	1.05%	1,274
2012	51,137,471	-	51,137,471	1.00%	1,209
2013	47,958,086	-	47,958,086	0.93%	1,126
2014	44,563,964	-	44,563,964	0.86%	1,044
2015	41,097,472	-	41,097,472	0.79%	955
2016	37,522,290	-	37,522,290	0.73%	889

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

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Enterprise Fund Revenue Bonds						Coverage
	Water/Sewer/Refuse and Septage Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2007	\$ 2,026,347	\$ 1,824,398	\$ 201,949	\$ 245,747	\$ 152,228	50.74%	
2008	2,132,075	2,040,483	91,592	267,462	147,282	22.08%	
2009	2,147,619	2,149,861	(2,242)	273,088	126,785	-0.56%	
2010	2,121,710	1,925,427	196,283	284,415	116,742	48.93%	
2011	2,276,247	1,863,237	413,010	264,005	102,950	112.55%	
2012	3,424,323	4,594,573	(1,170,250)	249,378	85,698	-349.25%	
2013	3,428,481	4,581,746	(1,153,265)	274,393	142,435	-276.68%	
2014	3,420,262	2,680,364	739,898	535,977	97,195	116.86%	
2015	3,567,662	5,103,920	(1,536,258)	360,276	78,771	-349.91%	
2016	3,726,774	6,505,367	(2,778,593)	335,145	63,841	-696.41%	

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

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2007	40,060	\$ 1,217,984,240	\$ 30,404	40.9	6,155	3.20%
2008	40,589	1,294,383,210	31,890	40.9	6,244	4.70%
2009	40,984	1,326,652,080	32,370	40.9	6,184	8.30%
2010	41,036	1,328,335,320	32,370	40.9	6,106	8.30%
2011	41,993	1,340,290,581	31,917	42.2	6,094	7.00%
2012	42,289	1,380,820,428	32,652	43.5	6,076	6.60%
2013	42,583	1,491,086,328	35,016	43.7	6,069	6.20%
2014	42,684	1,550,624,352	36,328	43.8	6,115	5.60%
2015	43,021	1,630,323,816	37,896	44.0	5,969	4.70%
2016	42,228	1,659,180,348	39,291	44.1	5,913	4.30%

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

Principal Employers
 Current Year and Nine Years Prior

<u>Employer</u>	<u>Fiscal Year 2016</u>		<u>Fiscal Year 2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Shenandoah County School Board	1000+	1	1000+	1
George's Chicken	500 to 999	2	500 to 999	2
Iac Strasburg LLC	500 to 999	3	500 to 999	-
Bowman Andros Products	250 to 499	4	100 to 249	-
R.R. Donnelley and Sons Company	250 to 499	5	500 to 999	-
County of Shenandoah	250 to 499	6	250 to 499	7
Shentel Management Company	250 to 499	7	250 to 499	10
Valley Health System	250 to 499	8	250 to 499	6
Wal Mart	250 to 499	9	250 to 499	8
New Market Poultry LLC	100 to 249	10	-	-
Perry Judd's, Inc.	-	-	500 to 999	3
Lear Operations Corporation	-	-	500 to 999	4
Merillat Corporation	-	-	250 to 499	5
Howell Metal Company	-	-	250 to 499	9

Source: Virginia Employment Commission

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government administration	27	27	27	25	22	22	21	24	24	24
Judicial administration	22	22	20	21	21	19	15	19	19	19
Public safety:										
Sheriff's department	67	72	67	70	70	71	84	69	57	57
Fire and rescue	25	33	33	32	33	34	42	44	48	48
Building inspections	10	10	8	7	7	5	5	6	6	6
Animal control	2	2	2	2	2	2	2	2	2	2
Emergency communications	*	*	*	*	*	*	*	18	18	18
Public works:										
General maintenance	5	5	5	7	7	6	6	6	6	6
Landfill	20	21	20	20	20	22	19	17	17	17
Health and welfare:										
Department of social services	33	36	34	35	35	35	35	35	41	41
Culture and recreation:										
Parks and recreation	5	4	6	5	4	5	5	5	5	5
Library	7	7	7	5	6	6	6	6	6	7
Tourism	*	*	*	*	1	1	1	1	1	1
Community development:										
Planning	4	5	5	5	4	5	5	5	5	5
Totals	<u>227</u>	<u>244</u>	<u>234</u>	<u>234</u>	<u>232</u>	<u>233</u>	<u>246</u>	<u>257</u>	<u>255</u>	<u>256</u>

Source: Individual County departments

* Information unavailable

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Sheriffs department:										
Physical arrests										
Traffic violations/arrests	2003	2115	3222	2800	2200	2110	2070	2195	2138	2269
Civil papers	9654	9918	10479	9269	9163	12308	10500	12428	13141	11912
Fire and rescue:										
Number of calls answered	6253	6520	9967	9998	10303	13124	11150	5933	7232	7426
Building inspections:										
Permits issued	196	113	120	127	88	90	78	82	99	89
Animal control:										
Number of calls answered	1834	1933	2102	1636	1544	1729	1643	1847	1656	1548
Public works										
Landfill:										
Refuse collected (tons/day)	178.0	148	135	130	133	116	117.02	132	138.5	148.3
Recycling (tons/day)	13.5	7.0	6.1	7.5	9.0	7.8	6.8	7.2	7.0	7.3
Health and welfare										
Department of Social Services:										
Caseload	3950	4016	5141	5780	5998	5854	5753	10905	*	10935
Culture and recreation										
Parks and recreation:										
Recreation facility permits	1350	1300	1571	2059	1298	1291	1137	1853	1833	1743
Youth sports participants	2400	1827	1606	1430	1449	1209	1156	1013	1403	1512
Community development										
Planning:										
Zoning permits issued	663	608	434	303	374	438	375	331	260	318
Component Unit - School Board										
Education:										
School age population	6155	6224	6184	6106	6094	6076	6069	6115	5696	5913
Number of teachers	499	512	529	501	496	523	520	521	522	529
Local expenditures per pupil	3430	3486	3509	3433	3440	3557	3711	3832	4116	4414

Source: Individual County departments

* Information unavailable

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	4	4	4	2	2	2	2	2	3	3
Public safety										
Sheriffs department:										
Patrol units	47	49	50	50	47	46	51	56	56	56
Building inspections:										
Vehicles	6	6	5	5	5	4	4	4	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance:										
Trucks/vehicles	4	4	6	6	6	6	6	6	6	7
Landfill:										
Vehicles	21	21	21	20	22	22	23	23	23	19
Equipment	16	16	16	16	16	18	21	21	21	18
Sites	15	14	15	15	15	15	15	16	16	16
Health and welfare										
Department of Social Services:										
Vehicles	10	10	10	10	10	10	12	12	12	12
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	6	6	6	5	5	5	4	4	4	4
Parks acreage	345	345	345	345	345	345	645	645	645	645
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	3	3	3	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	10	10	10	10	10	10	10	10	10	10
School buses	104	104	104	104	109	108	108	110	110	112

Source: Individual County departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Finner, Cox Associates

Staunton, Virginia
November 30, 2016

COUNTY OF SHENANDOAH, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
Department of Agriculture:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental			
Nutrition Assistance Program	10.561	Unavailable	\$ 334,139
Total Department of Agriculture			<u>\$ 334,139</u>
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	Unavailable	\$ 233,050
Refugee and Entrant Assistance - State Administered Programs	93.566	Unavailable	243
Promoting Safe and Stable Families	93.556	Unavailable	17,629
Low-Income Home Energy Assistance	93.568	Unavailable	24,839
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	93.596	Unavailable	35,979
Foster Care - Title IV-E	93.658	Unavailable	237,223
Child and Development Block Grant	93.575	Unavailable	(1,306)
Social Services Block Grant	93.667	Unavailable	12,068
Chafee Education and Training Vouchers	93.599	Unavailable	68
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	Unavailable	1,508
Chafee Foster Care Independence Program	93.674	Unavailable	3,050
Social Services Block Grant	93.667	Unavailable	163,072
Children's Health Insurance Program	93.767	Unavailable	13,978
Adoption Assistance	93.659	Unavailable	142,290
Medical Assistance Program	93.778	Unavailable	420,722
Total Department of Health and Human Services			<u>\$ 1,304,413</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	Unavailable	\$ 23,509
Total Department of Homeland Security			<u>\$ 23,509</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Project Lifesaver	16.000	Unavailable	\$ 470
U.S. Forest Service Patrol	16.000	Unavailable	5,280
Subtotal			<u>\$ 5,750</u>
Equitable Sharing Program	16.922	Unavailable	446,688
Bulletproof Vest Partnership Program	16.607	Unavailable	11,197
Triad Grant	16.000	Unavailable	2,650
Total Department of Justice			<u>\$ 466,285</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway			
Alcohol Open Container Requirements	20.607	154AL-2016-56163-6363	\$ 9,826
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Unavailable	6,846
Highway Planning and Construction	20.205	Unavailable	311,238
Total Department of Transportation			<u>\$ 327,910</u>
Total Expenditures of Federal Awards - Primary Government			<u><u>\$ 2,456,256</u></u>
COMPONENT UNIT SCHOOL BOARD:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	Unavailable	\$ 139,569
National School Lunch Program	10.555	Unavailable	1,130,227
Department of Agriculture:			
Child Nutrition Cluster:			
Commodities-School Lunch	10.555	Unavailable	157,526
Subtotal CFDA 10.555			<u>\$ 1,287,753</u>
Total Department of Agriculture Child Nutrition Cluster			<u>\$ 1,427,322</u>
Schools and Roads - Grants to States	10.665	Unavailable	14,901
Total Department of Agriculture			<u>\$ 1,442,223</u>
Department of Education:			
Pass Through Payments:			
Title I Grants to Local Educational Agencies	84.010	Unavailable	\$ 1,259,587
Supporting Effective Instruction State Grant	84.367	Unavailable	184,035
Special Education Cluster:			
Special Education - State Grants	84.027	Unavailable	\$ 1,206,968
Special Education - Preschool Grants	84.173	Unavailable	47,318
Total Special Education Cluster:			<u>\$ 1,254,286</u>
Career and Technical Education - Basic Grants to States	84.048	Unavailable	105,974
English Language Acquisition State Grants	84.365	Unavailable	25,437
Advanced Placement Program	84.330	Unavailable	533
Total Department of Education			<u>\$ 2,829,852</u>
Total Expenditures of Federal Awards Component Unit School Board			<u><u>\$ 4,272,075</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 6,728,331</u></u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Shenandoah, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Shenandoah, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Shenandoah, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the County had food commodities totaling \$77,416 in inventory.

NOTE D-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:	\$	2,332,300
Reconciling items:		
Expenditures with forfeited drug asset proceeds in excess of current year revenues		302,705
Payment in lieu of taxes not included above		(178,749)
Total primary government	\$	<u>2,456,256</u>
Discretely presented component unit - School Board	\$	<u>4,272,075</u>
Total discretely presented component unit - School Board	\$	<u>4,272,075</u>
Total expenditures of federal awards per basic financial statements	\$	<u><u>6,728,331</u></u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$	<u><u>6,728,331</u></u>

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes x no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
93.778	Medical Assistance Program
	Special Education Cluster
84.027	Special Education-State Grants
84.367	Special Education-Preschool Grants
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF SHENANDOAH, VIRGINIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

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