

FINANCIAL STATEMENTS



COUNTY OF BUCHANAN, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2016

COUNTY OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**COUNTY OF BUCHANAN, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

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FINANCIAL REPORT
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INTRODUCTORY SECTION

COUNTY OF BUCHANAN, VIRGINIA

BOARD OF SUPERVISORS

Trey Adkins William Harris G. Roger Rife	James Branham, Chairman	Buddy Fuller Earl Scott Craig Stiltner
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COUNTY SCHOOL BOARD

Earl Ball Angie McClanahan Tim Prater	David Thornbury, Chairman Carolyn Dillow, Clerk	Heath Harrison Scotty Owens Dennis Vandyke
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OTHER OFFICIALS

Judge of the Circuit Court	Patrick Johnson
Clerk of the Circuit Court	Beverly Tiller
Judge of the General District Court	Richard Patterson
Judge of the Juvenile & Domestic Relations Court	Michael Dennis
Commonwealth's Attorney	Gerald Arrington
Commissioner of the Revenue	Anna Ruth Horn
Treasurer	Billy J. Keene
Sheriff	Ray Foster
Superintendent of Schools	Melanie Hibbitts
Director of Social Services	Ruth E. Horn
County Administrator	Robert Craig Horn
County Attorney	Lee Moise

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
The Board of Supervisors
County of Buchanan, 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 Buchanan, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Emphasis of Matter

As reported in Note 22 to the financial statements, the County has historically relied on coal and methane related taxes to support operations. These taxes have decreased significantly in recent periods as the demand for and selling prices of these products has decreased significantly. Our opinion is not modified with respect of this matter.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Buchanan, 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 23 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to OPEB funding and pension on pages 73-75 and 76-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Robinson, Fauner, Cox Associates

Blacksburg, Virginia
November 28, 2016

Basic Financial Statements

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

	Primary Government	Component Unit	Component Unit	Component Unit
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Public Service Authority</u>	<u>Industrial Development Authority</u>
ASSETS				
Cash and cash equivalents	\$ 16,467,897	\$ 5,323,989	\$ 3,052,676	\$ 1,418,559
Receivables (net of allowance for uncollectibles):				
Taxes receivable	24,963,893	-	-	-
Accounts receivable	807,939	104,618	474,968	-
Grants receivable	-	-	-	255,483
Due from other governmental units	2,256,691	1,327,869	776,796	25,633
Prepaid items	118,894	115,854	86,764	-
Notes receivable (current portion)	-	-	-	1,402,065
Restricted assets:				
Cash and cash equivalents	19,362,882	-	535,264	3,000,000
Notes receivable (net of current portion)	-	-	-	42,278
Capital assets (net of accumulated depreciation):				
Land	2,062,721	2,436,395	105,000	23,952,740
Buildings and improvements	8,863,133	5,460,259	60,178	-
Machinery and equipment	2,765,811	659,801	170,339	-
Utility plant and equipment	-	-	92,001,416	-
Buildings and improvements and infrastructure	-	-	-	28,868,013
Construction in progress	8,773,851	-	9,476,977	-
Total assets	<u>\$ 86,443,712</u>	<u>\$ 15,428,785</u>	<u>\$ 106,740,378</u>	<u>\$ 58,964,771</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 1,249,399	\$ 2,536,855	\$ 211,244	\$ -
Total deferred inflows of resources	<u>\$ 1,249,399</u>	<u>\$ 2,536,855</u>	<u>\$ 211,244</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 2,582,398	\$ 205,770	\$ 804,997	\$ 1,363
Accrued wages	-	4,812,033	30,554	-
Customers' deposits	-	-	157,182	-
Accrued interest payable	114,157	-	30,153	-
Long-term liabilities:				
Due within one year	1,856,743	1,063,133	1,371,138	255,000
Due in more than one year	20,342,935	34,576,880	15,764,104	6,070,152
Total liabilities	<u>\$ 24,896,233</u>	<u>\$ 40,657,816</u>	<u>\$ 18,158,128</u>	<u>\$ 6,326,515</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 21,951,378	\$ -	\$ -	\$ -
Items related to measurement of net pension liability	1,327,692	2,386,011	225,529	-
Change in proportionate share of net pension liability	-	2,036,000	-	-
Total deferred inflows of resources	<u>\$ 23,279,070</u>	<u>\$ 4,422,011</u>	<u>\$ 225,529</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 12,490,734	\$ 8,556,455	\$ 86,219,153	\$ 45,101,258
Restricted	20,059,177	81,264	535,264	3,000,000
Unrestricted	6,967,897	(35,751,906)	1,813,548	4,536,998
Total net position	<u>\$ 39,517,808</u>	<u>\$ (27,114,187)</u>	<u>\$ 88,567,965</u>	<u>\$ 52,638,256</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						School Board	Public Service Authority	Industrial Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,882,937	\$ 11,962	\$ 469,296	\$ -	\$ (2,401,679)	\$ -	\$ -	\$ -
Judicial administration	1,734,853	14,362	746,610	-	(973,881)	-	-	-
Public safety	7,865,210	122,532	1,670,964	-	(6,071,714)	-	-	-
Public works	11,243,516	469,940	145,117	-	(10,628,459)	-	-	-
Health and welfare	9,912,486	-	7,048,172	-	(2,864,314)	-	-	-
Education	10,548,453	-	-	-	(10,548,453)	-	-	-
Parks, recreation, and cultural	1,755,004	107,887	112,366	-	(1,534,751)	-	-	-
Community development	10,541,739	-	-	4,747,962	(5,793,777)	-	-	-
Interest on long-term debt	375,812	-	-	-	(375,812)	-	-	-
Total governmental activities	\$ 56,860,010	\$ 726,683	\$ 10,192,525	\$ 4,747,962	\$ (41,192,840)	\$ -	\$ -	\$ -
Total primary government	\$ 56,860,010	\$ 726,683	\$ 10,192,525	\$ 4,747,962	\$ (41,192,840)	\$ -	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 33,026,666	\$ 324,340	\$ 21,364,800	\$ -	\$ -	\$ (11,337,526)	\$ -	\$ -
Public Service Authority	9,620,138	5,902,768	-	6,479,325	-	-	2,761,955	-
Industrial Development Authority	1,000,566	413,836	-	2,203,079	-	-	-	1,616,349
Total component units	\$ 43,647,370	\$ 6,640,944	\$ 21,364,800	\$ 8,682,404	\$ -	\$ (11,337,526)	\$ 2,761,955	\$ 1,616,349
General revenues:								
General property taxes	\$ 18,651,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes	1,572,765	-	-	-	-	-	-	-
Consumers' utility taxes	358,995	-	-	-	-	-	-	-
Mineral license tax	4,338,710	-	-	-	-	-	-	-
Methane gas tax	419,947	-	-	-	-	-	-	-
Coal road taxes	4,338,707	-	-	-	-	-	-	-
Other local taxes	501,571	-	-	-	-	-	-	-
Unrestricted revenues from use of money and property	112,839	16,768	-	-	16,768	-	210	4,840
Miscellaneous	540,611	186,935	-	-	186,935	-	-	8,846
Contributions from Buchanan County	-	10,379,989	-	-	10,379,989	-	2,405,484	556,250
Grants and contributions not restricted to specific programs	2,671,849	-	-	-	-	-	-	-
Total general revenues	\$ 33,507,855	\$ 10,583,692	\$ 2,405,694	\$ 569,936	\$ 33,507,855	\$ 10,583,692	\$ 2,405,694	\$ 569,936
Change in net position	(7,684,985)	(753,834)	5,167,649	2,186,285	(7,684,985)	(753,834)	5,167,649	2,186,285
Net position - beginning, as restated	47,202,793	(26,360,353)	83,400,316	50,451,971	47,202,793	(26,360,353)	83,400,316	50,451,971
Net position - ending	\$ 39,517,808	\$ (27,114,187)	\$ 88,567,965	\$ 52,638,256	\$ 39,517,808	\$ (27,114,187)	\$ 88,567,965	\$ 52,638,256

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 15,013,781	\$ -	\$ 29,670	\$ 15,043,451
Receivables (net of allowance for uncollectibles):				
Taxes receivable	24,620,334	343,559	-	24,963,893
Accounts receivable	807,939	-	-	807,939
Due from other funds	-	100,000	-	100,000
Due from other governmental units	2,256,691	-	-	2,256,691
Prepaid items	118,894	-	-	118,894
Restricted assets:				
Cash and cash equivalents	11,310,755	8,052,127	-	19,362,882
Total assets	<u>\$ 54,128,394</u>	<u>\$ 8,495,686</u>	<u>\$ 29,670</u>	<u>\$ 62,653,750</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,410,688	\$ 283,863	\$ -	\$ 1,694,551
Due to other funds	-	-	100,000	100,000
Total liabilities	<u>\$ 1,410,688</u>	<u>\$ 283,863</u>	<u>\$ 100,000</u>	<u>\$ 1,794,551</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 24,366,441	\$ -	\$ -	\$ 24,366,441
Total deferred inflows of resources	<u>\$ 24,366,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,366,441</u>
Fund balances:				
Nonspendable	\$ 118,894	-	-	\$ 118,894
Restricted (Note 16)	11,310,755	8,211,823	-	19,522,578
Assigned (Note 16)	3,095,034	-	-	3,095,034
Unassigned	13,826,582	-	(70,330)	13,756,252
Total fund balances	<u>\$ 28,351,265</u>	<u>\$ 8,211,823</u>	<u>\$ (70,330)</u>	<u>\$ 36,492,758</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,128,394</u>	<u>\$ 8,495,686</u>	<u>\$ 29,670</u>	<u>\$ 62,653,750</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 36,492,758
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 2,062,721	
Buildings and improvements	8,863,133	
Machinery and equipment	2,765,811	
Construction in progress	<u>8,773,851</u>	22,465,516
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unearned revenues	\$ 2,415,063	
Items related to measurement of net pension liability	<u>(1,327,692)</u>	1,087,371
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		536,599
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.		1,249,399
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and capital leases	\$ (9,974,782)	
Accrued interest payable	(114,157)	
Accrued landfill closure/postclosure monitoring costs	(26,359)	
Compensated absences	(602,945)	
Net OPEB obligation	(769,219)	
Net pension liability	<u>(10,826,373)</u>	(22,313,835)
Net position of governmental activities		<u>\$ 39,517,808</u>

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 18,713,474	\$ -	\$ -	\$ 18,713,474
Other local taxes	7,191,988	4,338,707	-	11,530,695
Permits, privilege fees, and regulatory licenses	59,045	-	-	59,045
Fines and forfeitures	2,153	-	-	2,153
Revenue from the use of money and property	89,731	23,108	-	112,839
Charges for services	665,285	200	-	665,485
Miscellaneous	540,611	-	-	540,611
Recovered costs	416,404	-	-	416,404
Intergovernmental	16,979,755	632,581	-	17,612,336
Total revenues	<u>\$ 44,658,446</u>	<u>\$ 4,994,596</u>	<u>\$ -</u>	<u>\$ 49,653,042</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,674,089	\$ -	\$ -	\$ 2,674,089
Judicial administration	1,677,499	-	-	1,677,499
Public safety	8,523,901	-	-	8,523,901
Public works	5,037,768	5,459,700	-	10,497,468
Health and welfare	9,635,191	-	113,535	9,748,726
Education	12,216,413	-	-	12,216,413
Parks, recreation, and cultural	1,467,776	-	-	1,467,776
Community development	8,089,385	2,465,816	-	10,555,201
Capital projects	860,143	-	-	860,143
Debt service:				
Principal retirement	1,195,546	-	-	1,195,546
Interest and other fiscal charges	465,756	-	-	465,756
Total expenditures	<u>\$ 51,843,467</u>	<u>\$ 7,925,516</u>	<u>\$ 113,535</u>	<u>\$ 59,882,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,185,021)</u>	<u>\$ (2,930,920)</u>	<u>\$ (113,535)</u>	<u>\$ (10,229,476)</u>
Net change in fund balances	\$ (7,185,021)	\$ (2,930,920)	\$ (113,535)	\$ (10,229,476)
Fund balances - beginning	35,536,286	11,142,743	43,205	46,722,234
Fund balances - ending	<u>\$ 28,351,265</u>	<u>\$ 8,211,823</u>	<u>\$ (70,330)</u>	<u>\$ 36,492,758</u>

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

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

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

Net change in fund balances - total governmental funds \$(10,229,476)

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.

Capital outlays	\$ 4,704,198	
Depreciation expenses	<u>(1,953,759)</u>	2,750,439

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

Property taxes	\$ (61,613)	
Change in deferred inflows of resources related to the measurement of the net pension liability	<u>594,652</u>	533,039

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.

Principal repayments:		
General obligation bonds	\$ 955,083	
Capital leases	240,463	
Increase in landfill accrued closure and post-closure monitoring costs	<u>(235)</u>	1,195,311

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

Change in compensated absences	\$ 26,011	
Change in net pension liability	(48,273)	
Change in deferred outflows of resources related to pensions	20,699	
Change in net OPEB obligation	194,217	
Change in accrued interest payable	<u>89,944</u>	282,598

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

(2,216,896)

Change in net position of governmental activities

\$ (7,684,985)

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

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

	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,424,446
Total assets	<u>\$ 1,424,446</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 887,847
Total liabilities	<u>\$ 887,847</u>
NET POSITION	
Restricted for health insurance claims	\$ 536,599
Total net position	<u><u>\$ 536,599</u></u>

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

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

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,157,085
Total operating revenues	<u>\$ 10,157,085</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 12,380,040
Total operating expenses	<u>\$ 12,380,040</u>
Operating income (loss)	<u>\$ (2,222,955)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 6,059
Total nonoperating revenues (expenses)	<u>\$ 6,059</u>
Change in net position	\$ (2,216,896)
Total net position - beginning	<u>2,753,495</u>
Total net position - ending	<u><u>\$ 536,599</u></u>

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

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

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,157,085
Payments for premiums	<u>(12,193,158)</u>
Net cash provided by (used for) operating activities	<u>\$ (2,036,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 6,059
Net cash provided by (used for) investing activities	<u>\$ 6,059</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,030,014)
Cash and cash equivalents - beginning	3,454,460
Cash and cash equivalents - ending	<u><u>\$ 1,424,446</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (2,222,955)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	\$ 186,882
Total adjustments	<u>\$ 186,882</u>
Net cash provided by (used for) operating activities	<u><u>\$ (2,036,073)</u></u>

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

County of Buchanan, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2016

	Special Welfare <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 29,519
Total assets	<u>\$ 29,519</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 29,519
Total liabilities	<u>\$ 29,519</u>

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

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity:

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

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

The Buchanan County Public Service Authority ("PSA") provides water and sewer service to the County. The Public Service Authority board members are appointed by the Board of Supervisors. In addition, the County provides operational support. The complete financial report for the Authority may be obtained directly from the Authority.

The Buchanan County Industrial Development Authority ("IDA") encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices in the Buchanan County Courthouse, Grundy, Virginia 24614.

Related Organizations - The County has no related organizations.

Jointly Governed Organizations - The County participates in the Cumberland Mountain Regional Community Services Board. Contributions for the year ended June 30, 2016 were \$22,000.

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

B. Government-wide and fund financial statements:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 and major individual enterprise funds, if any, 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.

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

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

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

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

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

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

The 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 other funds. The general fund includes the activities of numerous funds merged for financial reporting purposes only. Fund balances of merged funds are either designated or restricted in the balance sheet.

The *coal road fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the specified purpose of improvements to roads used in conjunction with coal mining.

The *disaster relief fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources from the state and federal governments that are restricted or committed to expenditure for the specified purpose of natural disasters.

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

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare fund.

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 Public Service Authority 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 County's internal service fund are charges to employees for insurance premiums. Operating expenses for the internal service fund include insurance claims and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

D. Deferred Outflows/Inflows of Resources (Continued)

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

E. 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.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

3. Receivables and payables

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

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

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

3. Receivables and payables (Continued)

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

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$3,862,460 at June 30, 2016 and is comprised solely of delinquent property taxes.

6. Use of estimates

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

7. Capital assets

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

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

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. No interest was capitalized during the current or previous year.

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

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

7. Capital assets (Continued)

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	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 40
Machinery and equipment	5 - 12

8. Compensated absences

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

9. Long-term obligations

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

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

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

- E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:
(Continued)

10. Fund equity

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

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

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

The County establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (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).

11. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

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

11. Net Position (Continued)

- Restricted—consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

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.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information:

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

1. Prior to 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. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The School Operating Fund is integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information: (Continued)

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

B. Excess of expenditures over appropriations:

In the year ended June 30, 2016, the County's expenditures did not exceed its appropriations for any fund.

C. Deficit fund equity:

At June 30, 2016, the disaster relief fund reported deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The County did not have any investments at the end of the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 273,376	\$ -
State sales tax	-	561,188
Categorical aid	270,010	-
Non-categorical aid	315,677	-
Comprehensive Services Act	232,129	-
Virginia public assistance funds	196,136	-
<u>Federal Government:</u>		
Virginia public assistance funds	300,428	-
Abandoned Mine Land Reclamation	216,523	-
Community Development Block Grant	452,412	-
Categorical aid	-	766,681
	<u>2,256,691</u>	<u>1,327,869</u>
Totals	<u>\$ 2,256,691</u>	<u>\$ 1,327,869</u>

Note 5-Interfund Transfers and Balance:

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.

	<u>Due From</u>	<u>Due To</u>
Coal Road Fund	\$ 100,000	\$ -
Disaster Relief Fund	-	100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Cash transfers to the Disaster Relief Fund have been necessary in the past to cover expenses the Fund. Amounts due will be returned to the Coal Road Fund as resources are available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bonds	\$ 6,162,427	\$ -	\$ (955,083)	\$ 5,207,344
Capital leases	5,007,901	-	(240,463)	4,767,438
Landfill closure and post closure liability	26,124	235	-	26,359
Compensated absences	628,956	445,706	(471,717)	602,945
Net OPEB obligation	963,436	83,602	(277,819)	769,219
Net pension liability	<u>10,778,100</u>	<u>3,795,809</u>	<u>(3,747,536)</u>	<u>10,826,373</u>
Total	<u>\$ 23,566,944</u>	<u>\$4,325,352</u>	<u>\$ (5,692,618)</u>	<u>\$ 22,199,678</u>

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,039,063	\$ 196,267
2018	1,054,017	151,263
2019	1,069,572	105,534
2020	1,035,756	60,325
2021	852,598	20,958
2022	<u>156,338</u>	<u>1,115</u>
Totals	<u>\$ 5,207,344</u>	<u>\$ 535,462</u>

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Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$4,000,000 school bonds series 1999A, issued April 5, 1999 with interest payable semiannually at rates varying from 4.35% to 5.225% and annual principal installments of \$200,000 due through 2020	\$ 800,000	\$ 200,000
\$1,000,000 school bonds series 1998B, issued October 5, 1998 with interest payable semiannually at rates varying from 3.6% to 5.1% and annual principal installments of \$50,000 due through 2019	150,000	50,000
\$3,500,000 school bonds series 2000A, issued May 18, 2000 with interest payable semiannually at rates varying from 5.10% to 6.35% and annual principal installments of \$175,000 due through 2021	875,000	175,000
\$5,740,370 school bonds series 2000B, issued October 10, 2000 with interest payable semiannually at rates varying from 4.975% to 5.85% and annual principal amounts varying from \$234,625 to \$369,332 due through July 15, 2020	1,741,482	328,306
\$2,332,000 Department of Mines, Mineral, and Energy loan, issued April 23, 2012 with quarterly interest payable at an annual interest rate of 1.90% and annual principal amounts varying from \$135,620 to \$308,266 due through October 30, 2021	<u>1,640,862</u>	<u>285,757</u>
Total General Obligation Bonds	<u>\$ 5,207,344</u>	<u>\$ 1,039,063</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Capital leases (See Note 11)	\$ 4,767,438	\$ 365,471
Landfill closure and post closure monitoring liability	26,359	-
Compensated absences	602,945	452,209
Net OPEB obligation	769,219	-
Net pension liability	<u>10,826,373</u>	<u>-</u>
 Total Other Obligations	 <u>\$ 16,992,334</u>	 <u>\$ 817,680</u>
 Total Long-Term Obligations	 <u>\$ 22,199,678</u>	 <u>\$ 1,856,743</u>

Note 7-Long-Term Obligations-Component Units:

Discretely Presented Component Unit-School Board-Indebtedness:

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

	<u>Balance July 1, 2015, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Compensated absences	\$ 1,058,970	\$ 788,801	\$ (794,228)	\$ 1,053,543
Net OPEB obligation	691,799	1,627,053	(1,151,858)	1,166,994
Early retirement incentive plan	1,697,182	-	(340,277)	1,356,905
Net pension liability	<u>31,554,124</u>	<u>8,427,112</u>	<u>(7,918,665)</u>	<u>32,062,571</u>
 Total	 <u>\$ 35,002,075</u>	 <u>\$ 10,842,966</u>	 <u>\$ (10,205,028)</u>	 <u>\$ 35,640,013</u>

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Note 7-Long-Term Obligations-Component Units: (Continued)

Discretely Presented Component Unit-School Board-Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Compensated Absences	\$ 1,053,543	\$ 790,157
Net OPEB obligation	1,166,994	-
Early retirement incentive plan	1,356,905	272,976
Net pension liability	<u>32,062,571</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ 35,640,013</u>	 <u>\$ 1,063,133</u>

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Note 8-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County, Component Unit Public Service Authority, 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.

Note 8-Pension Plan:

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.

Note 8-Pension Plan:

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>

Note 8-Pension Plan:

Plan Description (Continued)

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

Note 8-Pension Plan:

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 8-Pension Plan:

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<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>

Note 8-Pension Plan:

Plan Description (Continued)

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

Note 8-Pension Plan:

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>

Note 8-Pension Plan:

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>

Note 8-Pension Plan:

Plan Description (Continued)

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

Note 8-Pension Plan:

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>

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

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

Employees Covered by Benefit Terms

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

	<u>Primary Government (Including PSA)</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	171	161
Inactive members:		
Vested inactive members	26	7
Non-vested inactive members	54	12
Inactive members active elsewhere in VRS	<u>56</u>	<u>17</u>
Total inactive members	136	36
Active members	<u>278</u>	<u>113</u>
Total covered employees	<u><u>585</u></u>	<u><u>310</u></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.

Note 8-Pension Plan: (Continued)

Contributions (Continued)

The County's contractually required contribution rate for the year ended June 30, 2016 was 13.50% 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 \$1,249,399 and \$1,210,444 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit Public Service Authority contractually required contribution rate for the year ended June 30, 2016 was 13.50% 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 Component Unit Public Service Authority were \$211,244 and \$205,611 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 22.64% 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 Component Unit School Board's nonprofessional employees were \$495,368 and \$511,145 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

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

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Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's, Component Unit Public Service Authority'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

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

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in 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.

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Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

Note 8-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County, Component Unit Public Service Authority, 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	\$ 42,199,750	\$ 31,421,650	\$ 10,778,100
Changes for the year:			
Service cost	\$ 890,472	\$ -	\$ 890,472
Interest	2,885,434	-	2,885,434
Differences between expected and actual experience	(639,454)	-	(639,454)
Contributions - employer	-	1,210,444	(1,210,444)
Contributions - employee	-	464,747	(464,747)
Net investment income	-	1,432,891	(1,432,891)
Benefit payments, including refunds of employee contributions	(1,958,543)	(1,958,543)	-
Administrative expenses	-	(19,600)	19,600
Other changes	-	(303)	303
Net changes	\$ 1,177,909	\$ 1,129,636	\$ 48,273
Balances at June 30, 2015	\$ 43,377,659	\$ 32,551,286	\$ 10,826,373

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit Public Service Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,168,230	\$ 5,337,416	\$ 1,830,814
Changes for the year:			
Service cost	\$ 151,259	\$ -	\$ 151,259
Interest	490,132	-	490,132
Differences between expected and actual experience	(108,620)	-	(108,620)
Contributions - employer	-	205,611	(205,611)
Contributions - employee	-	78,944	(78,944)
Net investment income	-	243,397	(243,397)
Benefit payments, including refunds of employee contributions	(332,686)	(332,686)	-
Administrative expenses	-	(3,329)	3,329
Other changes	-	(52)	52
Net changes	\$ 200,085	\$ 191,885	\$ 8,200
Balances at June 30, 2015	\$ 7,368,315	\$ 5,529,301	\$ 1,839,014

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 18,133,572	\$ 11,489,448	\$ 6,644,124
Changes for the year:			
Service cost	\$ 205,782	\$ -	\$ 205,782
Interest	1,221,718	-	1,221,718
Differences between expected and actual experience	(293,727)	-	(293,727)
Contributions - employer	-	511,145	(511,145)
Contributions - employee	-	112,065	(112,065)
Net investment income	-	502,728	(502,728)
Benefit payments, including refunds of employee contributions	(1,360,929)	(1,360,929)	-
Administrative expenses	-	(7,507)	7,507
Other changes	-	(105)	105
Net changes	\$ (227,156)	\$ (242,603)	\$ 15,447
Balances at June 30, 2015	\$ 17,906,416	\$ 11,246,845	\$ 6,659,571

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Note 8-Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 16,733,847	\$ 10,826,373	\$ 5,943,134
Component Unit Public Service Authority			
Net Pension Liability (Asset)	2,842,483	1,839,014	1,009,526
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	8,446,397	6,659,571	5,134,840

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$682,322, \$115,973, and \$280,876, respectively. At June 30, 2016, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Public Service Authority		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 490,744	\$ -	\$ 83,360	\$ -	\$ 170,829
Change in assumptions	-	-	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	836,948	-	142,169	-	310,182
Employer contributions subsequent to the measurement date	1,249,399	-	211,244	-	495,368	-
Total	\$ 1,249,399	\$ 1,327,692	\$ 211,244	\$ 225,529	\$ 495,368	\$ 481,011

\$1,249,399, \$211,244, and \$495,368 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Public Service Authority'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 periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit Public Service Authority</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (478,094)	\$ (81,211)	\$ (244,656)
2018	(478,094)	(81,211)	(169,689)
2019	(478,094)	(81,211)	(121,756)
2020	106,590	18,104	55,090
Thereafter	-	-	-

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional):

Plan Description

Information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$2,041,487 and \$2,169,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$25,403,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.20183% as compared to 0.20613% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,308,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

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

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 350,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,555,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,036,000
Employer contributions subsequent to the measurement date	2,041,487	-
Total	\$ <u>2,041,487</u>	\$ <u>3,941,000</u>

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Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

\$2,041,487 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2017	\$ (1,241,000)
2018	(1,241,000)
2019	(1,241,000)
2020	(128,000)
Thereafter	(90,000)

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.

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

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

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:

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Long-Term Expected Rate of Return (Continued)

<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	2.50%
	*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%.

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.

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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)	\$ 37,175,000	\$ 25,403,000	\$ 15,712,000

Pension Plan Fiduciary Net Position

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

Note 9-Unavailable/Deferred Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$24,366,441 is comprised of the following:

Unavailable Property Taxes - property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$24,346,834. \$21,931,771 represent amounts due in December and \$2,415,063 represent amounts due prior to June 30th but unpaid.

Prepaid Property Taxes - property tax revenue representing paid prior to June 30th but not due until December 5th totaled \$19,607.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-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	\$ 2,062,721	\$ -	\$ -	\$ 2,062,721
Construction in progress	5,356,003	3,417,848	-	8,773,851
Total capital assets not being depreciated	<u>\$ 7,418,724</u>	<u>\$ 3,417,848</u>	<u>\$ -</u>	<u>\$ 10,836,572</u>
Capital assets, being depreciated:				
Buildings	\$ 25,805,911	\$ 36,745	\$ -	\$ 25,842,656
Machinery and equipment	8,415,911	1,249,605	-	9,665,516
Total capital assets, being depreciated	<u>\$ 34,221,822</u>	<u>\$ 1,286,350</u>	<u>\$ -</u>	<u>\$ 35,508,172</u>
Accumulated depreciation:				
Buildings	\$ (15,802,963)	\$ (1,176,560)	\$ -	\$ (16,979,523)
Machinery and equipment	(6,122,506)	(777,199)	-	(6,899,705)
Total accumulated depreciation	<u>\$ (21,925,469)</u>	<u>\$ (1,953,759)</u>	<u>\$ -</u>	<u>\$ (23,879,228)</u>
Total capital assets being depreciated, net	<u>\$ 12,296,353</u>	<u>\$ (667,409)</u>	<u>\$ -</u>	<u>\$ 11,628,944</u>
Governmental activities capital assets, net	<u>\$ 19,715,077</u>	<u>\$ 2,750,439</u>	<u>\$ -</u>	<u>\$ 22,465,516</u>

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Note 10-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 139,201
Judicial administration	11,135
Public safety	433,563
Public works	263,473
Health and welfare	60,262
Education	765,078
Parks, recreation, and cultural	270,285
Community development	<u>10,762</u>
Total depreciation expense-governmental activities	<u>\$ 1,953,759</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets: (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,436,395	\$ -	\$ -	\$ 2,436,395
Total capital assets not being depreciated	<u>\$ 2,436,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,436,395</u>
Capital assets, being depreciated:				
Buildings	\$ 30,726,578	\$ -	\$ -	\$ 30,726,578
Machinery and equipment	3,691,007	552,048	(27,000)	4,216,055
Total capital assets, being depreciated	<u>\$ 34,417,585</u>	<u>\$ 552,048</u>	<u>\$ (27,000)</u>	<u>\$ 34,942,633</u>
Accumulated depreciation:				
Buildings	\$ (24,637,161)	\$ (629,158)	\$ -	\$ (25,266,319)
Machinery and equipment	(3,448,760)	(119,182)	11,688	(3,556,254)
Total accumulated depreciation	<u>\$ (28,085,921)</u>	<u>\$ (748,340)</u>	<u>\$ 11,688</u>	<u>\$ (28,822,573)</u>
Total capital assets being depreciated, net	<u>\$ 6,331,664</u>	<u>\$ (196,292)</u>	<u>\$ (15,312)</u>	<u>\$ 6,120,060</u>
Governmental activities capital assets, net	<u>\$ 8,768,059</u>	<u>\$ (196,292)</u>	<u>\$ (15,312)</u>	<u>\$ 8,556,455</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 11-Capital Leases:

The County has entered into lease agreements to finance the acquisition of vehicles, energy savings equipment, and cafeteria equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the asset acquired through the capital leases are as follows:

	Energy Savings		
	Equipment	Vehicles	Total
Machinery & Equipment	\$ 4,844,746	\$ 470,375	\$ 5,315,121
Accumulated Depreciation	-	(235,316)	(235,316)
Total	\$ 4,844,746	\$ 235,059	\$ 5,079,805

At year end, energy savings assets were not in service.

The School Board purchased cafeteria equipment, software and hardware, through a capital lease. This equipment has not been capitalized because each piece of equipment is individually less than \$5,000, below the capitalization threshold. The cafeteria equipment is shown under equipment in the table below.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Energy Savings			Total
	Equipment	Vehicles	Equipment	
2017	\$ 393,476	\$ 104,756	\$ 16,195	\$ 514,427
2018	400,833	-	-	400,833
2019	388,490	-	-	388,490
2020	391,266	-	-	391,266
2021	372,344	-	-	372,344
2022-2026	1,982,012	-	-	1,982,012
2027-2031	1,918,219	-	-	1,918,219
Total minimum lease payments				5,967,591
Less: amount representing interest				(1,200,153)
Present value of minimum lease payments				<u>\$ 4,767,438</u>

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Note 12-Risk Management:

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

Note 13-Contingencies:

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

A local private school filed suit against the County claiming that its real estate had been erroneously assessed for the 2000 tax year. The claim for the 2000 tax year is approximately \$20,000; however, if the suit is successful the County may incur similar claims for all tax years since 2000. The County maintains that the property in question has been properly assessed and therefore no liability has been recorded in the financial statements as the loss, if any, cannot be reasonably estimated.

A local Corporation has filed an application for the correction of an erroneous assessment of real property tax. Specifically, the Corporation has indicated that the fair market value of certain real estate parcels total approximately \$24 million instead of the current assessed value of \$199 million. The County anticipates litigation with respect to this matter and believes the outcome of same could result in a significant refund to the Corporation. The amount of this refund, if any, cannot be reasonable estimated at this time and therefore the County has not recorded a liability in the accompanying financial statements for same.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 14-Surety Bonds:

Primary Government:

Virginia Association of Counties Group Self Insurance Risk Pool - Surety:

All public officials \$250,000 per occurrence

Travelers Casualty and Surety Company of America:

Treasurer	\$	400,000
Clerk of the Court		450,000
Commissioner of the Revenue		3,000
Sheriff		30,000

Component Unit - School Board:

Virginia Association of Counties (VACO) Risk Management Program

Melanie Hibbits, Superintendent of Schools		
Carolyn Dillow, Clerk of the School Board	\$	250,000
David Thornbury, Chairman, School Board		per
Carolyn Dillow, Textbook/Payable Clerk		occurrence
All School Board employees		

Note 15-Landfill Closure and Post Closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for at least thirty years after closure or leachate ceases to exist. The County has closed its landfill. \$26,359 is reported as landfill post closure care liability at June 30, 2016. This represents what it would cost to perform closure and post closure care in 2016. Actual costs for post closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post closure costs.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 16- Restricted Net Position and Committed/Assigned Fund Balances:

Governmental Activities:	Governmental Activities	Governmental/Internal Service Funds		
		General Fund	Coal Road	Self Insurance
Restricted:				
Coal road expenditures	\$ 8,211,823	\$ -	\$ 8,211,823	\$ -
Law enforcement activities	143,893	143,893	-	-
Law library funds	31,907	31,907	-	-
Capital items (CNX Funds)	11,134,955	11,134,955	-	-
Health claims	536,599	-	-	536,599
Total restricted balances	\$ 20,059,177	\$ 11,310,755	\$ 8,211,823	\$ 536,599

Governmental Funds:	Governmental Funds
Assigned funds:	General Fund
Dog tax funds	\$ 59,235
E-911 system	3,020,876
Courthouse jail construction	14,923
Total assigned funds	\$ 3,095,034

Note 17 - Construction Commitments:

The School Board was involved in major construction projects during the fiscal year as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2016
Energy Savings Project	\$ 7,000,140	\$ 128,844

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Note 18-Other Postemployment Benefits (OPEB) - Health Insurance:

A. Plan Description

Primary Government - Department of Social Services:

The County of Buchanan Department of Social Services (DSS) administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees of the DSS. The Plan will provide retiring employees and their dependents the option to continue health insurance offered by the DSS. To be eligible, the employee must meet the age and service criteria for immediate retirement benefits under VRS and must be 55 years of age or older. In addition, the retiree must have served at least five (5) years of employment with the DSS. The retiree may retain coverage through DSS for a period of 10 years or until they become eligible for Medicare, whichever occurs first. The benefits, employee contributions, and the employer contributions are governed by the DSS and can be amended through DSS Board action. The Plan does not issue a publicly available financial report.

The School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. To be eligible, the employee must meet the age and service criteria for full-time retirement benefits under VRS, which requires that the employee be age 50 with 30 years of service. The employee may continue coverage until they become eligible for Medicare. The benefits, employee contributions, and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

Primary Government - Department of Social Services:

The Department of Social Services currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County's Department of Social Services rescinded the program on July 1 2014 for current employees. As such, the only participants in the program are retirees (6 total) prior to that date. The Department pays 100% of the retirees' insurance premiums. The monthly rates were as follows at June 30, 2016, the date of the most recent actuarial valuation report:

<u>Participants</u>	<u>Department of Social Services</u>
Employee	\$ 651
Employee/Spouse	1,463
Employee/Child	986
Family	1,898

Note 18-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

B. Funding Policy (Continued)

Discretely Presented Component Unit - School Board:

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board rescinded the program for current employees as of July 1, 2014. As such, only retirees and their beneficiaries may continue to participate in the plan. The School Board currently has 104 retirees, including beneficiaries, participating in the program. In addition, for retirees of the School Board, premiums are paid by the School Board. The rates were as follows at June 30, 2016, the date of the most recent actuarial valuation report:

<u>Participants</u>	<u>School Board</u>
Employee	\$ 1,515
Employee / Spouse	3,409

C. Annual OPEB Cost and Net OPEB Obligation

The Social Services Department and School Board are 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Primary Government - Department of Social Services:

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

	<u>Department of Social Services</u>
Annual required contribution	\$ 47,205
Interest on net OPEB obligation	38,537
Adjustment to annual required contribution	(2,140)
Annual OPEB cost (expense)	<u>\$ 83,602</u>
Contributions made	(277,819)
Increase in net OPEB obligation	<u>\$ (194,217)</u>
Net OPEB obligation - beginning of year	963,436
Net OPEB obligation - ending of year	<u>\$ 769,219</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 18-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

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

Primary Government - Department of Social Services: (continued)

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

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Department of Social Services	6/30/2016	\$ 83,602	332%	\$ 769,219
	6/30/2015	100,553	314%	963,436
	6/30/2014	285,600	13%	1,178,382

Discretely Presented Component Unit - School Board:

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

	School Board
Annual required contribution	1,771,764
Interest on net OPEB obligation	27,672
Adjustment to annual required contribution	(172,383)
Annual OPEB cost (expense)	1,627,053
Contributions made	(1,151,858)
Increase in net OPEB obligation	475,195
Net OPEB obligation - beginning of year	691,799
Net OPEB obligation - ending of year	\$ 1,166,994

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

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
School Board	6/30/2016	\$ 1,627,053	71%	\$ 1,166,994
	6/30/2015	1,531,176	100%	691,799
	6/30/2014	1,472,718	96%	677,799

Note 18-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. On June 30, 2014, the County ceased offering OPEB benefits to current employees. As a result, the only participants in the plan are eligible employees that retired prior to that date.

Primary Government - Department of Social Services:

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

	<u>Department of Social Services</u>
Actuarial accrued liability (AAL)	\$ 769,219
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 769,219
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ -
UAAL as a percentage of covered payroll	na

Discretely Presented Component Unit - School Board:

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

	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 6,856,348
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 6,856,348
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 16,795,527
UAAL as a percentage of covered payroll	40.82%

Note 18-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

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

Primary Government - Department of Social Services:

In the June 30, 2016 the most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the Department of Social Services included: inflation at 3.00%, an investment rate of return at 4.00%, and a healthcare trend rate of ranging from 4.7% to 5.4% in the first ten years and graded to 5.3% thereafter. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2016, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Discretely Presented Component Unit - School Board:

In the June 30, 2016 the most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the School Board included: discount rate equal to 4%, and a health care trend rate of 9.0% graded to 5.00% over 7 years. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2016, was 5 years. Amortizations are closed.

Note 19-Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. This program is no longer open to new participants. Early retirement was available to those employees with a minimum of twenty years of service in the Buchanan County School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees had to be at least 50 years of age and less than "full retirement age" as defined by the Social Security Administration. To participate, the employee had to be a vested member of the Virginia Retirement System (VRS). In addition, employees could not work for any other agency covered under the VRS during their tenure in the program. The program allowed for payment from 18% to 25% of an employee's final contracted salary depending on their age at retirement, earned before the effective date of retirement, until the participant reaches full retirement age. At June 30, 2016 the commitment related to the Early Retirement Incentive Program was \$1,356,905.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 20-Self Health Insurance:

The County (including component units) established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and component units and are available to pay claims, and administrative costs of the program. During the fiscal year 2016, a total of \$12,193,158 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. Incurred but not reported claims of \$887,847 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and the two prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2015-16	\$ 700,965	\$ 12,380,040	\$ (12,193,158)	\$ 887,847
2014-15	923,015	10,156,912	(10,378,962)	700,965
2013-14	484,624	9,295,894	(8,857,503)	923,015

Note 21-Restatement of Beginning Fund Balance and Net Position:

Beginning net position has been restated for the current fiscal year as detailed below:

	<u>Component Unit-School Board</u>
Fund Balance, July 1, 2015, as previously stated	\$ 5,135,866
Unrecorded construction payables	(1,463,927)
Fund Balance, July 1, 2015, as restated	<u>\$ 3,671,939</u>
Fund Balance, July 1, 2015, as previously stated	\$ (23,199,244)
Above modified accrual entry above	(1,463,927)
ERIP obligation	(1,697,182)
Fund Balance, July 1, 2015, as restated	<u>\$ (26,360,353)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 22 - Concentration Risk:

Historically, the County has relied on taxes generated by the Coal Industry. Direct taxes remitted from same include mineral license, methane gas and machinery and tools taxes. In the past five years, general fund net revenue generated from these sources has declined significantly, as presented in the table below:

	Fiscal Year Ending June 30,					
	2016	2015	2014	2013	2012	2011
Machinery and Tools Taxes	\$ 5,697,213	\$ 7,338,716	\$ 7,051,923	\$ 5,939,790	\$ 5,133,834	\$ 4,275,801
Mineral License	4,338,710	6,779,747	8,206,375	9,426,585	13,950,912	14,889,969
Methane Gas	419,947	818,968	1,061,164	908,842	721,458	1,284,452
Total	\$ 10,455,870	\$ 14,937,431	\$ 16,319,462	\$ 16,275,217	\$ 19,806,204	\$ 20,450,222

This decline in revenue has occurred due to changes in environmental policies of the United States Government. The County does not anticipate significant changes in these policies to occur in the near term. As such, the County does not anticipate continued reliance on the aforementioned revenues. In addition, the County anticipates that other revenue sources will be negatively impacted by a shrinking coal economy; however, estimates (projections) of these declines are not readily available. To date, the County has not identified alternative sources of revenue to maintain historical budget levels.

Note 23-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.

Note 24-Upcoming Pronouncements:

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

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

Statement No. 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.

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

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 21,913,500	\$ 21,913,501	\$ 18,713,474	\$ (3,200,027)
Other local taxes	10,435,000	10,975,950	7,191,988	(3,783,962)
Permits, privilege fees, and regulatory licenses	29,500	29,500	59,045	29,545
Fines and forfeitures	18,790	18,790	2,153	(16,637)
Revenue from the use of money and property	78,650	78,650	89,731	11,081
Charges for services	752,210	752,210	665,285	(86,925)
Miscellaneous	2,808,440	2,812,095	540,611	(2,271,484)
Recovered costs	270,450	302,326	416,404	114,078
Intergovernmental	14,580,022	14,673,222	16,979,755	2,306,533
Total revenues	<u>\$ 50,886,562</u>	<u>\$ 51,556,244</u>	<u>\$ 44,658,446</u>	<u>\$ (6,897,798)</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,198,036	\$ 3,235,659	\$ 2,674,089	\$ 561,570
Judicial administration	1,795,945	1,847,143	1,677,499	169,644
Public safety	9,362,364	10,755,121	8,523,901	2,231,220
Public works	5,837,122	5,604,626	5,037,768	566,858
Health and welfare	11,955,000	11,939,647	9,635,191	2,304,456
Education	10,703,195	11,635,149	12,216,413	(581,264)
Parks, recreation, and cultural	1,236,214	2,256,220	1,467,776	788,444
Community development	4,999,911	7,910,760	8,089,385	(178,625)
Capital projects	4,850,370	4,315,375	860,143	3,455,232
Debt service:				
Principal retirement	1,027,354	1,027,354	1,195,546	(168,192)
Interest and other fiscal charges	243,712	252,277	465,756	(213,479)
Total expenditures	<u>\$ 55,209,223</u>	<u>\$ 60,779,331</u>	<u>\$ 51,843,467</u>	<u>\$ 8,935,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,322,661)</u>	<u>\$ (9,223,087)</u>	<u>\$ (7,185,021)</u>	<u>\$ 2,038,066</u>
Net change in fund balances	\$ (4,322,661)	\$ (9,223,087)	\$ (7,185,021)	\$ 2,038,066
Fund balances - beginning	4,322,661	9,223,087	35,536,286	26,313,199
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,351,265</u>	<u>\$ 28,351,265</u>

County of Buchanan, Virginia
Special Revenue Fund - Coal Road Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local taxes	\$ 6,800,000	\$ 6,800,000	\$ 4,338,707	\$ (2,461,293)
Revenue from the use of money and property	20,000	20,000	23,108	3,108
Charges for services	-	-	200	200
Miscellaneous	1,500	1,500	-	(1,500)
Intergovernmental	-	-	632,581	632,581
Total revenues	<u>\$ 6,821,500</u>	<u>\$ 6,821,500</u>	<u>\$ 4,994,596</u>	<u>\$ (1,826,904)</u>
EXPENDITURES				
Current:				
Public works	\$ 10,710,716	\$ 10,885,814	\$ 5,459,700	\$ 5,426,114
Community development	2,000,000	2,000,000	2,465,816	(465,816)
Total expenditures	<u>\$ 12,710,716</u>	<u>\$ 12,885,814</u>	<u>\$ 7,925,516</u>	<u>\$ 4,960,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,889,216)</u>	<u>\$ (6,064,314)</u>	<u>\$ (2,930,920)</u>	<u>\$ 3,133,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (350,000)	\$ (350,000)	\$ -	\$ 350,000
Total other financing sources (uses)	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ -</u>	<u>\$ 350,000</u>
Net change in fund balances	\$ (6,239,216)	\$ (6,414,314)	\$ (2,930,920)	\$ 3,483,394
Fund balances - beginning	6,239,216	6,414,314	11,142,743	4,728,429
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,211,823</u>	<u>\$ 8,211,823</u>

County of Buchanan, Virginia
Special Revenue Fund - Disaster Relief 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		
EXPENDITURES				
Current:				
Health and welfare	\$ 350,000	\$ 350,000	\$ 113,535	\$ 236,465
Total expenditures	\$ 350,000	\$ 350,000	\$ 113,535	\$ 236,465
Excess (deficiency) of revenues over (under) expenditures	\$ (350,000)	\$ (350,000)	\$ (113,535)	\$ 236,465
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Total other financing sources (uses)	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Net change in fund balances	\$ -	\$ -	\$ (113,535)	\$ (113,535)
Fund balances - beginning	-	-	43,205	43,205
Fund balances - ending	\$ -	\$ -	\$ (70,330)	\$ (70,330)

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

Primary Government:

County OPEB Healthcare Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2016	-	\$ 769,219	\$ 769,219	0.00%	\$ 1,936,943	39.71%
June 30, 2015	-	963,436	963,436	0.00%	1,937,746	49.72%
June 30, 2013	-	2,667,396	2,667,396	0.00%	1,948,639	136.89%

Discretely Presented Component Unit:

School Board OPEB Healthcare Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2016	\$ -	\$ 6,856,348	\$ 6,856,348	0.00%	\$ 16,795,527	40.82%
June 30, 2015	-	7,953,531	7,953,531	0.00%	19,024,000	41.81%
June 30, 2013	-	19,698,091	19,698,091	0.00%	20,575,715	95.73%

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

	2015	2014
Total pension liability		
Service cost	\$ 890,472	\$ 893,679
Interest	2,885,434	2,763,194
Changes of benefit terms	-	-
Differences between expected and actual experience	(639,454)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,958,543)	(1,862,638)
Net change in total pension liability	\$ 1,177,909	\$ 1,794,235
Total pension liability - beginning	42,199,750	40,405,515
Total pension liability - ending (a)	\$ 43,377,659	\$ 42,199,750
Plan fiduciary net position		
Contributions - employer	\$ 1,210,444	\$ 1,146,351
Contributions - employee	464,747	453,657
Net investment income	1,432,891	4,310,695
Benefit payments, including refunds of employee contributions	(1,958,543)	(1,862,638)
Administrative expense	(19,600)	(23,245)
Other	(303)	227
Net change in plan fiduciary net position	\$ 1,129,636	\$ 4,025,047
Plan fiduciary net position - beginning	31,421,650	27,396,603
Plan fiduciary net position - ending (b)	\$ 32,551,286	\$ 31,421,650
County's net pension liability - ending (a) - (b)	\$ 10,826,373	\$ 10,778,100
Plan fiduciary net position as a percentage of the total pension liability	75.04%	74.46%
Covered payroll	\$ 8,958,100	\$ 9,080,106
County's net pension liability as a percentage of covered payroll	120.86%	118.70%

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.

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

	2015	2014
Total pension liability		
Service cost	\$ 151,259	\$ 151,804
Interest	490,132	469,368
Changes of benefit terms	-	-
Differences between expected and actual experience	(108,620)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(332,686)	(316,396)
Net change in total pension liability	\$ 200,085	\$ 304,776
Total pension liability - beginning	7,168,230	6,863,454
Total pension liability - ending (a)	\$ 7,368,315	\$ 7,168,230
Plan fiduciary net position		
Contributions - employer	\$ 205,611	\$ 194,724
Contributions - employee	78,944	77,060
Net investment income	243,397	732,233
Benefit payments, including refunds of employee contributions	(332,686)	(316,396)
Administrative expense	(3,329)	(3,948)
Other	(52)	38
Net change in plan fiduciary net position	\$ 191,885	\$ 683,711
Plan fiduciary net position - beginning	5,337,416	4,653,705
Plan fiduciary net position - ending (b)	\$ 5,529,301	\$ 5,337,416
Authority's net pension liability - ending (a) - (b)	\$ 1,839,014	\$ 1,830,814
Plan fiduciary net position as a percentage of the total pension liability	75.04%	74.46%
Covered payroll	\$ 1,546,539	\$ 1,542,386
Authority's net pension liability as a percentage of covered payroll	118.91%	118.70%

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.

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

	2015	2014
Total pension liability		
Service cost	\$ 205,782	\$ 237,215
Interest	1,221,718	1,214,556
Changes of benefit terms	-	-
Differences between expected and actual experience	(293,727)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,360,929)	(1,337,990)
Net change in total pension liability	\$ (227,156)	\$ 113,781
Total pension liability - beginning	18,133,572	18,019,791
Total pension liability - ending (a)	\$ 17,906,416	\$ 18,133,572
Plan fiduciary net position		
Contributions - employer	\$ 511,145	\$ 486,675
Contributions - employee	112,065	115,377
Net investment income	502,728	1,602,403
Benefit payments, including refunds of employee contributions	(1,360,929)	(1,337,990)
Administrative expense	(7,507)	(9,208)
Other	(105)	85
Net change in plan fiduciary net position	\$ (242,603)	\$ 857,342
Plan fiduciary net position - beginning	11,489,448	10,632,106
Plan fiduciary net position - ending (b)	\$ 11,246,845	\$ 11,489,448
School division's net pension liability - ending (a) - (b)	\$ 6,659,571	\$ 6,644,124
Plan fiduciary net position as a percentage of the total pension liability	62.81%	63.36%
Covered payroll	\$ 2,176,214	\$ 2,221,244
School Division's net pension liability as a percentage of covered payroll	306.02%	299.12%

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.

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

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.20183%	0.20613%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 25,403,000	\$ 24,910,000
Employer's Covered Payroll	14,585,895	14,950,792
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	174.16%	166.61%
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.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 1,249,399	\$ 1,249,399	\$ -	\$ 9,202,667	13.58%
2015	1,210,444	1,210,444	-	8,958,100	13.51%
Component Unit Public Service Authority					
2016	\$ 211,244	\$ 211,244	\$ -	\$ 1,564,773	13.50%
2015	205,611	205,611	-	1,546,539	13.29%
Component Unit School Board (nonprofessional)					
2016	\$ 495,368	\$ 495,368	\$ -	\$ 2,195,652	22.56%
2015	511,145	511,145	-	2,176,214	23.49%
2014	486,675	486,675	-	2,221,244	21.91%
2013	534,994	534,994	-	2,441,780	21.91%
2012	474,118	474,118	-	2,461,674	19.26%
2011	447,516	447,516	-	2,323,550	19.26%
2010	532,783	532,783	-	2,500,155	21.31%
2009	517,453	517,453	-	2,428,216	21.31%
2008	463,217	463,217	-	2,368,186	19.56%
2007	417,652	417,652	-	2,135,237	19.56%
Component Unit School Board (professional)					
2016	\$ 2,041,487	\$ 2,041,487	\$ -	\$ 14,599,875	13.98%
2015	2,169,000	2,169,000	-	14,585,895	14.87%
2014	1,743,262	1,743,262	-	14,950,789	11.66%
2013	2,097,458	2,097,458	-	17,988,491	11.66%
2012	1,016,983	1,016,983	-	16,066,082	6.33%
2011	588,178	588,178	-	14,966,361	3.93%
2010	1,093,921	1,093,921	-	16,777,929	6.52%
2009	1,447,407	1,447,407	-	16,429,137	8.81%
2008	1,654,331	1,654,331	-	16,061,466	10.30%
2007	1,412,036	1,412,036	-	15,348,217	9.20%

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

Schedule is intended to show information for 10 years. Prior to 2015, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Buchanan, Virginia
Notes to Required Supplementary Information
For the 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 of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	5,323,989
Receivables (net of allowance for uncollectibles):		
Accounts receivable		104,618
Due from other governmental units		1,327,869
Prepaid items		115,854
Total assets	\$	6,872,330
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	205,770
Accrued liabilities		4,812,033
Total liabilities	\$	5,017,803
Fund balances:		
Restricted		
Cafeteria Funds	\$	81,264
Unassigned		1,773,263
Total fund balances	\$	1,854,527
Total liabilities and fund balances	\$	6,872,330
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,854,527
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,436,395
Buildings and improvements		5,460,259
Machinery and equipment		659,801
		8,556,455
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to measurement of net pension liability		(4,422,011)
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.		
		2,536,855
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(1,053,543)
Net OPEB obligation		(1,166,994)
Net ERIP obligation		(1,356,905)
Net pension liability		(32,062,571)
		(35,640,013)
Net position of governmental activities	\$	(27,114,187)

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

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 16,768
Charges for services	324,340
Miscellaneous	186,935
Recovered costs	516,885
Intergovernmental	33,433,112
Total revenues	<u>\$ 34,478,040</u>
EXPENDITURES	
Current:	
Education	\$ 36,295,452
Total expenditures	<u>\$ 36,295,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,817,412)</u>
Net change in fund balances	\$ (1,817,412)
Fund balances - beginning, as restated	3,671,939
Fund balances - ending	<u>\$ 1,854,527</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (1,817,412)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	\$ 552,048
Depreciation expenses	<u>(748,340)</u>
	(196,292)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(15,312)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows related to the measurement of the net pension liability	1,969,375
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ 5,427
Change in net OPEB obligation	(475,195)
Change in net ERIP obligation	340,277
Change in net pension liability	(508,447)
Change in deferred outflows related to pensions	<u>(56,255)</u>
	(694,193)
Change in net position of governmental activities	<u>\$ (753,834)</u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 103	\$ 103	\$ 16,768	\$ 16,665
Charges for services	400,000	400,000	324,340	(75,660)
Miscellaneous	87,717	87,717	186,935	99,218
Recovered costs	221,098	221,098	516,885	295,787
Intergovernmental	32,076,631	33,002,918	33,433,112	430,194
Total revenues	<u>\$ 32,785,549</u>	<u>\$ 33,711,836</u>	<u>\$ 34,478,040</u>	<u>\$ 766,204</u>
EXPENDITURES				
Current:				
Education	\$ 39,492,575	\$ 39,492,575	\$ 36,295,452	\$ 3,197,123
Total expenditures	<u>\$ 43,573,221</u>	<u>\$ 43,573,221</u>	<u>\$ 36,295,452</u>	<u>\$ 7,277,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,787,672)</u>	<u>\$ (9,861,385)</u>	<u>\$ (1,817,412)</u>	<u>\$ 8,043,973</u>
Net change in fund balances	\$ (10,787,672)	\$ (9,861,385)	\$ (1,817,412)	\$ 8,043,973
Fund balances - beginning	6,707,026	5,780,739	3,671,939	(2,108,800)
Fund balances - ending	<u>\$ (4,080,646)</u>	<u>\$ (4,080,646)</u>	<u>\$ 1,854,527</u>	<u>\$ 5,935,173</u>

Supporting Schedules

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,589,500	\$ 9,589,501	\$ 7,892,027	\$ (1,697,474)
Real and personal public service corporation taxes	435,000	435,000	519,056	84,056
Personal property taxes	3,550,000	3,550,000	2,804,251	(745,749)
Mobile home taxes	80,000	80,000	57,292	(22,708)
Machinery and tools taxes	6,050,000	6,050,000	5,697,213	(352,787)
Mineral taxes	1,839,000	1,839,000	1,320,904	(518,096)
Merchant's capital taxes	80,000	80,000	90,695	10,695
Penalties	90,000	90,000	118,271	28,271
Interest	200,000	200,000	213,765	13,765
Total general property taxes	<u>\$ 21,913,500</u>	<u>\$ 21,913,501</u>	<u>\$ 18,713,474</u>	<u>\$ (3,200,027)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,635,000	\$ 1,635,000	\$ 1,572,765	\$ (62,235)
Consumers' utility taxes	350,000	350,000	358,995	8,995
Consumption taxes	200,000	200,000	235,899	35,899
Mineral license tax	7,062,000	7,062,000	4,338,710	(2,723,290)
Methane gas tax	844,610	1,385,560	419,947	(965,613)
Utility license taxes	48,000	48,000	36,675	(11,325)
Bank stock taxes	100,000	100,000	107,755	7,755
Taxes on recordation and wills	57,561	57,561	11,311	(46,250)
Hotel and motel room taxes	40,000	40,000	28,497	(11,503)
Local tax on deeds	97,829	97,829	81,434	(16,395)
Total other local taxes	<u>\$ 10,435,000</u>	<u>\$ 10,975,950</u>	<u>\$ 7,191,988</u>	<u>\$ (3,783,962)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and fees	\$ -	\$ -	\$ 6,238	\$ 6,238
Land use application fees	-	-	1,000	1,000
Transfer fees	-	-	1,016	1,016
Building permits	28,000	28,000	47,986	19,986
Other permits and licenses	1,500	1,500	2,805	1,305
Total permits, privilege fees, and regulatory licenses	<u>\$ 29,500</u>	<u>\$ 29,500</u>	<u>\$ 59,045</u>	<u>\$ 29,545</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 18,790	\$ 18,790	\$ 2,153	\$ (16,637)
Total fines and forfeitures	<u>\$ 18,790</u>	<u>\$ 18,790</u>	<u>\$ 2,153</u>	<u>\$ (16,637)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 61,750	\$ 61,750	\$ 74,334	\$ 12,584
Revenue from use of property	16,900	16,900	15,397	(1,503)
Total revenue from use of money and property	<u>\$ 78,650</u>	<u>\$ 78,650</u>	<u>\$ 89,731</u>	<u>\$ 11,081</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 78,213	\$ 78,213	\$ 35,079	\$ (43,134)
Charges for courthouse maintenance	8,500	8,500	9,003	503
Charges for Courthouse security	35,000	35,000	29,698	(5,302)
Charges for Commonwealth's Attorney	3,200	3,200	3,701	501
Miscellaneous jail and inmate fees	500	500	558	58
Law library fees	-	-	7,492	7,492
Charges for Animal Control	-	-	168	168
Charges for Copies	500	500	195	(305)
Charges for sanitation and waste removal	546,797	546,797	460,737	(86,060)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for parks and recreation	\$ 61,500	\$ 61,500	\$ 97,526	\$ 36,026
Charges for library	8,000	8,000	10,361	2,361
Other Charges for Services	10,000	10,000	10,767	767
Total charges for services	\$ 752,210	\$ 752,210	\$ 665,285	\$ (86,925)
Miscellaneous:				
Confiscated property sale	\$ 36,950	\$ 36,950	-	\$ (36,950)
CNX settlement payments	2,700,000	2,700,000	-	(2,700,000)
Gas and oil board royalty	-	-	279,643	279,643
Miscellaneous	61,490	65,145	238,513	173,368
Donations	10,000	10,000	22,455	12,455
Total miscellaneous	\$ 2,808,440	\$ 2,812,095	\$ 540,611	\$ (2,271,484)
Recovered costs:				
Health Department	\$ -	\$ -	\$ 53,085	\$ 53,085
Rebates and refunds	200,000	200,000	176,622	(23,378)
VPA refunds	50,000	81,876	97,183	15,307
Other recovered costs	20,450	20,450	89,514	69,064
Total recovered costs	\$ 270,450	\$ 302,326	\$ 416,404	\$ 114,078
Total revenue from local sources	\$ 36,306,540	\$ 36,883,022	\$ 27,678,691	\$ (9,204,331)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 18,500	\$ 18,500	\$ 52,652	\$ 34,152
Motor vehicle rental tax	1,500	1,500	1,862	362
Rolling stock tax	180,000	180,000	168,479	(11,521)
Telecommunications taxes	859,866	859,866	817,099	(42,767)
State recordation tax	-	-	33,649	33,649
Personal property tax relief funds	1,600,000	1,600,000	1,598,108	(1,892)
Total noncategorical aid	\$ 2,659,866	\$ 2,659,866	\$ 2,671,849	\$ 11,983
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 372,442	\$ 372,442	\$ 455,403	\$ 82,961
Sheriff	1,393,962	1,393,962	1,416,737	22,775
Commissioner of revenue	133,319	133,319	136,730	3,411
Treasurer	125,707	125,707	124,366	(1,341)
Registrar/electoral board	58,000	58,000	56,912	(1,088)
Clerk's fringes	286,449	286,449	291,207	4,758
Total shared expenses	\$ 2,369,879	\$ 2,369,879	\$ 2,481,355	\$ 111,476
Other categorical aid:				
Animal friendly plates	\$ -	\$ -	\$ 426	\$ 426
Litter control grant	8,746	8,746	8,843	97
Library grant	107,250	107,250	112,366	5,116
Public assistance and welfare administration	1,561,381	1,596,231	1,849,420	253,189
Victim-witness grant	46,221	46,221	54,727	8,506

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire Program Funds	\$ 73,334	\$ 73,334	\$ 73,140	\$ (194)
Asset Forfeiture	62,980	62,980	5,094	(57,886)
Office of justice programs	5,000	5,000	-	(5,000)
Violence against women	-	-	49,738	49,738
Two for Life Program	-	-	22,651	22,651
VA housing development authority	40,802	40,802	44,373	3,571
E-911 technology grant	30,000	30,000	41,528	11,528
Comprehensive services act program	747,614	747,614	880,216	132,602
Virginia information technology grant	-	-	150,862	150,862
Other State Funds	282,395	282,395	-	(282,395)
Total other categorical aid	<u>\$ 2,965,723</u>	<u>\$ 3,000,573</u>	<u>\$ 3,293,384</u>	<u>\$ 292,811</u>
Total categorical aid	<u>\$ 5,335,602</u>	<u>\$ 5,370,452</u>	<u>\$ 5,774,739</u>	<u>\$ 404,287</u>
Total revenue from the Commonwealth	<u>\$ 7,995,468</u>	<u>\$ 8,030,318</u>	<u>\$ 8,446,588</u>	<u>\$ 416,270</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	2,614,266	2,672,616	\$ 3,096,538	\$ 423,922
Child and adult care food program	-	-	54,028	54,028
Emergency management preparedness grant	7,500	7,500	-	(7,500)
Community development block grant	2,305,000	2,305,000	893,853	(1,411,147)
State and community highway safety	33,990	33,990	7,349	(26,641)
Headstart programs	1,550,500	1,550,500	1,123,597	(426,903)
OAG Grant	60,000	60,000	-	(60,000)
AML/DMME	-	-	3,221,528	3,221,528
Transportation grant	13,298	13,298	136,274	122,976
Total categorical aid	<u>\$ 6,584,554</u>	<u>\$ 6,642,904</u>	<u>\$ 8,533,167</u>	<u>\$ 1,890,263</u>
Total revenue from the federal government	<u>\$ 6,584,554</u>	<u>\$ 6,642,904</u>	<u>\$ 8,533,167</u>	<u>\$ 1,890,263</u>
Total General Fund	<u>\$ 50,886,562</u>	<u>\$ 51,556,244</u>	<u>\$ 44,658,446</u>	<u>\$ (6,897,798)</u>
Special Revenue Funds:				
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 6,800,000	\$ 6,800,000	\$ 4,338,707	\$ (2,461,293)
Total other local taxes	<u>\$ 6,800,000</u>	<u>\$ 6,800,000</u>	<u>\$ 4,338,707</u>	<u>\$ (2,461,293)</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,000	\$ 20,000	\$ 23,108	\$ 3,108
Total revenue from use of money and property	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 23,108</u>	<u>\$ 3,108</u>
Charges for services:				
Charges for copies	\$ -	\$ -	\$ 200	\$ 200
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 200</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Coal Road Fund: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total miscellaneous	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ (1,500)</u>
Total revenue from local sources	<u>\$ 6,821,500</u>	<u>\$ 6,821,500</u>	<u>\$ 4,362,015</u>	<u>\$ (2,459,485)</u>
Revenue from the Commonwealth:				
Categorical aid:				
VDOT highway construction funds	\$ -	\$ -	\$ 632,581	\$ 632,581
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,581</u>	<u>\$ 632,581</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,581</u>	<u>\$ 632,581</u>
Total Coal Road Fund	<u>\$ 6,821,500</u>	<u>\$ 6,821,500</u>	<u>\$ 4,994,596</u>	<u>\$ (1,826,904)</u>
Total Primary Government	<u>\$ 57,708,062</u>	<u>\$ 58,377,744</u>	<u>\$ 49,653,042</u>	<u>\$ (8,724,702)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 103	\$ 103	\$ 16,768	\$ 16,665
Total revenue from use of money and property	<u>\$ 103</u>	<u>\$ 103</u>	<u>\$ 16,768</u>	<u>\$ 16,665</u>
Charges for services:				
Charges for adult/GED testing	\$ -	\$ -	\$ 9,004	\$ 9,004
Charges for cafeteria sales	400,000	400,000	315,336	(84,664)
Total charges for services	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 324,340</u>	<u>\$ (75,660)</u>
Miscellaneous:				
Miscellaneous	\$ 87,717	\$ 87,717	\$ 94,863	\$ 7,146
Donations	-	-	92,072	92,072
Total miscellaneous	<u>\$ 87,717</u>	<u>\$ 87,717</u>	<u>\$ 186,935</u>	<u>\$ 99,218</u>
Recovered costs:				
Rebates and refunds	\$ 10,062	\$ 10,062	\$ 139,328	\$ 129,266
Insurance adjustments	41,036	41,036	9,418	(31,618)
JROTC payments	65,000	65,000	63,118	(1,882)
E-rate reimbursement	80,000	80,000	236,401	156,401
Other recovered costs	25,000	25,000	68,620	43,620
Total recovered costs	<u>\$ 221,098</u>	<u>\$ 221,098</u>	<u>\$ 516,885</u>	<u>\$ 295,787</u>
Total revenue from local sources	<u>\$ 708,918</u>	<u>\$ 708,918</u>	<u>\$ 1,044,928</u>	<u>\$ 336,010</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Buchanan, Virginia	\$ 10,555,094	\$ 11,481,381	\$ 12,068,312	\$ 586,931
Total revenues from local governments	<u>\$ 10,555,094</u>	<u>\$ 11,481,381</u>	<u>\$ 12,068,312</u>	<u>\$ 586,931</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,155,241	\$ 3,155,241	\$ 3,166,576	\$ 11,335
Basic school aid	8,788,203	8,788,203	8,575,793	(212,410)
Hold Harmless Funds	631,241	631,241	-	(631,241)
Gifted and talented	89,094	89,094	87,276	(1,818)
Remedial education	504,477	504,477	489,433	(15,044)
Special education	974,347	974,347	954,467	(19,880)
Textbook payment	59,788	59,788	178,675	118,887
Vocational SOQ payments	61,148	61,148	-	(61,148)
Social security fringe benefits	574,372	574,372	562,653	(11,719)
Retirement fringe benefits	1,171,492	1,171,492	1,147,589	(23,903)
Salary Supplements	156,923	156,923	154,715	(2,208)
Mentor teacher grant	6,099	6,099	630	(5,469)
Early reading intervention	75,411	75,411	154,351	78,940
Alternative education	23,576	23,576	23,576	-
K3 initiative	452,256	452,256	461,958	9,702
Vocation education	-	-	660,486	660,486
Special education - foster children	66,623	66,623	90,875	24,252
At risk payments	512,683	512,683	502,293	(10,390)
School food	20,989	20,989	21,098	109
Technology	589,200	589,200	37,012	(552,188)
Standards of Learning algebra readiness	52,284	52,284	50,144	(2,140)
At risk four-year olds	177,413	177,413	177,413	-
Lottery proceeds	122,609	122,609	-	(122,609)
Adult literacy	-	-	15,788	15,788
Breakfast after the bell	-	-	6,466	6,466
Other state funds	127,177	127,177	4,162	(123,015)
Total categorical aid	<u>\$ 18,392,646</u>	<u>\$ 18,392,646</u>	<u>\$ 17,523,429</u>	<u>\$ (869,217)</u>
Total revenue from the Commonwealth	<u>\$ 18,392,646</u>	<u>\$ 18,392,646</u>	<u>\$ 17,523,429</u>	<u>\$ (869,217)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,153,757	\$ 1,153,757	\$ 1,182,191	\$ 28,434
Title VI-B, flow-through	-	-	948,144	948,144
Title VI-B, preschool	36,008	36,008	36,050	42
Vocational education	943,566	943,566	68,790	(874,776)
Improving teacher quality	288,212	288,212	315,779	27,567
School feeding programs	645,004	645,004	1,264,503	619,499
Rural and low income schools	59,901	59,901	25,750	(34,151)
AP incentive funds	2,443	2,443	164	(2,279)
Total categorical aid	<u>\$ 3,128,891</u>	<u>\$ 3,128,891</u>	<u>\$ 3,841,371</u>	<u>\$ 712,480</u>
Total revenue from the federal government	<u>\$ 3,128,891</u>	<u>\$ 3,128,891</u>	<u>\$ 3,841,371</u>	<u>\$ 712,480</u>
Total School Operating Fund	<u>\$ 32,785,549</u>	<u>\$ 33,711,836</u>	<u>\$ 34,478,040</u>	<u>\$ 766,204</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 32,785,549</u>	<u>\$ 33,711,836</u>	<u>\$ 34,478,040</u>	<u>\$ 766,204</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 390,816	\$ 394,104	\$ 281,075	\$ 113,029
General and financial administration:				
County administrator	\$ 469,961	\$ 469,961	\$ 440,379	\$ 29,582
County attorney	155,009	155,009	141,496	13,513
Commissioner of revenue	466,799	469,118	416,644	52,474
Assessor	200,000	200,000	83,623	116,377
Central purchasing	139,000	139,000	69,399	69,601
Treasurer	573,184	573,400	557,111	16,289
Data processing	83,115	83,115	26,710	56,405
County garage	484,993	484,993	400,589	84,404
Total general and financial administration	<u>\$ 2,572,061</u>	<u>\$ 2,574,596</u>	<u>\$ 2,135,951</u>	<u>\$ 438,645</u>
Board of elections:				
Electoral board	\$ 42,700	\$ 64,100	\$ 64,255	\$ (155)
Registrar	172,459	182,859	175,398	7,461
Voting buildings and machines	20,000	20,000	17,410	2,590
Total board of elections	<u>\$ 235,159</u>	<u>\$ 266,959</u>	<u>\$ 257,063</u>	<u>\$ 9,896</u>
Total general government administration	<u>\$ 3,198,036</u>	<u>\$ 3,235,659</u>	<u>\$ 2,674,089</u>	<u>\$ 561,570</u>
Judicial administration:				
Courts:				
Circuit court	\$ 238,170	\$ 238,170	\$ 225,208	\$ 12,962
Combined court	12,500	12,500	9,593	2,907
Juvenile court	11,621	11,621	10,250	1,371
Magistrates	17,150	17,150	6,240	10,910
Victim witness assistance program	78,958	86,099	73,183	12,916
Clerk of circuit court	651,809	657,143	534,785	122,358
Total courts	<u>\$ 1,010,208</u>	<u>\$ 1,022,683</u>	<u>\$ 859,259</u>	<u>\$ 163,424</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 785,737	\$ 824,460	\$ 818,240	\$ 6,220
Total commonwealth's attorney	<u>\$ 785,737</u>	<u>\$ 824,460</u>	<u>\$ 818,240</u>	<u>\$ 6,220</u>
Total judicial administration	<u>\$ 1,795,945</u>	<u>\$ 1,847,143</u>	<u>\$ 1,677,499</u>	<u>\$ 169,644</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,606,713	\$ 3,373,738	\$ 3,018,500	\$ 355,238
School resource officer	450,933	450,933	410,439	40,494
Total law enforcement and traffic control	<u>\$ 4,057,646</u>	<u>\$ 3,824,671</u>	<u>\$ 3,428,939</u>	<u>\$ 395,732</u>
Fire and rescue services:				
Fire department	\$ 336,000	\$ 1,119,752	\$ 447,085	\$ 672,667
Rescue squads	180,000	490,568	90,900	399,668
Total fire and rescue services	<u>\$ 516,000</u>	<u>\$ 1,610,320</u>	<u>\$ 537,985</u>	<u>\$ 1,072,335</u>
Correction and detention:				
Jail operation	\$ 1,897,000	\$ 1,897,000	\$ 1,782,407	\$ 114,593
Juvenile detention	98,900	98,900	98,900	-
Total correction and detention	<u>\$ 1,995,900</u>	<u>\$ 1,995,900</u>	<u>\$ 1,881,307</u>	<u>\$ 114,593</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 142,498	\$ 151,498	\$ 150,126	\$ 1,372
Total inspections	<u>\$ 142,498</u>	<u>\$ 151,498</u>	<u>\$ 150,126</u>	<u>\$ 1,372</u>
Other protection:				
Animal control	\$ 377,083	\$ 378,583	\$ 290,087	\$ 88,496
Medical examiner	1,000	1,000	880	120
Emergency services	47,833	47,833	30,619	17,214
Forestry department	26,000	26,000	25,264	736
E-911	2,198,404	2,719,316	2,178,694	540,622
Total other protection	<u>\$ 2,650,320</u>	<u>\$ 3,172,732</u>	<u>\$ 2,525,544</u>	<u>\$ 647,188</u>
Total public safety	<u>\$ 9,362,364</u>	<u>\$ 10,755,121</u>	<u>\$ 8,523,901</u>	<u>\$ 2,231,220</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 435,000	\$ 594,901	\$ 298,634	\$ 296,267
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 435,000</u>	<u>\$ 594,901</u>	<u>\$ 298,634</u>	<u>\$ 296,267</u>
Sanitation and waste removal:				
Sanitation officer	\$ 12,067	\$ 12,067	\$ 4,185	\$ 7,882
Waste authority	900,000	900,000	935,419	(35,419)
Landfill	2,329,309	1,936,912	1,923,012	13,900
Total sanitation and waste removal	<u>\$ 3,241,376</u>	<u>\$ 2,848,979</u>	<u>\$ 2,862,616</u>	<u>\$ (13,637)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,850,214	\$ 1,850,214	\$ 1,664,538	\$ 185,676
Construction	310,532	310,532	211,980	98,552
Total maintenance of general buildings and grounds	<u>\$ 2,160,746</u>	<u>\$ 2,160,746</u>	<u>\$ 1,876,518</u>	<u>\$ 284,228</u>
Total public works	<u>\$ 5,837,122</u>	<u>\$ 5,604,626</u>	<u>\$ 5,037,768</u>	<u>\$ 566,858</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 349,923	\$ 354,561	\$ 350,917	\$ 3,644
Total health	<u>\$ 349,923</u>	<u>\$ 354,561</u>	<u>\$ 350,917</u>	<u>\$ 3,644</u>
Welfare:				
Virginia housing development authority	\$ 136,620	\$ 136,620	\$ 124,389	\$ 12,231
Cumberland mountain community services	20,000	22,000	22,000	-
Cumberland mountain mental health	2,000	-	-	-
Disability Services Board	25,000	25,000	25,000	-
Senior citizens	81,993	164,100	37,336	126,764
Medical Assistance Services	28,577	28,577	23,825	4,752
Tri-county health clinic	5,000	5,000	-	5,000
Red Cross contributions	7,000	-	-	-
Food pantries	59,000	69,000	69,000	-
S V medical assistance	4,000	4,000	4,000	-
Social services	9,408,887	9,710,702	7,560,937	2,149,765
Head start	1,814,700	1,405,287	1,405,287	-
Other welfare	12,300	14,800	12,500	2,300
Total welfare	<u>\$ 11,605,077</u>	<u>\$ 11,585,086</u>	<u>\$ 9,284,274</u>	<u>\$ 2,300,812</u>
Total health and welfare	<u>\$ 11,955,000</u>	<u>\$ 11,939,647</u>	<u>\$ 9,635,191</u>	<u>\$ 2,304,456</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Educational Contributions	\$ 80,101	\$ 80,101	\$ 80,101	\$ -
Bus transportation	68,000	73,667	68,000	5,667
Contribution to County School Board	10,555,094	11,481,381	12,068,312	(586,931)
Total education	<u>\$ 10,703,195</u>	<u>\$ 11,635,149</u>	<u>\$ 12,216,413</u>	<u>\$ (581,264)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 204,814	\$ 688,981	\$ 450,047	\$ 238,934
Park development	210,000	684,354	222,268	462,086
Community Events	15,500	16,600	15,500	1,100
Athletic programs	118,000	123,875	64,676	59,199
Buchanan little league football	30,000	30,000	30,000	-
FBLA	10,000	10,000	10,000	-
County fair	40,000	73,582	54,664	18,918
Total parks and recreation	<u>\$ 628,314</u>	<u>\$ 1,627,392</u>	<u>\$ 847,155</u>	<u>\$ 780,237</u>
Library:				
Contribution to county library	\$ 607,900	\$ 628,828	\$ 620,621	\$ 8,207
Total library	<u>\$ 607,900</u>	<u>\$ 628,828</u>	<u>\$ 620,621</u>	<u>\$ 8,207</u>
Total parks, recreation, and cultural	<u>\$ 1,236,214</u>	<u>\$ 2,256,220</u>	<u>\$ 1,467,776</u>	<u>\$ 788,444</u>
Community development:				
Planning and community development:				
Planning commission	\$ 8,500	\$ 8,500	\$ 5,393	\$ 3,107
Hurley Community Development	10,000	10,000	10,000	-
Contribution to industrial development authority	783,575	883,575	807,578	75,997
Tourism	5,000	5,000	4,359	641
Community arts council	10,000	10,000	-	10,000
Cumberland plateau planning district	35,000	35,000	35,000	-
Chamber of commerce	13,000	13,000	-	13,000
Cumberland plateau regional housing	2,000	2,000	2,000	-
Humane society	3,600	4,295	-	4,295
ATV project	14,500	2,375	2,135	240
Robotics team	10,000	10,000	10,000	-
Grundy Community Center	16,500	16,500	16,500	-
Contribution to public service authority	1,250,000	2,505,484	2,405,484	100,000
Capital contributions to the public service authority	2,650,000	4,207,952	4,646,102	(438,150)
Total planning and community development	<u>\$ 4,811,675</u>	<u>\$ 7,713,681</u>	<u>\$ 7,944,551</u>	<u>\$ (230,870)</u>
Environmental management:				
Auto removal	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Environmental management	16,000	16,000	11,000	5,000
Litter control	116,161	125,004	98,020	26,984
Total environmental management	<u>\$ 137,161</u>	<u>\$ 146,004</u>	<u>\$ 109,020</u>	<u>\$ 36,984</u>
Cooperative extension program:				
Extension office	\$ 51,075	\$ 51,075	\$ 35,814	\$ 15,261
Total cooperative extension program	<u>\$ 51,075</u>	<u>\$ 51,075</u>	<u>\$ 35,814</u>	<u>\$ 15,261</u>
Total community development	<u>\$ 4,999,911</u>	<u>\$ 7,910,760</u>	<u>\$ 8,089,385</u>	<u>\$ (178,625)</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Poplar Gap Athletic Park	\$ -	\$ 35,043	\$ 33,536	\$ 1,507
Hurley Gym	-	60,000	18,500	41,500
Courthouse renovations	3,145,604	3,145,604	186,926	2,958,678
Jail demolition	298,911	298,911	12,477	286,434
Sheriff office renovations	100,000	100,000	155,095	(55,095)
Other capital projects	1,305,855	675,817	453,609	222,208
Total capital projects	<u>\$ 4,850,370</u>	<u>\$ 4,315,375</u>	<u>\$ 860,143</u>	<u>\$ 3,455,232</u>
Debt service:				
Principal retirement	\$ 1,027,354	\$ 1,027,354	\$ 1,195,546	\$ (168,192)
Interest and other fiscal charges	243,712	252,277	465,756	(213,479)
Total debt service	<u>\$ 1,271,066</u>	<u>\$ 1,279,631</u>	<u>\$ 1,661,302</u>	<u>\$ (381,671)</u>
Total General Fund	<u>\$ 55,209,223</u>	<u>\$ 60,779,331</u>	<u>\$ 51,843,467</u>	<u>\$ 8,935,864</u>
Special Revenue Funds:				
Coal Road Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 10,050,914	\$ 10,211,033	\$ 4,840,397	\$ 5,370,636
Engineering	659,802	674,781	619,303	55,478
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 10,710,716</u>	<u>\$ 10,885,814</u>	<u>\$ 5,459,700</u>	<u>\$ 5,426,114</u>
Community development:				
Planning and community development:				
Virginia coalfield economic development authority	\$ 2,000,000	\$ 2,000,000	\$ 1,098,316	\$ 901,684
Contribution to Public Service Authority	-	-	1,367,500	(1,367,500)
Total planning and community development	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,465,816</u>	<u>\$ (465,816)</u>
Total Coal Road Fund	<u>\$ 12,710,716</u>	<u>\$ 12,885,814</u>	<u>\$ 7,925,516</u>	<u>\$ 4,960,298</u>
Disaster Relief Fund:				
Health and welfare:				
Welfare:				
Disaster relief	\$ 350,000	\$ 350,000	\$ 113,535	\$ 236,465
Total welfare	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 113,535</u>	<u>\$ 236,465</u>
Total health and welfare	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 113,535</u>	<u>\$ 236,465</u>
Total Disaster Relief Fund	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 113,535</u>	<u>\$ 236,465</u>
Total Primary Government	<u>\$ 68,269,939</u>	<u>\$ 74,015,145</u>	<u>\$ 59,882,518</u>	<u>\$ 14,132,627</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Instruction costs:				
Instruction	\$ 23,090,589	\$ 23,090,589	\$ 22,710,149	\$ 380,440
Total instruction costs	<u>\$ 23,090,589</u>	<u>\$ 23,090,589</u>	<u>\$ 22,710,149</u>	<u>\$ 380,440</u>
Operating costs:				
Administration and health services	\$ 1,378,640	\$ 1,378,640	\$ 2,746,946	\$ (1,368,306)
Pupil transportation	2,498,789	2,498,789	2,465,077	33,712
Operation and maintenance of school plant	6,481,435	6,481,435	4,037,990	2,443,445
Total operating costs	<u>\$ 10,358,864</u>	<u>\$ 10,358,864</u>	<u>\$ 9,250,013</u>	<u>\$ 1,108,851</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
School food services:				
Administration of school food program	\$ 1,962,476	\$ 1,962,476	\$ 1,882,492	\$ 79,984
Capital projects:				
Capital projects	\$ 4,080,646	\$ 4,080,646	\$ 2,452,798	\$ 1,627,848
Total education	\$ 39,492,575	\$ 39,492,575	\$ 36,295,452	\$ 3,197,123
Total School Fund	\$ 43,573,221	\$ 43,573,221	\$ 36,295,452	\$ 7,277,769
Total Discretely Presented Component Unit - School Board	\$ 43,573,221	\$ 43,573,221	\$ 36,295,452	\$ 7,277,769

Other Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2015-16	\$ 2,882,937	\$ 1,734,853	\$ 7,865,210	\$ 11,243,516	\$ 9,912,486	\$ 10,548,453	\$ 1,755,004	\$ 10,541,739	\$ 375,812	\$ 56,860,010
2014-15	2,343,344	1,577,370	6,350,151	10,788,125	9,321,766	21,471,935	1,868,048	11,109,178	384,825	65,214,742
2013-14	3,004,076	1,634,452	6,855,341	10,418,098	9,669,758	11,666,828	1,104,072	13,053,565	378,338	57,784,528
2012-13	2,326,934	1,569,540	6,725,396	12,869,342	9,800,358	11,625,233	821,133	11,679,658	352,676	57,770,270
2011-12	2,818,130	1,568,188	6,744,323	13,353,221	9,692,455	11,303,923	1,605,149	16,244,692	455,633	63,785,714
2010-11	2,445,816	1,458,837	6,255,234	9,092,200	10,005,009	10,596,199	1,338,390	12,495,596	474,006	54,161,287
2009-10	2,526,597	1,503,610	7,238,733	12,220,224	9,854,812	10,950,125	1,110,865	10,889,281	488,371	56,782,618
2008-09	2,236,065	1,496,850	5,582,374	9,775,242	8,554,662	10,451,349	1,036,665	10,585,692	585,818	50,304,717
2007-08	2,415,817	1,485,216	5,491,098	8,988,974	9,933,146	13,348,257	1,050,250	10,808,368	622,369	54,143,495
2006-07	2,466,603	1,296,688	4,868,217	6,541,506	8,342,751	12,184,691	937,249	11,157,179	613,858	48,408,742

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Special Items			
2015-16	\$ 726,683	\$ 10,192,525	\$ 4,747,962	\$ 18,651,861	\$ 11,530,695	\$ 112,839	\$ 540,611	\$ 2,671,849	\$ -	\$ 49,175,025		
2014-15	813,583	9,889,135	5,033,833	21,530,748	16,917,529	121,344	346,200	2,707,232	-	57,359,604		
2013-14	1,029,968	10,028,632	5,342,473	20,134,556	20,130,214	82,263	232,331	2,766,625	-	59,747,062		
2012-13	1,188,911	9,548,475	2,209,643	18,306,411	22,474,152	101,469	158,550	2,942,825	-	56,930,436		
2011-12	1,207,732	9,307,174	3,951,232	18,104,724	31,622,190	118,174	264,758	2,755,390	-	67,331,374		
2010-11	985,509	9,118,369	2,219,707	15,652,382	33,797,596	105,569	459,343	2,683,453	-	65,021,928		
2009-10	732,911	9,827,820	1,182,479	15,424,011	24,251,463	248,058	255,339	2,774,371	-	54,696,452		
2008-09	915,235	11,395,185	-	15,321,741	24,511,300	452,499	15,697,206	1,903,615	-	70,196,781		
2007-08	606,650	11,227,768	-	15,419,492	22,636,326	711,623	102,962	1,879,667	-	52,584,488		
2006-07	711,625	9,474,577	1,868,490	13,099,635	23,074,589	931,407	130,506	2,006,804	400,000	51,697,633		

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

Fiscal Year	General Government Administration		Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total									
2015-16	\$	2,674,089	\$	1,677,499	\$	8,523,901	\$	10,497,468	\$	9,748,726	\$	36,443,553	\$	1,467,776	\$	10,555,201	\$	1,661,302	\$	83,249,515
2014-15		3,138,807		1,685,128		7,443,502		11,800,510		10,159,334		36,625,617		1,310,737		11,103,905		1,633,640		84,901,180
2013-14		2,983,450		1,627,515		6,710,279		10,936,376		9,719,488		34,415,959		1,326,676		13,044,551		1,383,814		82,148,108
2012-13		2,887,435		1,606,134		6,860,562		13,178,521		9,832,464		38,854,582		1,253,938		11,668,890		2,443,717		88,586,243
2011-12		2,940,042		1,551,048		6,597,098		13,359,206		9,767,726		38,510,376		1,366,309		16,487,517		1,522,762		92,102,084
2010-11		2,523,105		1,441,724		6,350,355		9,391,015		9,928,023		35,026,718		1,206,455		12,503,481		1,450,786		79,821,662
2009-10		2,505,591		1,481,044		7,564,899		12,248,097		9,794,702		38,250,585		1,132,458		10,916,029		1,581,334		85,474,739
2008-09		2,502,236		1,475,155		5,472,036		9,725,018		8,951,879		40,198,777		1,231,734		10,572,371		1,758,416		81,887,622
2007-08		2,451,995		1,500,399		5,441,603		9,071,353		10,044,317		38,964,368		1,040,878		10,907,559		1,910,468		81,332,940
2006-07		2,565,689		1,279,479		5,126,279		6,759,197		8,424,530		38,537,045		1,087,284		11,162,124		2,039,813		76,981,440

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2015-16	\$ 18,713,474	\$ 11,530,695	\$ 59,045	\$ 2,153	\$ 129,607	\$ 989,825	\$ 727,546	\$ 933,289	\$ 38,977,136	\$ 72,062,770
2014-15	21,393,564	16,917,529	39,820	18,930	134,118	1,184,376	3,195,791	991,814	39,301,304	83,177,246
2013-14	20,346,636	20,130,214	57,013	9,693	88,547	1,798,500	2,893,713	859,327	40,066,029	86,249,672
2012-13	18,944,960	22,474,152	62,389	10,392	113,480	2,194,715	2,741,324	649,088	37,521,938	84,712,438
2011-12	17,523,639	31,622,190	64,360	1,873	131,824	2,194,608	2,522,943	752,872	41,409,940	96,224,249
2010-11	15,979,714	33,797,596	60,128	2,093	120,887	1,937,550	2,729,414	499,737	37,443,980	92,571,099
2009-10	15,669,518	24,251,463	56,514	3,150	299,638	1,843,880	3,494,636	610,602	41,759,387	87,988,788
2008-09	14,691,267	24,511,300	55,582	3,874	541,759	1,488,043	565,654	1,028,861	41,720,789	84,607,129
2007-08	14,022,812	22,636,326	55,490	2,429	796,631	1,159,344	264,730	949,086	39,636,532	79,523,380
2006-07	13,986,992	23,074,589	55,104	864	996,848	1,289,202	304,407	521,520	39,618,102	79,847,628

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 19,591,659	\$ 17,715,307	90.42%	\$ 666,131	\$ 18,381,438	93.82%	\$ 5,955,601	30.40%
2014-15	21,310,350	20,494,128	96.17%	536,306	21,030,434	98.69%	4,832,859	22.68%
2013-14	20,199,537	19,458,083	96.33%	518,455	19,976,538	98.90%	4,759,841	23.56%
2012-13	18,347,580	17,491,799	95.34%	1,055,371	18,547,170	101.09%	4,004,450	21.83%
2011-12	17,497,786	16,582,159	94.77%	561,959	17,144,118	97.98%	5,022,496	28.70%
2010-11	15,773,431	14,928,378	94.64%	628,790	15,557,168	98.63%	4,826,997	30.60%
2009-10	17,017,825	16,287,430	95.71%	615,532	16,902,962	99.33%	4,871,095	28.62%
2008-09	16,555,917	15,470,562	93.44%	566,623	16,037,185	96.87%	3,822,322	23.09%
2007-08	15,566,179	14,985,550	96.27%	375,535	15,361,085	98.68%	4,596,088	29.53%
2006-07	15,661,517	14,863,934	94.91%	543,202	15,407,136	98.38%	4,526,971	28.91%

(1) Exclusive of penalties and interest.

County of Buchanan, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real Estate	Personal Property	
2015-16	\$ 2,502,263,538	\$ 249,728,111	\$ 324,762,915	\$ 4,657,483	\$ 132,277,106	\$ 204,260	\$ 3,213,893,413
2014-15	2,390,731,754	268,114,506	378,230,918	4,565,989	101,845,133	70,780	3,143,559,080
2013-14	2,182,637,360	273,535,357	363,102,846	4,738,581	99,344,750	84,076	2,923,442,970
2012-13	2,033,790,897	263,312,445	310,190,160	4,756,721	104,988,298	39,009	2,717,077,530
2011-12	2,054,634,044	258,035,354	268,621,205	4,122,968	96,364,828	21,783	2,681,800,182
2010-11	1,901,488,554	246,368,041	200,965,971	3,612,117	98,131,122	73,428	2,450,639,233
2009-10	1,963,249,615	232,988,630	209,908,959	4,060,911	96,957,674	51,570	2,507,217,359
2008-09	1,844,570,316	249,653,108	193,314,185	4,060,298	95,546,061	30,968	2,387,174,936
2007-08	1,842,678,083	229,238,821	172,198,735	3,836,073	99,311,572	52,251	2,347,315,535
2006-07	1,605,010,004	218,811,037	173,485,869	3,792,787	78,080,272	54,625	2,079,234,594

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2015-16	\$ 0.39	\$ 1.95	\$ 1.95	\$ 2.00
2014-15	0.43	1.95	1.95	2.00
2013-14	0.43	1.95	1.95	2.00
2012-13	0.43	1.95	1.95	2.00
2011-12	0.43	1.95	1.95	2.00
2010-11	0.43	1.95	1.95	2.00
2009-10	0.43	1.95	1.95	2.00
2008-09	0.43	1.95	1.95	2.00
2007-08	0.43	1.95	1.95	2.00
2006-07	0.49	1.95	1.95	2.00

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	24,098	\$ 2,923,443	\$ 5,207,344	\$ 5,207,344	0.18%	216
2014-15	24,098	3,143,559	6,162,427	6,162,427	0.20%	256
2013-14	24,098	2,923,443	7,242,881	7,242,881	0.25%	301
2012-13	24,098	2,717,078	8,106,089	8,106,089	0.30%	336
2011-12	24,098	2,681,800	8,825,941	8,825,941	0.33%	366
2010-11	24,098	2,450,639	8,651,967	8,651,967	0.35%	359
2009-10	26,978	2,507,217	9,562,967	9,562,967	0.38%	354
2008-09	26,978	2,387,175	10,465,367	10,465,367	0.44%	388
2007-08	26,978	2,347,316	11,453,794	11,453,794	0.49%	425
2006-07	26,978	2,079,235	12,540,556	12,540,556	0.60%	465

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 1,195,546	\$ 465,756	\$ 1,661,302	\$ 83,249,515	2.00%
2014-15	1,314,635	319,005	1,633,640	84,901,180	1.92%
2013-14	992,028	391,786	1,383,814	82,148,108	1.68%
2012-13	1,997,774	445,943	2,443,717	88,586,243	2.76%
2011-12	1,043,211	479,551	1,522,762	92,102,084	1.65%
2010-11	947,291	503,495	1,450,786	79,821,662	1.82%
2009-10	1,059,841	521,493	1,581,334	85,474,739	1.85%
2008-09	1,140,358	615,905	1,756,263	81,887,622	2.14%
2007-08	1,233,773	674,693	1,908,466	81,332,940	2.35%
2006-07	1,414,775	625,038	2,039,813	76,981,440	2.65%

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of
The Board of Supervisors
County of Buchanan, 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 Buchanan, 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 Buchanan, Virginia's basic financial statements and have issued our report thereon dated November 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the discretely presented Component-Unit Industrial Development Authority, as described in our report on the County of Buchanan, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Buchanan, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Buchanan, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Buchanan, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. (2016-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Buchanan, 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*.

County of Buchanan, Virginia's Response to Findings

County of Buchanan, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Buchanan, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Fauner, Cox Associates

Blacksburg, Virginia
November 28, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Buchanan, 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 the County of Buchanan, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Buchanan, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Buchanan, 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, Fauner, Cox Associates
Blacksburg, Virginia
November 28, 2016

COUNTY OF BUCHANAN, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
DEPARTMENT OF AGRICULTURE:					
Direct Payments:					
Child and Adult Care Food Program	10.558	NA			\$ 54,028
Pass Through Payments:					
<i>Child Nutrition Cluster:</i>					
State Department of Agriculture:					
Food Distribution-Schools (Note C)	10.555	00070	\$ 95,234		
Food Distribution-Summer Food Service Program for Children (Note C)	10.559	80285		\$ 3,359	
Department of Education:					
National School Lunch Program	10.555	40623	766,368	861,602	
School Breakfast Program	10.553	40591		363,915	
<i>Total Child Nutrition Cluster</i>					1,228,876
Fresh Fruit and Vegetable Program	10.582	40599			35,627
Department of Social Services:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0110115/0010116			487,290
Total Department of Agriculture					<u>\$ 1,805,821</u>
DEPARTMENT OF TRANSPORTATION:					
Pass Through Payments:					
State Department of Motor Vehicles:					
Alcohol Open Container Requirements	20.607	59131			\$ 4,945
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	50298			2,404
Highway Planning and Construction	20.205	Unknown			136,274
Total Department of Transportation					<u>\$ 143,623</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Direct Payment:					
Head Start	93.600	NA			\$ 1,123,597
Pass Through Payments:					
Department of Social Services:					
Promoting Safe and Stable Families	93.556	0950114/0950115			9,185
Temporary Assistance for Needy Families (TANF)	93.558	0400115/0400116			445,616
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116			535
Chafee Education and Training Vouchers Program	93.599	Unknown			757
Low-Income Home Energy Assistance	93.568	0600415/0500116			50,253
Chafee Foster Care Independence Program	93.674	9150115/9150116			7,220
Children's Health Insurance Program	93.767	0540115/0540116			20,296
Social Services Block Grant	93.667	1000115/1000116			395,672
Medical Assistance Program	93.778	1200115/1200116			616,734
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115			2,160
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/070116			70,143
Foster Care - Title IV-E	93.658	1100115/1100116			524,103
Adoption Assistance	93.659	1120115/1120116			466,574
Total Department of Health and Human Services					<u>\$ 3,732,845</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Pass Through Payments:					
State Department of Housing and Community Development:					
Community Development Block Grants/States Program and Non- Entitlement Grants in Hawaii*	14.228	50796/50799/50798			\$ 893,853
Total Department of Housing and Urban Development					<u>\$ 893,853</u>
DEPARTMENT OF INTERIOR:					
Pass Through Payments:					
<i>Department of Mines, Minerals, and Energy:</i>					
Abandoned Mine Land Reclamation*	15.252	Unknown			\$ 3,221,528
Total Department of Interior					<u>\$ 3,221,528</u>
DEPARTMENT OF EDUCATION:					
Pass Through Payments:					
Department of Education:					
Career and Technical Education - Basic Grants to States	84.048	86647			\$ 68,790
Rural Education	84.358	86619			25,750
Supporting Effective Instruction State Grant	84.367	86739			315,779
Title I Grants to Local Educational Agencies	84.010	86595			1,182,191
Advanced Placement Program	84.330	Unknown			164
<i>Special Education Cluster (IDEA):</i>					
Special Education-Grants to States (Title VI-B)	84.027	87007A	\$ 948,144		
Special Education-Preschool Grants	84.173	87063A		36,050	
<i>Total Special Education Cluster (IDEA)</i>					984,194
Total Department of Education					<u>\$ 2,576,868</u>
Total Expenditures of Federal Awards					<u>\$ 12,374,538</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF BUCHANAN, VIRGINIA
Notes to 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 Buchanan, Virginia under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Buchanan, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Buchanan, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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

NOTE C -- FOOD DONATION

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

NOTE D -- OUTSTANDING BALANCE OF FEDERAL LOANS

The County has received federal funding through loans. At June 30, 2016 the outstanding balance of these loans was: \$ 1,640,862

NOTE D -- RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

Primary government:	
General Fund-Intergovernmental	\$ 16,979,755
Less: Revenue from the Commonwealth	(8,446,588)
Component Unit School Board:	
School Operating Fund-Intergovernmental	33,433,112
Less: Revenue from Local Governments	(12,068,312)
Less: Revenue from the Commonwealth	<u>(17,523,429)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 12,374,538</u></u>

*These federal awards were received by the County of Buchanan, Virginia and passed through to the Buchanan County PSA. Since the PSA is a component of the County the federal awards will be shown in the County's report.

County of Buchanan, 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
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
15.252	Abandoned Mine Land Reclamation (AMLR)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

County of Buchanan, Virginia

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

Section II - Financial Statement Findings

Finding 2016-001

Criteria: Per Statement on Auditing Standards 115, identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness or significant deficiency may exist.

Condition: The School Board's financial statements were restated to include previously unrecorded liabilities. In addition, the audit identified additional receivables at year end.

Cause of Condition: The School Board's closing process did not consider the items listed above.

Effect of Condition: There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The School Board should consider material agreements and their implications on the financial statements as part of a high level review of the financial statements annually.

Management's Response: The School Board plans to perform a high level review of the financial statements in future periods to consider the potential impact of material agreements.

Section III - Federal Award Findings and Questioned Costs

None reported

County of Buchanan, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Prior Federal Findings**Finding 2015-004**
Compliance Finding and
Material Weakness

Program	Title I Program (84.010)
Condition	The School System requested reimbursements for the Title 1 Program before checks were released for the related expenditures.
Current Status	Corrective action was taken and reimbursements are not being requested until after checks have been released for related expenditures.

Finding 2015-005
Compliance Finding and
Material Weakness

Program	Title I Program (84.010)
Condition	The audit identified funds that were requested twice for the same expenditure. The audit also identified salary reimbursements that did not agree with prorated salary amounts for employees splitting their time between programs. Finally, the audit was unable to reconcile reimbursement requests to underlying disbursements, as reported in the School System's expenditure report.
Current Status	Corrective action was taken place and the School System has put a process in place to reconcile reimbursement requests to actual disbursements and employee salaries.

Finding 2015-006
Compliance Finding and
Material Weakness

Program	Title I Program (84.010)
Condition	The School System failed to obligate 85% of the 2013 grant award within 15 months; however, the system reported that funds had been obligated in a report to the State Department of Education.
Current Status	Corrective action was taken to ensure the School System obligates grant funds as required by the grant award.

County of Buchanan, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**Finding 2015-007**
Compliance Finding

Program	Title I Program (84.010)
Condition	During our review of teachers, we identified one teacher (whose salary was reimbursed with Title 1 funds) that did not meet the criteria as highly qualified as defined in 34 CFR section 200.56.
Current Status	Corrective action was taken to ensure all teachers requested under federal programs meet the criteria.

Finding 2015-008
Compliance Finding and
Material Weakness

Program	State Energy Program - ARRA (81.041)
Condition	The State Energy Program requires compliance with provisions of the Davis-Bacon Act. The School System's contract with Johnson Controls does not require the contractor to comply with requirements of the Davis-Bacon Act. In addition, the School System did not perform monitoring functions relative to same.
Current Status	There was no funding under this program during the fiscal year, therefore, the status of this finding is closed.

Finding 2015-009
Compliance Finding and
Material Weakness

Program	State Energy Program - ARRA (81.041)
Condition	The School System's contract with Johnson Controls does not require the contractor to comply with requirements of ARRA "Buy American" provisions. In addition, the School System did not perform monitoring functions relative to same.
Current Status	There was no funding under this program during the fiscal year, therefore, the status of this finding is closed.