

COUNTY OF CLARKE, VIRGINIA



FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2016

COUNTY OF CLARKE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF CLARKE, VIRGINIA

Board of Supervisors

David Weiss, Chairman
Bev McKay, Vice Chairman

Barbara J. Byrd

Mary L. C. Daniel

Terri T. Catlett

County School Board

Chuyen Kochinsky, Chairman
Charles "Chip" Schutte, Vice-Chairman
Renée F. Weir, Clerk

Monica Singh-Smith

Dennis Graham

Tom Parker

Board of Social Services

Dwight Brown, Chairman
E. Ralph Pierce, Vice-Chairman

Barbara Byrd

Bob Ferrebee

Lynn Gray

Other Officials

Judge of the Circuit Court Clark Andrew Ritchie
Judge of the Circuit Court Ronald Lewis Napier
Judge of the Circuit Court Alexander R. Iden
Judge of the Circuit Court Thomas J. Wilson, IV
Judge of the Circuit Court Clifford Lynwood Athey, Jr.
Judge of the Circuit Court Dennis L. Hupp
Judge of the Circuit Court Bruce D. Albertson
Judge of the Circuit Court Neil Randolph Bryant
Clerk of the Circuit Court Helen Butts
Judge of the General District Court Amy Beth Tisinger
Judge of the General District Court William W. Eldridge, IV
Judge of the General District Court W. Dale Houff
Judge of the General District Court John Stanley Hart, Jr.
Judge of the General District Court Ian R.D. Williams
Judge of the Juvenile and Domestic Relations Court Kimberly Marion Athey
Commonwealth's Attorney Suzanne Mackall
Commissioner of the Revenue Donna Peake
Treasurer Sharon Keeler
Sheriff Anthony W. Roper
Superintendent of Schools Dr. Chuck Bishop
County Administrator David L. Ash
Director of Joint Administrative Services Thomas J. Judge
Director of Department of Social Services Angie W. Jones

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 70-71, and 72-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Clarke, Virginia's basic financial statements. The 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. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2017, on our consideration of the County of Clarke, 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 Clarke, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

April 13, 2017

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County of Clarke, Virginia Management's Discussion and Analysis

As management of the County of Clarke (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the County (excluding component units) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36.1 million (*net position*). Of this amount, \$13.4 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$3.3 million, of which the governmental activities accounted for 100% of the increase.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$630,440. The Fiscal Policy of Clarke County requires that certain financial designations of General Fund balance be maintained. These financial designations are reported as assigned fund balance of \$13,628,633 and are comprised of the numerous designations. Liquidity and stabilization funds comprise \$4,237,905. Saving for pay-as-you-go capital expenditures comprises \$3,087,639. A total of \$4,573,399 is assigned for carryover requests from unexpended FY 16 funds. \$75,000 is assigned for compensated absences.
- The County's total long-term obligations decreased by \$2,633,007 (7%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the County's assets, liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

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

Overview of the Financial Statements (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. The County did not operate any business-type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board, a legally separate industrial development authority and a legally separate sanitary authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund financial statements

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

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

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

The County reports ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Virginia Public Assistance Fund and the School Debt Service Fund, all of which are considered to be major funds. Data from the other County funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Overview of the Financial Statements (Continued)

Fund financial statements: (Continued)

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 through 17 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 69 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and VPA special revenue fund. Required supplementary information can be found on page 70 through 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 77 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$36.1 million at the close of the most recent fiscal year. A large portion of the County's net position (\$22.6 million, 63% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

Government-Wide Financial Analysis (Continued)

The following table provides a comparative summary of the County's Statement of Net Position:

**County of Clarke, Virginia
Summary of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities	
	2016	2015
Current and other assets	\$ 29,871,095	\$ 28,542,250
Capital assets	55,264,369	55,844,161
Total assets	<u>\$ 85,135,464</u>	<u>\$ 84,386,411</u>
Deferred outflows of resources	<u>\$ 466,768</u>	<u>\$ 457,305</u>
Long-term liabilities outstanding	\$ 35,211,779	\$ 37,844,786
Other liabilities	3,047,048	2,830,045
Total liabilities	<u>\$ 38,258,827</u>	<u>\$ 40,674,831</u>
Deferred inflows of resources	<u>\$ 11,284,227</u>	<u>\$ 11,432,673</u>
Net position:		
Net investment in capital assets	\$ 22,639,790	\$ 20,531,094
Restricted	5,255	5,255
Unrestricted	13,414,133	12,199,863
Total net position	<u><u>\$ 36,059,178</u></u>	<u><u>\$ 32,736,212</u></u>

An additional portion of the County's net position (\$5,255) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13.4 million) may be used to meet the County's ongoing obligations to citizens and creditors.

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

As noted previously, the County's net position increased by \$3.3 million during the current fiscal year. This is largely attributable to paying principal due on long-term debt obligations.

Government-Wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$3.3 million. The following table summarizes the County's Statement of Activities:

County of Clarke, Virginia Changes in Net Position Years Ended June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,562,964	\$ 1,268,169
Operating grants and contributions	2,706,176	2,704,325
Capital grants and contributions	371,215	946,620
General revenues:		
Property taxes	19,814,919	19,310,001
Other taxes	1,921,422	1,777,225
Unrestricted revenues from the use of money and property	87,662	62,859
Miscellaneous	205,626	105,278
Grants and contributions not restricted to specific programs	3,018,096	3,011,502
Total revenues	<u>\$ 29,688,080</u>	<u>\$ 29,185,979</u>
Expenses:		
General governmental administration	\$ 2,236,563	\$ 2,228,785
Judicial administration	602,451	598,469
Public safety	4,094,648	4,414,115
Public works	1,076,881	1,013,865
Health and welfare	2,646,112	2,418,330
Parks, recreation, and cultural	1,046,408	1,048,103
Community development	866,154	980,692
Interest on long-term debt	1,453,276	1,559,976
Education	12,342,621	11,763,711
Total expenses	<u>\$ 26,365,114</u>	<u>\$ 26,026,046</u>
Increase (decrease) in net position	\$ 3,322,966	\$ 3,159,933
Net position - beginning of year	32,736,212	29,576,279
Net position - end of year	<u><u>\$ 36,059,178</u></u>	<u><u>\$ 32,736,212</u></u>

Generally, net asset changes are for the difference between revenues and expenses. Key elements of this net increase are as follows:

- Overall stabilization in operating expenses.
- Increase in charges for services.
- Increase in transfers out to School Board reported as education expense. These transfers represent a change in long-term assets and liability transferred between Component Unit School Board and the County, as well as unexpended local transfer at year end.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15.1 million, an increase of 0.7 million in comparison with the prior year. Of this total amount, \$14.3 million or 96% constitutes *assigned and unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it has already been committed to a specific purpose.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$14.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 66% of total General Fund expenditures. This is a common measure for the strength of the County's equity and an overall indicator of a healthy financial condition.

Restricted fund balance of \$5,225 for the swim team and pool in the Parks Construction Fund is included in other governmental funds.

General Fund Budgetary Highlights

There was an increase of \$29,197 between the original budget and the final amended budgeted expenditures.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$55.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and construction in progress. Major capital asset events during the current fiscal year included the following:

- Purchase of several Sheriff and administrative vehicles and equipment.
- Investment in voting equipment.
- Sheriff vehicle repairs.
- Time sync server for communications.

Capital Asset and Debt Administration (Continued)

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities	
	2016	2015
Land	\$ 745,500	\$ 745,500
Buildings	44,595,496	45,335,880
Improvements	632,446	697,778
Machinery & Equipment	934,341	827,489
Construction in progress	8,356,586	8,237,514
Total	\$ 55,264,369	\$ 55,844,161

Additional information on the County's capital assets can be found in note 6 on pages 36 through 37 of this report.

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of \$35.2 million and details are summarized in the following table:

	Governmental Activities	
	2016	2015
Bonds payable:		
General obligation bonds	\$ 27,400,000	\$ 29,720,000
Premiums and discounts	237,185	278,864
Lease revenue bond	4,167,233	4,245,272
Note payable	-	94,000
Capital leases	820,161	974,931
Net pension liability	1,969,166	1,857,942
Compensated absences	618,034	673,777
Total	\$ 35,211,779	\$ 37,844,786

Additional information on the County's long-term debt can be found in Note 8.

Economic Factors and Next Year's Budgets and Rates

- Revenue from the Commonwealth and Federal Government will continue to be weak.
- Employee benefit costs will continue to rise.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Joint Administrative Services, County of Clarke, 524 Westwood Road, Berryville, VA 22611.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities	Component Units		
		School Board	Clarke County Sanitary Authority	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 14,691,510	\$ 52,451	\$ 319,455	\$ 108,927
Receivables (net of allowance for uncollectibles):				
Taxes receivable	12,536,818	-	-	-
Accounts receivable	182,139	138,581	141,216	-
Notes receivable	2,989	-	-	-
Due from other funds	463,820	-	-	-
Due from primary government	-	1,892,388	-	-
Due from other governmental units	1,706,625	622,224	-	-
Inventories	22,385	-	-	-
Prepaid items	46,700	31,618	-	1,333
Restricted assets:				
Cash and cash equivalents	203,501	-	-	-
Notes receivable - net of current portion	14,608	-	-	-
Net pension asset	-	66,371	-	-
Capital assets (net of accumulated depreciation):				
Land	745,500	647,266	13,200	-
Buildings	44,595,496	5,969,287	-	-
Improvements other than buildings	632,446	413,904	-	-
Equipment	934,341	1,139,814	-	-
Utility plant in service	-	-	8,304,438	-
Construction in progress	8,356,586	-	1,260,980	-
Total assets	\$ 85,135,464	\$ 10,973,904	\$ 10,039,289	\$ 110,260
DEFERRED OUTFLOW OF RESOURCES				
Pension contribution subsequent to measurement date	\$ 466,768	\$ 1,735,614	\$ 4,524	\$ -
LIABILITIES				
Accounts payable	\$ 247,286	\$ 361,783	\$ 134,743	\$ -
Accrued liabilities	1,110	2,316,270	-	-
Customers' deposits	-	-	6,717	-
Accrued interest payable	595,189	-	4,771	-
Due to other funds	2,203,463	-	-	-
Unearned revenue	-	28,112	12,976	-
Long-term liabilities:				
Due within one year	2,738,951	50,030	328,405	-
Due in more than one year	32,472,828	19,769,267	4,240,593	-
Total liabilities	\$ 38,258,827	\$ 22,525,462	\$ 4,728,205	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	\$ 10,732,145	\$ -	\$ -	\$ -
Changes to proportionate share of net pension liability	-	201,000	-	-
Items related to measurement of net pension liability	552,082	1,588,371	5,351	-
Total deferred inflows of resources	\$ 11,284,227	\$ 1,789,371	\$ 5,351	\$ -
NET POSITION				
Net investment in capital assets	\$ 22,639,790	\$ 8,170,271	\$ 5,028,710	\$ -
Restricted				
Swim team	3,596	-	-	-
Pool	1,659	-	-	-
Unrestricted	13,414,133	(19,775,586)	281,547	110,260
Total net position	\$ 36,059,178	\$ (11,605,315)	\$ 5,310,257	\$ 110,260

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

COUNTY OF CLARKE, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,236,563	\$ 109,591	\$ 213,679	\$ -
Judicial administration	602,451	2,415	354,893	-
Public safety	4,094,648	767,587	916,170	70,344
Public works	1,076,881	277,176	-	-
Health and welfare	2,646,112	-	1,216,434	-
Education	12,342,621	-	-	121,711
Parks, recreation, and cultural	1,046,407	406,195	-	-
Community development	866,154	-	5,000	179,160
Interest on long-term debt	1,453,276	-	-	-
Total governmental activities	\$ 26,365,114	\$ 1,562,964	\$ 2,706,176	\$ 371,215
Total primary government	\$ 26,365,114	\$ 1,562,964	\$ 2,706,176	\$ 371,215
COMPONENT UNITS:				
School Board	\$ 23,411,637	\$ 699,905	\$ 10,054,822	\$ -
Clarke County Sanitary Authority	928,141	535,168	-	33,927
Clarke County Industrial Development Authority	10,090	54,000	-	-
Total component units	\$ 24,349,868	\$ 1,289,073	\$ 10,054,822	\$ 33,927
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumer utility tax				
Taxes on recordation and wills				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Contribution from County of Clarke				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government	Component Units			
Governmental Activities	School Board	Clarke County Sanitary Authority	Industrial Development Authority	
\$ (1,913,293)	\$ -	\$ -	\$ -	\$ -
(245,143)	-	-	-	-
(2,340,547)	-	-	-	-
(799,705)	-	-	-	-
(1,429,678)	-	-	-	-
(12,220,910)	-	-	-	-
(640,212)	-	-	-	-
(681,994)	-	-	-	-
(1,453,276)	-	-	-	-
<u>\$ (21,724,759)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (21,724,759)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (12,656,910)	\$ -	\$ -	\$ -
-	-	(359,046)	-	-
-	-	-	43,910	-
<u>\$ -</u>	<u>\$ (12,656,910)</u>	<u>\$ (359,046)</u>	<u>\$ 43,910</u>	<u>\$ -</u>
\$ 19,814,919	\$ -	\$ -	\$ -	\$ -
877,365	-	-	-	-
340,856	-	-	-	-
296,446	-	-	-	-
322,646	-	-	-	-
84,109	-	-	-	-
87,662	69,554	2,270	33	-
205,626	173,634	151,627	-	-
3,018,096	-	-	-	-
-	12,391,397	133,377	-	-
<u>\$ 25,047,725</u>	<u>\$ 12,634,585</u>	<u>\$ 287,274</u>	<u>\$ 33</u>	<u>\$ -</u>
3,322,966	(22,325)	(71,772)	43,943	-
32,736,212	(11,582,990)	5,382,029	66,317	-
<u>\$ 36,059,178</u>	<u>\$ (11,605,315)</u>	<u>\$ 5,310,257</u>	<u>\$ 110,260</u>	<u>\$ -</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2016

	General	Virginia Public Assistance	School Debt Service	Other Govern- mental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 14,259,406	\$ 610	\$ -	\$ 431,494	\$ 14,691,510
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,536,818	-	-	-	12,536,818
Accounts receivable	182,139	-	-	-	182,139
Due from other funds	384,598	-	-	79,222	463,820
Due from other governmental units	1,428,418	142,138	-	136,069	1,706,625
Inventories	22,385	-	-	-	22,385
Prepaid items	26,941	5,495	14,264	-	46,700
Restricted assets:					
Cash and cash equivalents	194,104	-	-	9,397	203,501
Total assets	<u>\$ 29,034,809</u>	<u>\$ 148,243</u>	<u>\$ 14,264</u>	<u>\$ 656,182</u>	<u>\$ 29,853,498</u>
LIABILITIES					
Accounts payable	\$ 162,973	\$ 9,685	\$ -	\$ 74,628	\$ 247,286
Accrued liabilities	1,110	-	-	-	1,110
Due to other funds	2,035,856	137,948	14,264	15,395	2,203,463
Total liabilities	<u>\$ 2,199,939</u>	<u>\$ 147,633</u>	<u>\$ 14,264</u>	<u>\$ 90,023</u>	<u>\$ 2,451,859</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	<u>\$ 12,332,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,332,367</u>
Fund balances:					
Nonspendable:					
Prepaid items	\$ 26,941	\$ 5,495	\$ 14,264	\$ -	\$ 46,700
Inventory	22,385	-	-	-	22,385
Restricted:					
Swim team	-	-	-	3,596	3,596
Pool	-	-	-	1,659	1,659
Debt service	194,104	-	-	-	194,104
Committed:					
Animal care expenditures	-	-	-	9,397	9,397
Community development	-	-	-	259,960	259,960
Public safety expenditures	-	-	-	130,730	130,730
Assigned:					
Capital projects	-	-	-	160,817	160,817
Other (Note 15)	13,628,633	-	-	-	13,628,633
Unassigned	630,440	(4,885)	(14,264)	-	611,291
Total fund balances	<u>\$ 14,502,503</u>	<u>\$ 610</u>	<u>\$ -</u>	<u>\$ 566,159</u>	<u>\$ 15,069,272</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,034,809</u>	<u>\$ 148,243</u>	<u>\$ 14,264</u>	<u>\$ 656,182</u>	<u>\$ 29,853,498</u>

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

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	\$	15,069,272
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		55,264,369
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable property taxes	\$	1,600,222
Items related to measurement of net pension liability		<u>(552,082)</u>
		1,048,140
Long-term note receivable is not available to pay for current period expenditures and, therefore, is not reported in the funds.		17,597
Interest on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(595,189)
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.		466,768
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(35,211,779)</u>
Net position of governmental activities	\$	<u><u>36,059,178</u></u>

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

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

	General	Virginia Public Assistance	School Debt Service	Total Nonmajor Governmental Funds	Total
REVENUES					
General property taxes	\$ 19,724,104	\$ -	\$ -	\$ 10,688	\$ 19,734,792
Other local taxes	1,921,422	-	-	-	1,921,422
Permits, privilege fees, and regulatory licenses	280,881	-	-	-	280,881
Fines and forfeitures	304,861	-	-	-	304,861
Revenue from the use of money and property	85,383	-	-	2,279	87,662
Charges for services	967,312	-	-	9,910	977,222
Miscellaneous	73,955	-	52,464	82,128	208,547
Recovered costs	102,138	62,657	-	-	164,795
Intergovernmental:					
Commonwealth	4,408,322	282,213	-	432,377	5,122,912
Federal	94,167	696,181	121,711	60,516	972,575
Total revenues	<u>\$ 27,962,545</u>	<u>\$ 1,041,051</u>	<u>\$ 174,175</u>	<u>\$ 597,898</u>	<u>\$ 29,775,669</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,822,898	\$ -	\$ -	\$ -	\$ 1,822,898
Judicial administration	629,270	-	-	-	629,270
Public safety	3,953,538	-	-	120,395	4,073,933
Public works	1,087,367	-	-	-	1,087,367
Health and welfare	611,389	1,459,270	-	591,785	2,662,444
Education	12,027,351	-	-	-	12,027,351
Parks, recreation, and cultural	962,519	-	-	-	962,519
Community development	561,512	-	-	288,361	849,873
Nondepartmental	12,956	-	-	-	12,956
Capital projects	-	-	-	755,712	755,712
Debt service:					
Principal retirement	-	-	2,474,772	172,039	2,646,811
Interest and other fiscal charges	-	-	1,372,174	173,661	1,545,835
Total expenditures	<u>\$ 21,668,800</u>	<u>\$ 1,459,270</u>	<u>\$ 3,846,946</u>	<u>\$ 2,101,953</u>	<u>\$ 29,076,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,293,745</u>	<u>\$ (418,219)</u>	<u>\$ (3,672,771)</u>	<u>\$ (1,504,055)</u>	<u>\$ 698,700</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 50,600	\$ 418,829	\$ 3,672,771	\$ 1,371,394	\$ 5,513,594
Transfers out	<u>(5,462,994)</u>	<u>-</u>	<u>-</u>	<u>(50,600)</u>	<u>(5,513,594)</u>
Total other financing sources (uses)	<u>\$ (5,412,394)</u>	<u>\$ 418,829</u>	<u>\$ 3,672,771</u>	<u>\$ 1,320,794</u>	<u>\$ -</u>
Net change in fund balances	\$ 881,351	\$ 610	\$ -	\$ (183,261)	\$ 698,700
Fund balances - beginning	<u>13,621,152</u>	<u>-</u>	<u>-</u>	<u>749,420</u>	<u>14,370,572</u>
Fund balances - ending	<u>\$ 14,502,503</u>	<u>\$ 610</u>	<u>\$ -</u>	<u>\$ 566,159</u>	<u>\$ 15,069,272</u>

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

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	\$	698,700
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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 outlay	\$	488,062	
Depreciation expense		(688,229)	
Joint tenancy asset transfer		<u>(379,625)</u>	(579,792)

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

Property taxes	\$	80,127
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The issuance of notes receivable requires the use of current financial resources, while the receipt of payments on these notes provides current financial resources to governmental funds. However, these transactions have no effect on net position. This amount is the net effect of these differences in the treatment of long-term assets.

Principal payments received	(2,921)
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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 retired	\$	2,646,809	
Bond discount amortization		(2,404)	
Bond premium amortization		<u>44,083</u>	2,688,488

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.

(Increase)/decrease in compensated absences	\$	55,743	
(Increase)/decrease in net pension liability		(111,224)	
(Increase) decrease in deferred inflows related to pension expected and actual experience and earnings		433,500	
Increase (decrease) in deferred outflows related to pension contributions subsequent to measurement date		9,463	
(Increase)/decrease in accrued interest payable		<u>50,882</u>	<u>438,364</u>

Change in net position of governmental activities	\$	<u><u>3,322,966</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 168,440
Accounts receivable	2,948
Due from other governments	<u>196,223</u>
Total assets	<u><u>\$ 367,611</u></u>
LIABILITIES	
Accounts payable	\$ 12,458
Amounts held for Town	47,633
Sales tax payable to other towns	40,530
Due to other funds	155,693
Amounts held for social services clients	38,257
Accrued liabilities	<u>73,040</u>
Total liabilities	<u><u>\$ 367,611</u></u>

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

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COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016

Note 1—Summary of Significant Accounting Policies:

The County of Clarke, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and volunteer fire protection and rescue service, sanitation services, recreational activities, cultural events, education, and social services.

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

Government-wide and Fund Financial Statements

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit: The Conservation Easement Authority is reported as a blended component unit.

Discretely Presented Component Units:

The School Board members are elected by the citizens of Clarke County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding of the School Board is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2016.

The Clarke County Sanitary Authority is responsible for water and sewer treatment for many citizens in Clarke County. The Sanitary Authority consists of five members appointed by the Board of Supervisors. The Board of Supervisors has the ability to impose its will on the Sanitary Authority and therefore it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Sanitary Authority does not issue a separate financial report.

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Clarke County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Authority does not issue a separate financial report.

C. Other Related Organizations

Included in the County's Financial Report

None

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as does the proprietary fund. The fiduciary fund financial statements have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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 within two months 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 either recognized when earned, at the time other specific expenditures are recognized 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 cash is received by the government.

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

1. Governmental Funds

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

a. General Fund

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

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

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

1. Governmental Funds: (Continued)

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Virginia Public Assistance Fund is considered a major fund. The CSA Fund, Drug Enforcement Fund, Animal Care Fund, and Conservation Easement Fund are considered nonmajor funds.

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The General Government Capital Projects Fund and Parks Construction Fund are considered nonmajor funds.

d. Debt Service Funds

The Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The School Debt Service Fund is considered a major fund. The Primary Government Debt Service Fund is considered a nonmajor fund.

2. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds consisting of the Special Welfare Fund, Town of Berryville, Undistributed Local Sales Tax, Cafeteria Plan Withholding, Gang Task Force, and the Unemployment Compensation Benefits. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds utilize the accrual basis of accounting.

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

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

3. Component Unit:

The Clarke County School Board has the following funds:

Governmental Funds:

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

School Food Service Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a major fund.

School Capital Projects Proffers Fund: Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. This fund is considered a nonmajor fund.

School Capital Projects Fund - This fund accounts for all financial resources used for the acquisition or construction of major capital needs. This fund is considered a major fund.

E. Cash and Cash Equivalents:

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

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

F. 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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$259,167 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5/December 5 (50% each date)	June 5/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County and Component Unit School Board as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. 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 Component Unit, Clarke County Sanitary Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed.

The Component Unit, Industrial Development Authority of Clarke County, does not have any capital assets to report.

The costs 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.

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

H. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2016 was immaterial.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Plant, equipment and system	20-45
Motor vehicles	5-10
Equipment	5-15
Infrastructure	25-50

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. 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.

K. Net Position

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

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

L. Net Position Flow Assumption

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

M. Long-term Obligations

In the government-wide 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. 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.

N. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

O. Fund Equity

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

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

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

O. Fund Equity: (Continued)

- 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.

In accordance with GASB Statement 54, 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 Board of Supervisors 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 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).

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one type that qualifies for reporting in this category. Pension contributions made subsequent to the measurement date of the net pension liability will be recognized as a reduction to the net pension liability next fiscal year.

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

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

Q. Pensions

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

R. Adoption of Accounting Principles

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

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

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

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

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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 15th, 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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the Component Unit 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 and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

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

As of June 30, 2016 the County does not have a formal investment policy addressing the various types of risks related to investments.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

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

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>2,146,314</u>
Total	\$ <u><u>2,146,314</u></u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

<u>Investment Maturity (in years)</u>		
<u>Investment Type</u>	<u>Maturity</u>	
	<u>Fair Value</u>	<u>1</u>
Local Government Investment Pool	\$ <u>2,146,314</u>	\$ <u>2,146,314</u>
Total	\$ <u><u>2,146,314</u></u>	\$ <u><u>2,146,314</u></u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 4—Due from Other Governments:

At June 30, 2016, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Virginia Public Assistance funds	\$ 48,820	\$ -
State sales tax	-	409,357
Constitutional officer reimbursements	108,364	-
PPTRA	1,212,896	-
Communication taxes	67,871	-
Comprehensive Services Act	75,361	-
School fund grants	-	54,598
Other general grants	3,024	-
Federal Government:		
Virginia Public Assistance funds	93,318	-
Other general grants	96,971	-
School fund grants	-	158,269
Total due from other governments	<u>\$ 1,706,625</u>	<u>\$ 622,224</u>

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2016, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General	\$ 384,598	\$ 2,035,856
Comprehensive Services Act	-	15,395
County Capital Projects Fund	79,222	-
Virginia Public Assistance	-	137,948
School Debt Service Fund	-	14,264
Total Primary Government	<u>\$ 463,820</u>	<u>\$ 2,203,463</u>
Component Unit:		
School Fund	\$ 1,776,848	\$ -
School Capital Projects Fund	115,540	-
Total Component Unit	<u>\$ 1,892,388</u>	<u>\$ -</u>
Agency Funds:		
Unemployment Compensation Fund	\$ 2,948	\$ -
Undistributed Local Sales Tax Fund	-	155,693
Total Agency Funds	<u>\$ 2,948</u>	<u>\$ 155,693</u>
Grand Total	<u>2,359,156</u>	<u>2,359,156</u>

The above interfund obligations represent temporary advances between funds or amounts allocable to one fund and not yet transferred between the funds.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 6—Capital Assets:

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

	Balance July 1, 2015	Additions	Deletions	Joint Tenancy Transfer (Net)	Balance June 30, 2016
<u>Primary Government:</u>					
Capital assets not being depreciated:					
Land	\$ 745,500	\$ -	\$ -	\$ -	\$ 745,500
Construction in Progress	8,237,514	176,526	57,454	-	8,356,586
Total capital assets not being depreciated	<u>\$ 8,983,014</u>	<u>\$ 176,526</u>	<u>\$ 57,454</u>	<u>\$ -</u>	<u>\$ 9,102,086</u>
Capital assets being depreciated:					
Buildings	\$ 52,011,818	\$ -	\$ -	\$ (410,000)	\$ 51,601,818
Improvements other than buildings	1,849,800	-	-	-	1,849,800
Equipment	4,043,245	368,990	25,251	-	4,386,984
Total capital assets being depreciated	<u>\$ 57,904,863</u>	<u>\$ 368,990</u>	<u>\$ 25,251</u>	<u>\$ (410,000)</u>	<u>\$ 57,838,602</u>
Accumulated depreciation:					
Buildings	\$ 6,675,938	\$ 360,759	\$ -	\$ (30,375)	\$ 7,006,322
Improvements other than buildings	1,152,022	65,332	-	-	1,217,354
Equipment	3,215,756	262,138	(25,251)	-	3,452,643
Total accumulated depreciation	<u>\$ 11,043,716</u>	<u>\$ 688,229</u>	<u>\$ (25,251)</u>	<u>\$ (30,375)</u>	<u>\$ 11,676,319</u>
Total capital assets being depreciated, net	<u>\$ 46,861,147</u>	<u>\$ (319,239)</u>	<u>\$ -</u>	<u>\$ (379,625)</u>	<u>\$ 46,162,283</u>
Net capital assets governmental activities	<u>\$ 55,844,161</u>	<u>\$ (142,713)</u>	<u>\$ 57,454</u>	<u>\$ (379,625)</u>	<u>\$ 55,264,369</u>
<u>Component Unit-School Board:</u>					
Capital assets not being depreciated:					
Land	\$ 647,266	\$ -	\$ -	\$ -	\$ 647,266
Total capital assets not being depreciated	<u>\$ 647,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,266</u>
Capital assets being depreciated:					
Buildings	\$ 18,350,546	\$ 19,920	\$ -	\$ 410,000	\$ 18,780,466
Improvements other than buildings	370,124	133,410	-	-	503,534
Equipment	5,083,680	368,918	102,956	-	5,349,642
Total capital assets being depreciated	<u>\$ 23,804,350</u>	<u>\$ 522,248</u>	<u>\$ 102,956</u>	<u>\$ 410,000</u>	<u>\$ 24,633,642</u>
Accumulated depreciation:					
Buildings	\$ 11,336,160	\$ 1,444,644	\$ -	\$ 30,375	\$ 12,811,179
Improvements other than buildings	76,099	13,531	-	-	89,630
Equipment	4,095,445	217,339	(102,956)	-	4,209,828
Total accumulated depreciation	<u>\$ 15,507,704</u>	<u>\$ 1,675,514</u>	<u>\$ (102,956)</u>	<u>\$ 30,375</u>	<u>\$ 17,110,637</u>
Total capital assets being depreciated, net	<u>\$ 8,296,646</u>	<u>\$ (1,153,266)</u>	<u>\$ -</u>	<u>\$ 379,625</u>	<u>\$ 7,523,005</u>
Net capital assets component unit school board	<u>\$ 8,943,912</u>	<u>\$ (1,153,266)</u>	<u>\$ -</u>	<u>\$ 379,625</u>	<u>\$ 8,170,271</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 326,008
Public safety	199,493
Public works	13,895
Health and welfare	5,327
Parks, recreation and cultural	111,937
Community development	31,569
	<u>688,229</u>
Total Governmental activities	\$ <u>688,229</u>
Component Unit School Board	\$ <u>1,675,514</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Clarke, Virginia for the year ended June 30, 2016 is that school financed assets in the amount of \$36,738,288 are reported in the Primary Government for financial reporting purposes. Unspent bond proceeds reported as restricted cash and proceeds from the issuance of long-term debt are reported in the School Capital Projects Fund of the Component Unit School Board in the fund financial statements, and are reported within the Primary Government in the government-wide financial statements.

Component Unit-Sanitary Authority:

A summary of the component unit Sanitary Authority property, plant, and equipment at June 30, 2016 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 13,200	\$ -	\$ -	\$ 13,200
Construction in progress	780,436	480,544	-	1,260,980
Total capital assets not being depreciated	<u>\$ 793,636</u>	<u>\$ 480,544</u>	<u>\$ -</u>	<u>\$ 1,274,180</u>
Capital Assets being depreciated:				
Utility plant and equipment	\$ 12,085,222	\$ -	\$ -	\$ 12,085,222
Accumulated depreciation	(3,476,542)	(304,242)	-	(3,780,784)
Total capital assets being depreciated, net	<u>\$ 8,608,680</u>	<u>\$ (304,242)</u>	<u>\$ -</u>	<u>\$ 8,304,438</u>
Capital assets, net	<u>\$ 9,402,316</u>	<u>\$ 176,302</u>	<u>\$ -</u>	<u>\$ 9,578,618</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 7—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 50,600	\$ 5,462,994
Conservation Easement Fund	25,000	-
Parks Construction Fund	-	600
Unemployment Compensation Benefits	-	-
School Debt Service	3,672,771	-
Parks Construction Fund	-	-
County Capital Improvements	660,136	-
Virginia Public Assistance	418,829	-
Comprehensive Services Act	350,468	-
Drug Enforcement	-	50,000
General Debt Service	<u>335,790</u>	<u>-</u>
 Total	 <u>\$ 5,513,594</u>	 <u>\$ 5,513,594</u>

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations:

Primary Government:

A summary of long-term obligations is as follows:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 673,777	\$ -	\$ 55,743	\$ 618,034	\$ 61,803
Net pension liability	1,857,942	1,693,632	1,582,408	1,969,166	-
Lease revenue bond	4,245,272	-	78,039	4,167,233	81,328
Boyce wastewater VRA Bonds	94,000	-	94,000	-	-
Total incurred by County	<u>\$ 6,870,991</u>	<u>\$ 1,693,632</u>	<u>\$ 1,810,190</u>	<u>\$ 6,754,433</u>	<u>\$ 143,131</u>
Incurred by School Board:					
General obligation bonds	\$ 29,720,000	\$ -	\$ 2,320,000	\$ 27,400,000	\$ 2,405,000
Capital leases	974,931	-	154,770	820,161	161,110
Total Incurred by School Board	<u>\$ 30,694,931</u>	<u>\$ -</u>	<u>\$ 2,474,770</u>	<u>\$ 28,220,161</u>	<u>\$ 2,566,110</u>
Premiums on bonds issued	\$ 302,769	\$ -	\$ 44,083	\$ 258,686	\$ 32,114
Discount on bonds issued	(23,905)	-	(2,404)	(21,501)	(2,404)
Total Governmental Activities Obligations	<u>\$ 37,844,786</u>	<u>\$ 1,693,632</u>	<u>\$ 4,326,639</u>	<u>\$ 35,211,779</u>	<u>\$ 2,738,951</u>

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

Year Ending June 30,	County		School Board			
	RDA Lease Revenue Bond		Bonds and Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 81,328	\$ 170,372	\$ 2,405,000	\$ 1,215,689	\$ 161,110	\$ 30,963
2018	84,747	166,953	1,655,000	1,122,592	167,709	24,363
2019	88,310	163,390	1,700,000	1,048,292	174,579	17,493
2020	92,022	159,678	1,345,000	980,535	181,751	10,323
2021	95,891	155,809	1,395,000	920,349	52,145	4,909
2022-2026	543,419	715,081	7,855,000	3,568,869	82,867	3,102
2027-2031	667,658	590,842	9,560,000	1,511,184	-	-
2032-2036	820,302	438,198	1,485,000	33,227	-	-
2037-2041	1,007,844	250,656	-	-	-	-
2042-2044	685,712	42,939	-	-	-	-
Total	<u>\$ 4,167,233</u>	<u>2,853,918</u>	<u>\$ 27,400,000</u>	<u>\$ 10,400,737</u>	<u>\$ 820,161</u>	<u>\$ 91,153</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Lease Revenue Bond:</u>	
\$4,822,000 lease revenue bond for capital projects issued May 16, 2007 due in monthly installments of \$20,975 commencing May 16, 2009 payable through May 16, 2044 including interest at 4.125%.	\$ <u>4,167,233</u>
<u>Virginia Public School Authority (VPSA) Bonds:</u>	
\$410,000 Series A issued November 10, 2004 due in annual principal installments of varying amounts through July 15, 2024, and interest payments between 4.6% and 5.6% due July 15 and January 15 of each year through July 15, 2024	\$ 180,000
\$29,200,000 plus a premium of \$635,208 Series 2006B issued November 9, 2006 due in annual principal installments varying from \$800,000 to \$1,565,000 through January 26, 2026; interest payable at rates between 4.225% to 5.1% due January 15 and July 15 each year through January 26, 2026	18,195,000
\$8,185,000 Series B bonds issued November 20, 1998, due in annual principal installments of varying amounts on July 15 of each year and interest payments between 4.10% and 5.10% due July 15 and January 15 of each year through July 15, 2018	1,215,000
\$2,230,000 plus a premium of \$200,813 Series 2010 A bonds issued May 13, 2010, due in semi-annual installments of varying amounts through July 15, 2016; interest payable at rates between 3.050% to 5.050%.	415,000

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Virginia Public School Authority (VPSA) Bonds: (Continued)</u>	
\$7,395,000 less a discount of \$35,137 Series 2010 B Build America Bonds issued under the American Recovery and Reinvestment Act of 2009 on May 13, 2010. Interest only payments due semi-annually through January 15, 2017; principal and interest payments due semi-annually beginning July 15, 2017 through July 15, 2030. Interest rate varies between 3.854% to 5.562% and is offset by a 35% federal interest subsidy received semi-annually.	7,395,000
Total Virginia Public School Authority Bonds	\$ <u>27,400,000</u>
<u>Capital Leases:</u>	
\$1,525,605 School Energy Management Lease dated June 21, 2005 due in quarterly installments of principal and interest of \$33,755, interest at 3.95%	\$ 497,324
\$630,000 capital lease for elementary school gym, dated October 4, 2007 due in quarterly installments of principal and interest of \$14,264, interest at 4.26%	322,837
Total Capital Leases	\$ <u>820,161</u>
Compensated absences	\$ <u>618,034</u>
Net pension liability	\$ <u>1,969,166</u>
Premium on bonds issued	\$ <u>258,686</u>
Discount on bonds issued	\$ <u>(21,501)</u>
Total Primary Government	\$ <u><u>35,211,779</u></u>

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 284,380
Building improvements	2,155,605
Less: Accumulated depreciation	<u>(1,400,738)</u>
Total	<u><u>\$ 1,039,247</u></u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

<u>Year ending June 30</u>	<u>Component Unit - School Board</u>
2017	\$ 192,073
2018	192,073
2019	192,073
2020	192,073
2021	57,054
2022-2023	85,968
Total minimum lease payments	<u>911,314</u>
Less: amount representing interest	<u>(91,153)</u>
Present value of minimum lease payments	<u><u>\$ 820,161</u></u>

Component Unit—School Board:

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</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 494,126	\$ 6,171	\$ -	\$ 500,297	\$ 50,030
Net pension liability	18,629,000	4,285,000	3,595,000	19,319,000	-
Total	<u>\$ 19,123,126</u>	<u>\$ 4,291,171</u>	<u>\$ 3,595,000</u>	<u>\$ 19,819,297</u>	<u>\$ 50,030</u>

Component Unit—Sanitary Authority:

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

Changes in Long-Term Obligations:

	<u>Balance July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2016</u>
General Obligation Bond	\$ 563,378	\$ -	\$ 33,140	\$ 530,238
Net pension liability	18,010	16,418	15,338	19,090
Notes payable	4,313,759	-	294,089	4,019,670
Totals	<u>\$ 4,895,147</u>	<u>\$ 16,418</u>	<u>\$ 342,567</u>	<u>\$ 4,568,998</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Sanitary Authority: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Water Operating Fund:		
<u>General Obligation Bond:</u>		
\$997,000 water system revenue bonds issued August 21, 2001 due in semi-annual installments of \$16,570 beginning September 1, 2002 through August 1, 2031. No interest.	\$ 530,238	\$ 33,140
<u>Notes Payable:</u>		
Note payable to VRA for the grouting project. Due June 2032. \$940 payable semiannually. No interest.	31,021	1,880
Note payable to VRA for new Boyce to Millwood line. Due June 2032. \$3,125 payable semiannually. No interest.	106,250	6,250
\$600,000 note payable to Bank of Clarke County issued February 27, 2015, due in semiannual installments of \$27,647 - \$20,259 payable through February 27, 2030, including 2.57% interest	560,000	40,000
\$787,546 note payable to VRA issued September 2, 2005 due in semiannual installments of \$26,792 payable through July 1, 2026, including 3.00% interest	459,984	40,083
<u>Net pension liability</u>	<u>9,545</u>	<u>-</u>
Total Water Fund	<u>\$ 1,697,038</u>	<u>\$ 121,353</u>
Boyce Wastewater Facility		
Note payable to VRA for the Millwood Sewer project. Due June 2032. \$9,602 payable semiannually. No interest.	\$ 326,476	\$ 19,205
\$3,761,429 note payable to VRA issued October 1, 2008 due in semi-annual installments of \$93,924 payable through November 1, 2029. No interest.	2,535,939	187,847
<u>Net pension liability</u>	<u>9,545</u>	<u>-</u>
Total Boyce Wastewater Facility	<u>\$ 2,871,960</u>	<u>\$ 207,052</u>
Total Clarke County Sanitary Authority	<u>\$ 4,568,998</u>	<u>\$ 328,405</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Sanitary Authority: (Continued)

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

Year Ending June 30,	General Obligation Bond		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 33,140	\$ -	\$ 295,265	\$ 27,635
2018	33,140	-	296,477	25,394
2019	33,140	-	297,725	23,118
2020	33,140	-	299,011	20,805
2021	33,140	-	300,335	18,453
2022-2026	165,700	-	1,522,992	55,524
2027-2031	165,700	-	954,139	9,244
2032-2033	33,138	-	53,727	-
Total	\$ <u>530,238</u>	\$ <u>-</u>	\$ <u>4,019,670</u>	\$ <u>180,173</u>

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COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 9—Unearned/Deferred/Unavailable Revenue:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2016:

	<u>Government- wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
General Fund:		
Deferred/unavailable property tax revenue:		
Deferred/unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,600,222
2nd half assessments due in December 2016	10,700,828	10,700,828
Prepaid property taxes due in December 2016, but paid in advance by the taxpayers	31,317	31,317
Total deferred/unavailable revenue	<u>\$ 10,732,145</u>	<u>\$ 12,332,367</u>

Note 10—Commitments and Contingencies:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Pension Plan:

Plan Description

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

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

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for 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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Primary Government (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	58	31
Inactive members:		
Vested inactive members	16	9
Non-vested inactive members	18	31
Inactive members active elsewhere in VRS	38	3
Total inactive members	72	43
Active members	84	54
Total covered employees	214	128

(1) Includes Component Unit Clarke County Sanitary Authority

Contributions

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

The County's and Component Unit Clarke County Sanitary Authority's contractually required contribution rate for the year ended June 30, 2016 was 10.86% 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 Primary Government were \$462,287 and \$450,895 and Component Unit Clarke County Sanitary Authority were \$4,481 and \$4,371 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 8.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$56,201 and \$56,916 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Assets)

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

Actuarial Assumptions - General Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

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

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

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 18,071,233	\$ 16,213,291	\$ 1,857,942
Changes for the year:			
Service cost	\$ 441,992	\$ -	\$ 441,992
Interest	1,241,436	-	1,241,436
Differences between expected and actual experience	(174,129)	-	(174,129)
Contributions - employer	-	455,266	(455,266)
Contributions - employee	-	208,804	(208,804)
Net investment income	-	744,209	(744,209)
Benefit payments, including refunds of employee contributions	(672,885)	(672,885)	-
Administrative expenses	-	(10,047)	10,047
Other changes	-	(157)	157
Net changes	\$ 836,414	\$ 725,190	\$ 111,224
Balances at June 30, 2015	\$ 18,907,647	\$ 16,938,481	\$ 1,969,166

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Clarke County Sanitary Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 175,165	\$ 157,156	\$ 18,009
Changes for the year:			
Service cost	\$ 4,284	\$ -	\$ 4,284
Interest	12,034	-	12,034
Differences between expected and actual experience	(1,688)	-	(1,688)
Contributions - employer	-	4,412	(4,412)
Contributions - employee	-	2,024	(2,024)
Net investment income	-	7,214	(7,214)
Benefit payments, including refunds of employee contributions	(6,522)	(6,522)	-
Administrative expenses	-	(98)	98
Other changes	-	(3)	3
Net changes	<u>\$ 8,108</u>	<u>\$ 7,027</u>	<u>\$ 1,081</u>
Balances at June 30, 2015	<u>\$ 183,273</u>	<u>\$ 164,183</u>	<u>\$ 19,090</u>

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 3,132,668	\$ 3,202,474	\$ (69,806)
Changes for the year:			
Service cost	\$ 119,013	\$ -	\$ 119,013
Interest	213,846	-	213,846
Differences between expected and actual experience	(96,657)	-	(96,657)
Contributions - employer	-	56,916	(56,916)
Contributions - employee	-	32,933	(32,933)
Net investment income	-	144,974	(144,974)
Benefit payments, including refunds of employee contributions	(155,448)	(155,448)	-
Administrative expenses	-	(2,023)	2,023
Other changes	-	(33)	33
Net changes	<u>\$ 80,754</u>	<u>\$ 77,319</u>	<u>\$ 3,435</u>
Balances at June 30, 2015	<u>\$ 3,213,422</u>	<u>\$ 3,279,793</u>	<u>\$ (66,371)</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County of Clarke - Primary Government Net Pension Liability (Asset)	\$ 4,383,291	\$ 1,969,165	\$ (44,064)
Component Unit Clarke County Sanitary Authority Net Pension Liability (Asset)	\$ 42,487	\$ 19,087	\$ (427)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 269,348	\$ (66,371)	\$ (352,821)

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 Clarke County Sanitary Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$132,989, \$1,289 and \$5,266, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit Clarke County Sanitary Authority	
	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	\$ -	\$ 124,940	\$ -	\$ 54,994	\$ -	\$ 1,211
Net difference between projected and actual earnings on pension plan investments	-	427,142	-	84,377	-	4,140
Employer contributions subsequent to the measurement date	466,768	-	56,201	-	4,524	-
Total	\$ 466,768	\$ 552,082	\$ 56,201	\$ 139,371	\$ 4,524	\$ 5,351

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

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

\$466,768, \$56,201, and \$4,524 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit School Board's (nonprofessional), and Component Unit Clarke County Sanitary Authority contributions, respectively, subsequent to the measurement date will be recognized as a reduction or component of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit Clarke County Sanitary Authority
2017	\$ (217,574)	\$ (74,911)	\$ (2,108)
2018	(217,574)	(46,579)	(2,108)
2019	(194,945)	(33,248)	(1,890)
2020	78,011	15,367	755
201	-	-	-
Thereafter	-	-	-

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.50% 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 \$296,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,679,413 and \$1,584,459 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—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

At June 30, 2016, the school division reported a liability of \$19,319,000 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 0.15349% as compared to 0.15415% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,359,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 266,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	201,000
Net difference between projected and actual earnings on pension plan investments	-	1,183,000
Employer contributions subsequent to the measurement date	<u>1,679,413</u>	<u>-</u>
Total	<u>\$ 1,679,413</u>	<u>\$ 1,650,000</u>

\$1,679,413 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ (579,000)
2018	(579,000)
2019	(579,000)
2020	123,000
2021	(36,000)
Thereafter	-

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 11—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)	\$ 28,271,000	\$ 19,319,000	\$ 11,949,000

Pension Plan Fiduciary Net Position

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

Note 12—Litigation:

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

Note 13—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries a broad range of insurance coverages, which management considers prudent for the protection of the County's assets and operations. Coverages currently include \$2,000,000 commercial general liability, \$2,000,000 automobile liability, and \$3,000,000 public official's liability. The property policy provides insurance coverage for all of the County's real and personal property up to the replacement cost value of the asset.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 14—Conduit Debt:

The County has issued economic development revenue bonds through the Clarke County Industrial Development Authority. All responsibility for the payment of this debt rests with the Borrower. The County and the Authority have no responsibility for the payment of this debt. Outstanding conduit debt obligations are as follows at June 30, 2016:

Description	Original Issue	Outstanding June 30, 2016
Heritage Child Development Center, Inc.	\$ 450,000	\$ -
Grafton School, Inc.	9,925,000	5,305,000
R-1 Berryville Town bond	2,327,000	2,117,968
R-2 Clarke County bond	4,822,000	4,167,233
	\$ 17,524,000	\$ 11,590,201
	\$ 17,524,000	\$ 11,590,201

Note 15—Assigned Fund Balances:

Fund balances have been assigned for the following purposes:

Liquidity Designation	\$ 3,390,324
Stabilization Designation	847,581
School Operating Carryover	878,708
Leave Liability	75,000
Continuing Appropriations for Capital Projects	3,087,639
Parks Master Plan Implementation	80,000
Conservation Easements From Government Savings	153,462
Comprehensive Services Act Shortfall	166,866
Government Savings	247,654
Data and Communications Technology	128,000
FY 2016/2017 Original Budget Deficit	4,573,399
Total	\$ 13,628,633

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

Note 16—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Helen Butts, Clerk of the Circuit Court	\$ 25,000
Sharon Keeler, Treasurer	400,000
Donna Peake, Commissioner of the Revenue	3,000
Anthony W. Roper, Sheriff	30,000
Western Surety	
Sharon Keeler, Treasurer	10,000

Note 17—Postemployment Benefits Other Than Pensions:

The County offers postemployment medical coverage to its retired employees at the employee's cost. The County has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB 45 and believes there is no material effect on the County's financial position.

Note 18—Note Receivable:

During fiscal year 2010, the County issued a note receivable to the Berryville Main Street Program in the amount of \$35,000. The note is payable over 12 years, bearing interest at 3%. At June 30, 2016, \$17,597 of this note was outstanding. Future payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,989	\$ 506
2018	3,079	415
2019	3,172	322
2020	3,268	226
2021	3,367	128
2022	1,722	26
	<u>17,597</u>	<u>1,623</u>
Total	\$ <u>17,597</u>	\$ <u>1,623</u>

Note 19—Upcoming Pronouncements:

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

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. Earlier application is encouraged.

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

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. Earlier application is encouraged.

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 19,181,613	\$ 19,183,237	\$ 19,724,104	\$ 540,867
Other local taxes	1,924,322	1,924,322	1,921,422	(2,900)
Permits, privilege fees, and regulatory licenses	296,854	296,854	280,881	(15,973)
Fines and forfeitures	250,000	250,000	304,861	54,861
Revenue from the use of money and property	61,143	61,143	85,383	24,240
Charges for services	882,260	882,260	967,312	85,052
Miscellaneous	6,372	21,372	73,955	52,583
Recovered costs	122,524	128,383	102,138	(26,245)
Intergovernmental:				
Commonwealth	4,366,867	4,371,606	4,408,322	36,716
Federal	233,193	239,222	94,167	(145,055)
Total revenues	\$ 27,325,148	\$ 27,358,399	\$ 27,962,545	\$ 604,146
EXPENDITURES				
Current:				
General government administration	\$ 1,879,789	\$ 1,891,206	\$ 1,822,898	\$ 68,308
Judicial administration	626,293	662,284	629,270	33,014
Public safety	3,908,496	4,021,209	3,953,538	67,671
Public works	1,089,586	1,125,867	1,087,367	38,500
Health and welfare	376,396	391,396	611,389	(219,993)
Education	14,889,106	14,889,106	12,027,351	2,861,755
Parks, recreation, and cultural	1,055,115	1,062,816	962,519	100,297
Community development	643,381	632,572	561,512	71,060
Nondepartmental	199,000	19,903	12,956	6,947
Total expenditures	\$ 24,667,162	\$ 24,696,359	\$ 21,668,800	\$ 3,027,559
Excess (deficiency) of revenues over (under) expenditures	\$ 2,657,986	\$ 2,662,040	\$ 6,293,745	\$ 3,631,705
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 600	\$ 50,600	\$ 50,000
Transfers out	-	(6,771,127)	(5,462,994)	1,308,133
Total other financing sources (uses)	\$ -	\$ (6,770,527)	\$ (5,412,394)	\$ 1,358,133
Net change in fund balances	\$ 2,657,986	\$ (4,108,487)	\$ 881,351	\$ 4,989,838
Fund balances - beginning	(2,657,986)	4,108,487	13,621,152	9,512,665
Fund balances - ending	\$ -	\$ -	\$ 14,502,503	\$ 14,502,503

Virginia Public Assistance Fund - Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Recovered costs	\$ -	\$ -	\$ 62,657	\$ 62,657
Intergovernmental:				
Commonwealth	284,735	288,488	282,213	(6,275)
Federal	697,111	706,298	696,181	(10,117)
Total revenues	\$ 981,846	\$ 994,786	\$ 1,041,051	\$ 46,265
EXPENDITURES				
Current:				
Health and welfare	\$ 1,445,745	\$ 1,458,685	\$ 1,459,270	\$ (585)
Total expenditures	\$ 1,445,745	\$ 1,458,685	\$ 1,459,270	\$ (585)
Excess (deficiency) of revenues over (under) expenditures	\$ (463,899)	\$ (463,899)	\$ (418,219)	\$ 45,680
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 463,899	\$ 463,899	\$ 418,829	\$ (45,070)
Total other financing sources (uses)	\$ 463,899	\$ 463,899	\$ 418,829	\$ (45,070)
Net change in fund balances	\$ -	\$ -	\$ 610	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 610	\$ -

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

	2015		2014	
	Primary Government	Clarke County Sanitary Authority	Primary Government	Clarke County Sanitary Authority
Total pension liability				
Service cost	\$ 441,992	\$ 4,284	\$ 452,800	\$ 4,389
Interest	1,241,436	12,034	1,173,942	11,379
Differences between expected and actual experience	(174,129)	(1,688)	-	-
Benefit payments, including refunds of employee contributions	(672,885)	(6,522)	(652,215)	(6,322)
Net change in total pension liability	\$ 836,414	\$ 8,108	\$ 974,527	\$ 9,446
Total pension liability - beginning	18,071,233	175,165	17,096,706	165,719
Total pension liability - ending (a)	\$ 18,907,647	\$ 183,273	\$ 18,071,233	\$ 175,165
Plan fiduciary net position				
Contributions - employer	\$ 455,266	\$ 4,412	\$ 487,123	\$ 4,722
Contributions - employee	208,804	2,024	200,072	1,939
Net investment income	744,209	7,214	2,211,300	21,434
Benefit payments, including refunds of employee contributions	(672,885)	(6,522)	(652,215)	(6,322)
Administrative expense	(10,047)	(98)	(11,767)	(114)
Other	(157)	(3)	117	-
Net change in plan fiduciary net position	\$ 725,190	\$ 7,027	\$ 2,234,630	\$ 21,659
Plan fiduciary net position - beginning	16,213,291	157,156	13,978,661	135,496
Plan fiduciary net position - ending (b)	\$ 16,938,481	\$ 164,183	\$ 16,213,291	\$ 157,155
County's net pension liability - ending (a) - (b)	\$ 1,969,166	\$ 19,090	\$ 1,857,942	\$ 18,010
Plan fiduciary net position as a percentage of the total pension liability	89.59%	89.58%	89.72%	89.72%
Covered payroll	\$ 4,210,911	\$ 40,817	\$ 3,972,930	\$ 38,510
County's net pension liability as a percentage of covered payroll	46.76%	46.77%	46.77%	46.77%

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

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

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 119,013	\$ 138,591
Interest	213,846	200,591
Differences between expected and actual experience	(96,657)	-
Benefit payments, including refunds of employee contributions	(155,448)	(144,212)
Net change in total pension liability	<u>\$ 80,754</u>	<u>\$ 194,970</u>
Total pension liability - beginning	<u>3,132,668</u>	<u>2,937,698</u>
Total pension liability - ending (a)	<u><u>\$ 3,213,422</u></u>	<u><u>\$ 3,132,668</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 56,916	\$ 95,312
Contributions - employee	32,933	49,538
Net investment income	144,974	436,730
Benefit payments, including refunds of employee contributions	(155,448)	(144,212)
Administrative expense	(2,023)	(2,334)
Other	(33)	23
Net change in plan fiduciary net position	<u>\$ 77,319</u>	<u>\$ 435,057</u>
Plan fiduciary net position - beginning	<u>3,202,474</u>	<u>2,767,417</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,279,793</u></u>	<u><u>\$ 3,202,474</u></u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (66,371)	\$ (69,806)
Plan fiduciary net position as a percentage of the total pension liability	102.07%	102.23%
Covered payroll	\$ 664,350	\$ 990,746
School Division's net pension liability as a percentage of covered payroll	-9.99%	-7.05%

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

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

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.15349%	0.15415%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 19,319,000	\$ 18,629,000
Employer's Covered Payroll	11,292,534	11,256,878
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	171.08%	165.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%

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

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

Schedule of Employer Contributions
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 (1)					
2016	\$ 471,292	\$ 471,292	\$ -	\$ 4,374,003	10.77%
2015	461,738	461,738	-	4,251,728	10.86%
2014	490,778	490,778	-	4,042,651	12.14%
2013	495,262	495,262	-	4,079,590	12.14%
2012	340,402	340,402	-	3,868,202	8.80%
2011	350,218	350,218	-	3,979,755	8.80%
2010	381,778	381,778	-	4,031,452	9.47%
2009	383,625	383,625	-	4,050,948	9.47%
2008	309,245	309,245	-	3,894,774	7.94%
2007	300,047	300,047	-	3,778,931	7.94%
Component Unit School Board (nonprofessional)					
2016	\$ 56,201	\$ 56,201	\$ -	\$ 652,740	8.61%
2015	57,201	57,201	-	664,350	8.61%
2014	95,310	95,310	-	990,747	9.62%
2013	103,670	103,670	-	1,077,653	9.62%
2012	80,540	80,540	-	1,020,784	7.89%
2011	86,945	86,945	-	1,101,964	7.89%
2010	80,801	80,801	-	1,125,360	7.18%
2009	81,717	81,717	-	1,138,124	7.18%
2008	78,576	78,576	-	1,178,048	6.67%
2007	77,102	77,102	-	1,155,953	6.67%
Component Unit School Board (professional)*					
2016	\$ 1,679,413	\$ 1,679,413	\$ -	\$ 11,656,844	14.41%
2015	1,584,459	1,584,459	-	11,292,534	14.03%

(1) Includes Primary Government and Clarke County Sanitary Authority

* 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.

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 withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 394,763	\$ 36,731	\$ 431,494
Due from other funds	-	79,222	79,222
Due from other governmental units	75,361	60,708	136,069
Restricted assets:			
Cash and cash equivalents	9,397	-	9,397
 Total assets	 <u>\$ 479,521</u>	 <u>\$ 176,661</u>	 <u>\$ 656,182</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64,039	\$ 10,589	\$ 74,628
Due to other funds	15,395	-	15,395
 Total liabilities	 <u>\$ 79,434</u>	 <u>\$ 10,589</u>	 <u>\$ 90,023</u>
Fund balances:			
Restricted:			
Swim team	\$ -	\$ 3,596	\$ 3,596
Pool	-	1,659	1,659
Committed:			
Animal care expenditures	9,397	-	9,397
Community development	259,960	-	259,960
Public safety	130,730	-	130,730
Assigned:			
Capital projects	-	160,817	160,817
 Total fund balances	 <u>\$ 400,087</u>	 <u>\$ 166,072</u>	 <u>\$ 566,159</u>
 Total liabilities and fund balances	 <u>\$ 479,521</u>	 <u>\$ 176,661</u>	 <u>\$ 656,182</u>

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
General property taxes	\$ 10,688	\$ -	\$ -	\$ 10,688
Revenue from the use of money and property	2,104	-	175	2,279
Charges for services	-	9,910	-	9,910
Miscellaneous	70,556	-	11,572	82,128
Intergovernmental:				
Commonwealth	372,646	-	59,731	432,377
Federal	22,844	-	37,672	60,516
Total revenues	<u>\$ 478,838</u>	<u>\$ 9,910</u>	<u>\$ 109,150</u>	<u>\$ 597,898</u>
EXPENDITURES				
Current:				
Public safety	\$ 120,395	\$ -	\$ -	\$ 120,395
Health and welfare	591,785	-	-	591,785
Community development	288,361	-	-	288,361
Capital projects	-	-	755,712	755,712
Debt service:				
Principal retirement	-	172,039	-	172,039
Interest and other fiscal charges	-	173,661	-	173,661
Total expenditures	<u>\$ 1,000,541</u>	<u>\$ 345,700</u>	<u>\$ 755,712</u>	<u>\$ 2,101,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (521,703)</u>	<u>\$ (335,790)</u>	<u>\$ (646,562)</u>	<u>\$ (1,504,055)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 375,468	\$ 335,790	\$ 660,136	\$ 1,371,394
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(600)</u>	<u>(50,600)</u>
Total other financing sources (uses)	<u>\$ 325,468</u>	<u>\$ 335,790</u>	<u>\$ 659,536</u>	<u>\$ 1,320,794</u>
Net change in fund balances	\$ (196,235)	\$ -	\$ 12,974	\$ (183,261)
Fund balances - beginning	<u>596,322</u>	<u>-</u>	<u>153,098</u>	<u>749,420</u>
Fund balances - ending	<u>\$ 400,087</u>	<u>\$ -</u>	<u>\$ 166,072</u>	<u>\$ 566,159</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2016

	CSA Fund	Drug Enforcement Fund	Animal Care Fund	Conservation Easement Fund	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 132,847	\$ -	\$ 261,916	\$ 394,763
Due from other governmental units	75,361	-	-	-	75,361
Restricted assets:					
Cash and cash equivalents	-	-	9,397	-	9,397
Total assets	<u>\$ 75,361</u>	<u>\$ 132,847</u>	<u>\$ 9,397</u>	<u>\$ 261,916</u>	<u>\$ 479,521</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 59,966	\$ 2,117	\$ -	\$ 1,956	\$ 64,039
Due to other funds	15,395	-	-	-	15,395
Total liabilities	<u>\$ 75,361</u>	<u>\$ 2,117</u>	<u>\$ -</u>	<u>\$ 1,956</u>	<u>\$ 79,434</u>
Fund balances:					
Committed:					
Animal care expenditures	\$ -	\$ -	\$ 9,397	\$ -	\$ 9,397
Community development	-	-	-	259,960	259,960
Public safety	-	130,730	-	-	130,730
Total fund balances	<u>\$ -</u>	<u>\$ 130,730</u>	<u>\$ 9,397</u>	<u>\$ 259,960</u>	<u>\$ 400,087</u>
Total liabilities and fund balances	<u>\$ 75,361</u>	<u>\$ 132,847</u>	<u>\$ 9,397</u>	<u>\$ 261,916</u>	<u>\$ 479,521</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	CSA Fund	Drug Enforcement Fund	Animal Care Fund	Conservation Easement Fund	Total
REVENUES					
General property taxes	\$ -	\$ -	\$ -	\$ 10,688	\$ 10,688
Revenue from the use of money and property	-	1,759	5	340	2,104
Miscellaneous	3,277	7,912	500	58,867	70,556
Intergovernmental:					
Commonwealth	225,809	5,349	-	141,488	372,646
Federal	12,231	10,613	-	-	22,844
 Total revenues	 \$ 241,317	 \$ 25,633	 \$ 505	 \$ 211,383	 \$ 478,838
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 120,395	\$ -	\$ -	120,395
Health and welfare	591,785	-	-	-	591,785
Community development	-	-	-	288,361	288,361
 Total expenditures	 \$ 591,785	 \$ 120,395	 \$ -	 \$ 288,361	 \$ 1,000,541
 Excess (deficiency) of revenues over (under) expenditures	 \$ (350,468)	 \$ (94,762)	 \$ 505	 \$ (76,978)	 \$ (521,703)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 350,468	\$ -	\$ -	\$ 25,000	\$ 375,468
Transfers out	-	(50,000)	-	-	(50,000)
 Total other financing sources (uses)	 \$ 350,468	 \$ (50,000)	 \$ -	 \$ 25,000	 \$ 325,468
 Net change in fund balances	 \$ -	 \$ (144,762)	 \$ 505	 \$ (51,978)	 \$ (196,235)
Fund balances - beginning	-	275,492	8,892	311,938	596,322
 Fund balances - ending	 \$ -	 \$ 130,730	 \$ 9,397	 \$ 259,960	 \$ 400,087

COUNTY OF CLARKE, VIRGINIA

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

	CSA Fund				Drug Enforcement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-	-	-	1,759	1,759
Miscellaneous	-	-	3,277	3,277	-	-	7,912	7,912
Intergovernmental:								
Commonwealth	499,836	499,836	225,809	(274,027)	-	-	5,349	5,349
Federal	-	-	12,231	12,231	-	-	10,613	10,613
Total revenues	\$ 499,836	\$ 499,836	\$ 241,317	\$ (258,519)	\$ -	\$ -	\$ 25,633	\$ 25,633
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,395	\$ (120,395)
Health and welfare	972,948	972,948	591,785	381,163	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	\$ 972,948	\$ 972,948	\$ 591,785	\$ 381,163	\$ -	\$ -	\$ 120,395	\$ (120,395)
Excess (deficiency) of revenues over (under) expenditures	\$ (473,112)	\$ (473,112)	\$ (350,468)	\$ 122,644	\$ -	\$ -	\$ (94,762)	\$ (94,762)
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 473,112	\$ 473,112	\$ 350,468	\$ (122,644)	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	(50,000)	(50,000)
Total other financing sources (uses)	\$ 473,112	\$ 473,112	\$ 350,468	\$ (122,644)	\$ -	\$ -	\$ (50,000)	\$ (50,000)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (144,762)	\$ (144,762)
Fund balances - beginning	-	-	-	-	-	-	275,492	275,492
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,730	\$ 130,730

Animal Care Fund				Conservation Easement Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,688	\$ 10,688
-	-	5	5	-	-	340	340
-	-	500	500	-	-	58,867	58,867
-	-	-	-	5,000	125,000	141,488	16,488
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 505	\$ 505	\$ 5,000	\$ 125,000	\$ 211,383	\$ 86,383
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	30,000	288,362	288,361	1
\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 288,362	\$ 288,361	\$ 1
\$ -	\$ -	\$ 505	\$ 505	\$ (25,000)	\$ (163,362)	\$ (76,978)	\$ 86,384
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -
\$ -	\$ -	\$ 505	\$ 505	\$ (25,000)	\$ (138,362)	\$ (51,978)	\$ 86,384
-	-	8,892	8,892	25,000	138,362	311,938	173,576
\$ -	\$ -	\$ 9,397	\$ 9,397	\$ -	\$ -	\$ 259,960	\$ 259,960

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2016

	Primary Government Debt Service Fund
	<u> </u>
REVENUES	
Charges for services	\$ 9,910
	<u> </u>
Total revenues	\$ 9,910
	<u> </u>
EXPENDITURES	
Debt service:	
Principal retirement	\$ 172,039
Interest and other fiscal charges	173,661
	<u> </u>
Total expenditures	\$ 345,700
	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	\$ (335,790)
	<u> </u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 335,790
	<u> </u>
Total other financing sources (uses)	\$ 335,790
	<u> </u>
Net change in fund balances	\$ -
Fund balances - beginning	<u> </u>
	-
Fund balances - ending	\$ <u> </u>
	-

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2016

	Primary Government Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 9,910	\$ 9,910
Total revenues	\$ -	\$ -	\$ 9,910	\$ 9,910
EXPENDITURES				
Debt service:				
Principal retirement	\$ 273,801	\$ 172,039	\$ 172,039	\$ -
Interest and other fiscal charges	71,899	173,661	173,661	-
Total expenditures	\$ 345,700	\$ 345,700	\$ 345,700	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ (345,700)	\$ (345,700)	\$ (335,790)	\$ 9,910
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 345,700	\$ 345,700	\$ 335,790	\$ (9,910)
Total other financing sources (uses)	\$ 345,700	\$ 345,700	\$ 335,790	\$ (9,910)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2016

	Parks Construction Fund	General Government Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 36,731	\$ -	\$ 36,731
Due from other funds	-	79,222	79,222
Due from other governmental units	-	60,708	60,708
	<u>36,731</u>	<u>139,930</u>	<u>176,661</u>
Total assets	\$ <u>36,731</u>	\$ <u>139,930</u>	\$ <u>176,661</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 10,589	\$ 10,589
	<u>-</u>	<u>10,589</u>	<u>10,589</u>
Total liabilities	\$ <u>-</u>	\$ <u>10,589</u>	\$ <u>10,589</u>
Fund balances:			
Restricted:			
Swim team	\$ 3,596	\$ -	\$ 3,596
Pool	1,659	-	1,659
Assigned:			
Capital projects	<u>31,476</u>	<u>129,341</u>	<u>160,817</u>
Total fund balances	\$ <u>36,731</u>	\$ <u>129,341</u>	\$ <u>166,072</u>
Total liabilities and fund balances	\$ <u>36,731</u>	\$ <u>139,930</u>	\$ <u>176,661</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2016

	Parks Construction Fund	General Government Capital Projects Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 175	\$ -	\$ 175
Miscellaneous	1,572	10,000	11,572
Intergovernmental:			
Commonwealth	-	59,731	59,731
Federal	-	37,672	37,672
Total revenues	\$ 1,747	\$ 107,403	\$ 109,150
EXPENDITURES			
Capital projects	\$ -	\$ 755,712	\$ 755,712
Total expenditures	\$ -	\$ 755,712	\$ 755,712
Excess (deficiency) of revenues over (under) expenditures	\$ 1,747	\$ (648,309)	\$ (646,562)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 660,136	\$ 660,136
Transfers out	(600)	-	(600)
Total other financing sources (uses)	\$ (600)	\$ 660,136	\$ 659,536
Net change in fund balances	\$ 1,147	\$ 11,827	\$ 12,974
Fund balances - beginning	35,584	117,514	153,098
Fund balances - ending	<u>\$ 36,731</u>	<u>\$ 129,341</u>	<u>\$ 166,072</u>

COUNTY OF CLARKE, VIRGINIA

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

	Parks Construction Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 175	\$ 175
Miscellaneous	-	-	1,572	1,572
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	\$ -	\$ -	\$ 1,747	\$ 1,747
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,747	\$ 1,747
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	-
Transfers out	-	-	(600)	(600)
Total other financing sources (uses)	\$ -	\$ -	\$ (600)	\$ (600)
Net change in fund balances	\$ -	\$ -	\$ 1,147	\$ 1,147
Fund balances - beginning	-	-	35,584	35,584
Fund balances - ending	\$ -	\$ -	\$ 36,731	\$ 36,731

General Government Capital Projects Fund				
Budgeted Amounts		Actual	Variance with Final Budget	
Original	Final		Positive	(Negative)
\$ -	\$ -	\$ -	-	-
-	45,000	10,000	(35,000)	
-	102,956	59,731	(43,225)	
<u>145,067</u>	<u>490,216</u>	<u>37,672</u>	<u>(452,544)</u>	
\$ <u>145,067</u>	\$ <u>638,172</u>	\$ <u>107,403</u>	\$ <u>(530,769)</u>	
\$ <u>735,930</u>	\$ <u>2,427,939</u>	\$ <u>755,712</u>	\$ <u>1,672,227</u>	
\$ <u>735,930</u>	\$ <u>2,427,939</u>	\$ <u>755,712</u>	\$ <u>1,672,227</u>	
\$ <u>(590,863)</u>	\$ <u>(1,789,767)</u>	\$ <u>(648,309)</u>	\$ <u>1,141,458</u>	
\$ -	\$ 1,789,767	\$ 660,136	\$ (1,129,631)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
\$ <u>-</u>	\$ <u>1,789,767</u>	\$ <u>660,136</u>	\$ <u>(1,129,631)</u>	
\$ (590,863)	\$ -	\$ 11,827	\$ 11,827	
<u>590,863</u>	<u>-</u>	<u>117,514</u>	<u>117,514</u>	
\$ <u>-</u>	\$ <u>-</u>	\$ <u>129,341</u>	\$ <u>129,341</u>	

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Agency Funds					Total
	Special Welfare Fund	Town of Berryville	Undistributed Local Sales Tax Fund	Cafeteria Plan Withholding Fund	Unemployment Compensation Benefits Fund	
ASSETS						
Cash and cash equivalents	\$ 38,257	\$ 57,143	\$ -	\$ 73,040	\$ -	\$ 168,440
Accounts receivable	-	-	-	-	2,948	2,948
Due from other governments	-	-	196,223	-	-	196,223
Total assets	<u>\$ 38,257</u>	<u>\$ 57,143</u>	<u>\$ 196,223</u>	<u>\$ 73,040</u>	<u>\$ 2,948</u>	<u>\$ 367,611</u>
LIABILITIES						
Accounts payable	\$ -	\$ 9,510	\$ -	\$ -	\$ 2,948	\$ 12,458
Sales tax payable to other towns	-	-	40,530	-	-	40,530
Amounts held for Town	-	47,633	-	-	-	47,633
Due to other funds	-	-	155,693	-	-	155,693
Accrued liabilities	-	-	-	73,040	-	73,040
Amounts held for social services clients	38,257	-	-	-	-	38,257
Total liabilities	<u>\$ 38,257</u>	<u>\$ 57,143</u>	<u>\$ 196,223</u>	<u>\$ 73,040</u>	<u>\$ 2,948</u>	<u>\$ 367,611</u>

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special welfare:				
Assets:				
Cash and cash equivalents	\$ 26,864	\$ 19,013	\$ 7,620	\$ 38,257
Liabilities:				
Amounts held for social service clients	\$ 26,864	\$ 19,013	\$ 7,620	\$ 38,257
Town of Berryville:				
Assets:				
Cash and cash equivalents	\$ 49,898	\$ 76,555	\$ 69,310	\$ 57,143
Prepaid items	1,388	-	1,388	-
Total assets	\$ 51,286	\$ 76,555	\$ 70,698	\$ 57,143
Liabilities:				
Amounts held for Town	\$ 46,844	\$ 47,633	\$ 46,844	\$ 47,633
Accounts payable	4,442	9,510	4,442	9,510
Total liabilities	\$ 51,286	\$ 57,143	\$ 51,286	\$ 57,143
Undistributed local sales tax:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,105,442	\$ 1,105,442	\$ -
Due from other governments	186,528	196,223	186,528	196,223
Total assets	\$ 186,528	\$ 1,301,665	\$ 1,291,970	\$ 196,223
Liabilities:				
Sales tax payable to other towns	\$ 36,643	\$ 40,530	\$ 36,643	\$ 40,530
Due to other funds	149,885	155,693	149,885	155,693
Total liabilities	\$ 186,528	\$ 196,223	\$ 186,528	\$ 196,223
Cafeteria plan withholding:				
Assets:				
Cash and cash equivalents	\$ 35,147	\$ 144,149	\$ 106,256	\$ 73,040
Liabilities:				
Accrued liabilities	\$ 35,147	\$ 144,149	\$ 106,256	\$ 73,040
Total liabilities	\$ 35,147	\$ 144,149	\$ 106,256	\$ 73,040

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016 (continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Unemployment compensation benefits:				
Assets:				
Accounts receivable	\$ 2,729	\$ 2,948	\$ 2,729	\$ 2,948
Liabilities:				
Accounts payable	\$ 2,729	\$ 2,948	\$ 2,729	\$ 2,948
Total liabilities	<u>\$ 2,729</u>	<u>\$ 2,948</u>	<u>\$ 2,729</u>	<u>\$ 2,948</u>
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 111,909	\$ 1,345,159	\$ 1,288,628	\$ 168,440
Prepaid items	1,388	-	1,388	-
Accounts receivable	2,729	2,948	2,729	2,948
Due from other governments	186,528	196,223	186,528	196,223
Total assets	<u>\$ 302,554</u>	<u>\$ 1,544,330</u>	<u>\$ 1,479,273</u>	<u>\$ 367,611</u>
Liabilities:				
Amounts held for social service clients	\$ 26,864	\$ 19,013	\$ 7,620	\$ 38,257
Sales tax payable to other towns	36,643	40,530	36,643	40,530
Amounts held for Town	46,844	47,633	46,844	47,633
Accrued liabilities	35,147	144,149	106,256	73,040
Due to other funds	149,885	155,693	149,885	155,693
Accounts payable	7,171	12,458	7,171	12,458
Total liabilities	<u>\$ 302,554</u>	<u>\$ 419,476</u>	<u>\$ 354,419</u>	<u>\$ 367,611</u>

Discretely Presented Component Unit-School Board

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

	School Operating Fund	School Food Service Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 500	\$ 47,237	\$ -	\$ 4,714	\$ 52,451
Receivables:					
Accounts receivable	95,357	43,224	-	-	138,581
Due from primary government	1,776,848	-	115,540	-	1,892,388
Due from other governmental units	558,862	8,764	54,598	-	622,224
Prepaid items	31,618	-	-	-	31,618
Total assets	<u>\$ 2,463,185</u>	<u>\$ 99,225</u>	<u>\$ 170,138</u>	<u>\$ 4,714</u>	<u>\$ 2,737,262</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 194,863	\$ 28,282	\$ 138,638	\$ -	\$ 361,783
Accrued liabilities	2,265,299	45,060	5,911	-	2,316,270
Unearned revenue	2,523	-	25,589	-	28,112
Total liabilities	<u>\$ 2,462,685</u>	<u>\$ 73,342</u>	<u>\$ 170,138</u>	<u>\$ -</u>	<u>\$ 2,706,165</u>
Fund balances:					
Nonspendable:					
Prepaid items	\$ 31,618	\$ -	\$ -	\$ -	\$ 31,618
Assigned:					
School operating	500	25,883	-	-	26,383
Capital projects	-	-	-	4,714	4,714
Unassigned	(31,618)	-	-	-	(31,618)
Total fund balances	<u>\$ 500</u>	<u>\$ 25,883</u>	<u>\$ -</u>	<u>\$ 4,714</u>	<u>\$ 31,097</u>
Total liabilities and fund balances	<u>\$ 2,463,185</u>	<u>\$ 99,225</u>	<u>\$ 170,138</u>	<u>\$ 4,714</u>	<u>\$ 2,737,262</u>

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

Total fund balances per above	\$ 31,097
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,170,271
The net pension asset is not an available resource and, therefore, is not reported in the funds.	66,371
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to the measurement of net pension liability	(1,588,371)
Changes in proportion and differences between employer contributions and proportionate share of contributions of costs-sharing pension plans are not reported in the funds.	(201,000)
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.	1,735,614
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(19,819,297)
Net position of governmental activities	<u>\$ (11,605,315)</u>

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

	School Operating Fund	School Food Service Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 69,412	\$ 142	\$ -	\$ -	\$ 69,554
Charges for services	219,693	480,212	-	-	699,905
Miscellaneous	159,638	-	13,996	-	173,634
Recovered costs	97,259	45,564	-	-	142,823
Intergovernmental:					
Local government	10,885,332	-	1,126,440	-	12,011,772
Commonwealth	8,792,555	7,542	54,598	-	8,854,695
Federal	603,249	300,878	-	-	904,127
Total revenues	<u>\$ 20,827,138</u>	<u>\$ 834,338</u>	<u>\$ 1,195,034</u>	<u>\$ -</u>	<u>\$ 22,856,510</u>
EXPENDITURES					
Current:					
Education	\$ 20,827,138	\$ 808,455	\$ -	\$ -	\$ 21,635,593
Capital projects	-	-	1,195,034	-	1,195,034
Total expenditures	<u>\$ 20,827,138</u>	<u>\$ 808,455</u>	<u>\$ 1,195,034</u>	<u>\$ -</u>	<u>\$ 22,830,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 25,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,883</u>
Net change in fund balances	\$ -	\$ 25,883	\$ -	\$ -	\$ 25,883
Fund balances - beginning	500	-	-	4,714	5,214
Fund balances - ending	<u>\$ 500</u>	<u>\$ 25,883</u>	<u>\$ -</u>	<u>\$ 4,714</u>	<u>\$ 31,097</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 \$ 25,883

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 1,331,085

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. (773,641)

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.

Increase in pension contributions subsequent to measurement date	\$ 93,954	
(Increase) in net pension liability - teachers cost-sharing pool	(690,000)	
(Decrease) in net pension asset - nonprofessional group	(3,435)	
(Increase) in compensated absences	(6,171)	(605,652)

Change in net position of governmental activities \$ (22,325)

COUNTY OF CLARKE, VIRGINIA

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 35,766	\$ 35,766	\$ 69,412	\$ 33,646
Charges for services	188,790	188,790	219,693	30,903
Miscellaneous	102,497	102,497	159,638	57,141
Recovered costs	71,489	71,489	97,259	25,770
Intergovernmental:				
Local government	11,764,040	11,764,040	10,885,332	(878,708)
Commonwealth	8,648,921	8,648,921	8,792,555	143,634
Federal	726,207	726,207	603,249	(122,958)
Total revenues	<u>\$ 21,537,710</u>	<u>\$ 21,537,710</u>	<u>\$ 20,827,138</u>	<u>\$ (710,572)</u>
EXPENDITURES				
Current:				
Education	\$ 21,502,710	\$ 21,502,710	\$ 20,827,138	\$ 675,572
Total expenditures	<u>\$ 21,502,710</u>	<u>\$ 21,502,710</u>	<u>\$ 20,827,138</u>	<u>\$ 675,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(35,000)	(35,000)	-	35,000
Total other financing sources (uses)	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ -</u>	<u>\$ 35,000</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	500	500
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>

School Food Service Fund				
Budgeted Amounts		Actual	Variance with Final Budget	
Original	Final		Positive	(Negative)
\$ 80	\$ 80	\$ 142	\$ 62	
480,220	481,185	480,212	(973)	
-	-	-	-	
21,000	21,000	45,564	24,564	
-	-	-	-	
8,000	8,000	7,542	(458)	
274,980	274,980	300,878	25,898	
<u>\$ 784,280</u>	<u>\$ 785,245</u>	<u>\$ 834,338</u>	<u>\$ 49,093</u>	
<u>\$ 820,245</u>	<u>\$ 820,245</u>	<u>\$ 808,455</u>	<u>\$ 11,790</u>	
<u>\$ 820,245</u>	<u>\$ 820,245</u>	<u>\$ 808,455</u>	<u>\$ 11,790</u>	
<u>\$ (35,965)</u>	<u>\$ (35,000)</u>	<u>\$ 25,883</u>	<u>\$ 60,883</u>	
\$ 35,000	\$ 35,000	\$ -	\$ (35,000)	
-	-	-	-	
<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	
\$ (965)	\$ -	\$ 25,883	\$ 25,883	
965	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,883</u>	<u>\$ 25,883</u>	

Balance Sheet

Nonmajor Capital Project Fund - Discretely Presented Component Unit - School Board

June 30, 2016

	<u>School Capital Project Proffers Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,714</u>
Total assets	\$ <u><u>4,714</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	\$ <u>-</u>
Fund balances:	
Assigned:	
Capital projects	\$ <u>4,714</u>
Total fund balances	\$ <u>4,714</u>
Total liabilities and fund balances	\$ <u><u>4,714</u></u>

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

	<u>School Capital Project Proffers Fund</u>
REVENUES	
Revenue from the use of money and property	\$ -
Total revenues	<u>\$ -</u>
EXPENDITURES	
Current:	
Capital projects	\$ -
Total expenditures	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>
Net change in fund balances	\$ -
Fund balances - beginning	<u>4,714</u>
Fund balances - ending	<u><u>\$ 4,714</u></u>

COUNTY OF CLARKE, VIRGINIA

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

	Capital Projects Proffers Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	4,714	4,714
Fund balances - ending	\$ -	\$ -	\$ 4,714	\$ 4,714

School Capital Projects Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ 39,585	\$ 13,996	\$ (25,589)
-	3,109,486	1,126,440	(1,983,046)
154,000	328,725	54,598	(274,127)
<u>\$ 154,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ (2,282,762)</u>
<u>\$ 852,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ 2,282,762</u>
<u>\$ 852,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ 2,282,762</u>
<u>\$ (698,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(698,000)	-	-	-
<u>698,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Discretely Presented Component Unit – Sanitary Authority

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Combining Statement of Net Position
 Discretely Presented Component Unit - Sanitary Authority
 As of June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 423,858	\$ -	\$ 423,858
Accounts receivable	62,223	78,993	141,216
Total current assets	\$ 486,081	\$ 78,993	\$ 565,074
Noncurrent assets:			
Capital assets:			
Land	\$ 13,200	\$ -	\$ 13,200
Utility plant in service	5,255,034	6,830,188	12,085,222
Accumulated depreciation	(2,563,666)	(1,217,118)	(3,780,784)
Sub-total	\$ 2,704,568	\$ 5,613,070	\$ 8,317,638
Construction in progress	\$ 1,260,980	\$ -	\$ 1,260,980
Total capital assets	\$ 3,965,548	\$ 5,613,070	\$ 9,578,618
Total noncurrent assets	\$ 3,965,548	\$ 5,613,070	\$ 9,578,618
Total assets	\$ 4,451,629	\$ 5,692,063	\$ 10,143,692
DEFERRED OUTFLOW OF RESOURCES			
Post measurement date employer pension contributions	\$ 2,262	\$ 2,262	\$ 4,524
LIABILITIES			
Current liabilities:			
Reconciled overdraft	\$ -	\$ 104,403	\$ 104,403
Accounts payable	95,596	39,147	134,743
Accrued interest payable	4,771	-	4,771
Customers' deposits	6,717	-	6,717
Unearned revenue	12,976	-	12,976
Bonds payable - current portion	121,353	207,052	328,405
Total current liabilities	\$ 241,413	\$ 350,602	\$ 592,015
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,566,140	\$ 2,655,363	\$ 4,221,503
Net pension liability	9,545	9,545	19,090
Total noncurrent liabilities	\$ 1,575,685	\$ 2,664,908	\$ 4,240,593
Total liabilities	\$ 1,817,098	\$ 3,015,510	\$ 4,832,608
DEFERRED INFLOWS OF RESOURCES			
Net difference of actual and expected pension liability earnings	\$ 2,070	\$ 2,070	\$ 4,140
Net difference of actual and expected pension experience	605	606	1,211
Total deferred inflows of resources	\$ 2,675	\$ 2,676	\$ 5,351
NET POSITION			
Net investment in capital assets	\$ 2,278,055	\$ 2,750,655	\$ 5,028,710
Unrestricted	356,063	(74,516)	281,547
Total net position	\$ 2,634,118	\$ 2,676,139	\$ 5,310,257

Combining Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Sanitary Authority
 For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Customer service charges	\$ 249,804	\$ 278,486	\$ 528,290
Connection fees	3,363	2,288	5,651
Miscellaneous	1,102	125	1,227
Total operating revenues	\$ 254,269	\$ 280,899	\$ 535,168
OPERATING EXPENSES			
Insurance	\$ 11,796	\$ 11,795	\$ 23,591
Miscellaneous	99	-	99
Office supplies and expenses	863	863	1,726
Plant maintenance	4,859	4,937	9,796
Pipeline/road repairs	19,636	-	19,636
Pump station maintenance	-	9,713	9,713
Grinder pump maintenance	-	968	968
Operating supplies / small equipment	10,676	89,362	100,038
Professional services	113,987	161,575	275,562
Salaries and wages	17,939	17,939	35,878
Benefits	4,560	4,561	9,121
Testing services	3,166	6,902	10,068
Utilities	33,305	64,859	98,164
Depreciation	131,641	172,601	304,242
Total operating expenses	\$ 352,527	\$ 546,075	\$ 898,602
Operating income (loss)	\$ (98,258)	\$ (265,176)	\$ (363,434)
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 2,269	\$ 1	\$ 2,270
Tower rental	151,627	-	151,627
County operating subsidy	-	133,377	133,377
Transfers	(57,352)	57,352	-
Interest expense	(29,539)	-	(29,539)
Total nonoperating revenues (expenses)	\$ 67,005	\$ 190,730	\$ 257,735
Income before contributions	\$ (31,253)	\$ (74,446)	\$ (105,699)
Contributed capital - availability fees	14,000	19,927	33,927
Change in net position	\$ (17,253)	\$ (54,519)	\$ (71,772)
Total net position - beginning	2,651,371	2,730,658	5,382,029
Total net position - ending	\$ 2,634,118	\$ 2,676,139	\$ 5,310,257

Combining Statement of Cash Flows
Discretely Presented Component Unit - Sanitary Authority
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 237,068	\$ 255,697	\$ 492,765
Payments to suppliers	(376,034)	(339,598)	(715,632)
Payments to and on behalf of employees	(24,107)	(24,107)	(48,214)
Net cash provided by (used for) operating activities	\$ (163,073)	\$ (108,008)	\$ (271,081)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tower rental	\$ 151,627	\$ -	\$ 151,627
Transfers	(57,352)	57,352	-
Operating subsidy from Clarke County	-	133,377	133,377
Net cash provided by (used for) noncapital financing activities	\$ 94,275	\$ 190,729	\$ 285,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (480,544)	\$ -	\$ (480,544)
Capital contributions	14,000	19,927	33,927
Retirements of long-term indebtedness	(120,177)	(207,052)	(327,229)
Interest paid on debt	(29,866)	-	(29,866)
Net cash provided by (used for) capital and related financing activities	\$ (616,587)	\$ (187,125)	\$ (803,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 2,269	\$ 1	\$ 2,270
Net cash provided by (used for) investing activities	\$ 2,269	\$ 1	\$ 2,270
Net increase (decrease) in cash and cash equivalents	\$ (683,116)	\$ (104,403)	\$ (787,519)
Cash and cash equivalents - beginning	1,106,974	-	1,106,974
Cash and cash equivalents - ending	\$ 423,858	\$ (104,403)	\$ 319,455
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (98,258)	\$ (265,176)	\$ (363,434)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	131,641	172,601	304,242
(Increase) decrease in accounts receivable	(20,784)	(25,202)	(45,986)
(Increase) decrease in pension contributions after measurement date	(46)	(46)	(92)
Increase (decrease) in accounts payable	(177,647)	11,376	(166,271)
Increase (decrease) in customers' deposits	2,157	-	2,157
Increase (decrease) in net pension liability	540	540	1,080
Increase (decrease) in items related to measurement of net pension liability	(2,102)	(2,101)	(4,203)
Increase (decrease) unearned revenue	1,426	-	1,426
Total adjustments	\$ (64,815)	\$ 157,168	\$ 92,353
Net cash provided by (used for) operating activities	\$ (163,073)	\$ (108,008)	\$ (271,081)

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Discretely Presented Component Unit-Industrial Development Authority

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Statement of Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 As of June 30, 2016

	<u>Industrial Development Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 108,927
Prepaid items	<u>1,333</u>
Total assets	<u>\$ 110,260</u>
NET POSITION	
Unrestricted	<u>110,260</u>
Total net position	<u>\$ 110,260</u>

Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2016

	Industrial Development Authority
OPERATING REVENUES	
Charges for services:	
Bond repayment and application fees	\$ <u>54,000</u>
Total operating revenues	\$ <u>54,000</u>
OPERATING EXPENSES	
Contribution to Lord Fairfax Small Business Park	\$ 6,000
Professional services	1,600
Board members' fee	650
Insurance	1,301
Miscellaneous	<u>539</u>
Total operating expenses	\$ <u>10,090</u>
Operating income (loss)	\$ <u>43,910</u>
NONOPERATING REVENUES (EXPENSES)	
Unrealized gain (loss) on investments	\$ <u>33</u>
Total nonoperating revenues (expenses)	\$ <u>33</u>
Change in net position	\$ 43,943
Total net position - beginning	<u>66,317</u>
Total net position - ending	<u><u>\$ 110,260</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2016

	Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 54,000
Payments to board	(650)
Payments to suppliers	<u>(10,773)</u>
Net cash provided (used) by operating activities	<u>\$ 42,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Unrealized gain (loss) on investments	<u>\$ 33</u>
Net cash provided (used) by investing activities	<u>\$ 33</u>
Net increase (decrease) in cash and cash equivalents	\$ 42,610
Cash and cash equivalents - beginning	<u>66,317</u>
Cash and cash equivalents - ending	<u><u>\$ 108,927</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 43,910</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in prepaid items	<u>\$ (1,333)</u>
Total adjustments	<u>\$ (1,333)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 42,577</u></u>

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Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,256,431	\$ 14,256,431	\$ 14,636,989	\$ 380,558
Real and personal public service corporation taxes	419,200	419,200	439,021	19,821
Personal property taxes	4,068,605	4,068,605	4,178,973	110,368
Mobile home taxes	876	876	989	113
Machinery and tools taxes	174,014	174,014	172,247	(1,767)
Penalties	152,298	153,922	161,250	7,328
Interest	110,189	110,189	134,635	24,446
Total general property taxes	<u>\$ 19,181,613</u>	<u>\$ 19,183,237</u>	<u>\$ 19,724,104</u>	<u>\$ 540,867</u>
Other local taxes:				
Local sales and use taxes	\$ 871,738	\$ 871,738	\$ 877,365	\$ 5,627
Consumers' utility taxes	379,174	379,174	340,856	(38,318)
Consumption taxes	35,950	35,950	33,942	(2,008)
Motor vehicle licenses	298,038	298,038	322,646	24,608
Taxes on recordation and wills	263,349	263,349	296,446	33,097
Franchise license taxes	12,319	12,319	-	(12,319)
Transient occupancy taxes	32,618	32,618	23,564	(9,054)
Business license taxes	31,136	31,136	26,603	(4,533)
Total other local taxes	<u>\$ 1,924,322</u>	<u>\$ 1,924,322</u>	<u>\$ 1,921,422</u>	<u>\$ (2,900)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,683	\$ 7,683	\$ 4,985	\$ (2,698)
Land use application fees	3,600	3,600	3,600	-
Animal shelter fees	10,087	10,087	8,235	(1,852)
Building and related permits	152,845	152,845	173,825	20,980
Zoning and subdivision	112,166	112,166	78,823	(33,343)
Transfer fees	448	448	529	81
Signs permits and inspection fees	221	221	775	554
Weapons permits	5,579	5,579	5,339	(240)
Other permits and fees	4,225	4,225	4,770	545
Total permits, privilege fees, and regulatory licenses	<u>\$ 296,854</u>	<u>\$ 296,854</u>	<u>\$ 280,881</u>	<u>\$ (15,973)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 250,000	\$ 250,000	\$ 304,861	\$ 54,861
Total fines and forfeitures	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 304,861</u>	<u>\$ 54,861</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 54,143	\$ 54,143	\$ 33,559	\$ (20,584)
Revenue from use of property	7,000	7,000	51,824	44,824
Total revenue from use of money and property	<u>\$ 61,143</u>	<u>\$ 61,143</u>	<u>\$ 85,383</u>	<u>\$ 24,240</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Sheriff's fees	\$ 797	\$ 797	\$ 796	\$ (1)
Charges for emergency medical services	37,610	37,610	41,729	4,119
Charges for ambulance and rescue	275,000	275,000	354,920	79,920
Charges for courthouse security	52,000	52,000	28,575	(23,425)
Charges for jail processing	1,779	1,779	1,245	(534)
Court appointed attorney	1,174	1,174	263	(911)
Charges for other localities	69,777	69,777	69,920	143
Charges for Commonwealth's Attorney	1,743	1,743	2,152	409
Charges for parks and recreation	391,462	391,462	406,195	14,733
Charges for engineer's fees/biosolids applications	25,112	25,112	19,189	(5,923)
E-tickets	-	-	16,696	16,696
Other charges for services	25,806	25,806	25,632	(174)
Total charges for services	\$ 882,260	\$ 882,260	\$ 967,312	\$ 85,052
Miscellaneous:				
Miscellaneous	\$ 6,372	\$ 21,372	\$ 73,955	\$ 52,583
Total miscellaneous	\$ 6,372	\$ 21,372	\$ 73,955	\$ 52,583
Recovered costs:				
Rebates and refunds	\$ 27,772	\$ 27,772	\$ 14,000	\$ (13,772)
Insurance recovery	21,630	27,489	29,146	1,657
Gifts and donations in lieu of taxes	22,933	22,933	31,645	8,712
Sale of salvage	8,681	8,681	3,841	(4,840)
Loan repayment	3,495	3,495	3,495	-
Recycling and other rebates and refunds	38,013	38,013	20,011	(18,002)
Total recovered costs	\$ 122,524	\$ 128,383	\$ 102,138	\$ (26,245)
Total revenue from local sources	\$ 22,725,088	\$ 22,747,571	\$ 23,460,056	\$ 712,485
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 24,373	\$ 24,373	\$ 25,445	\$ 1,072
Mobile home titling tax	-	-	300	300
Taxes on deeds	53,719	53,719	83,955	30,236
Quarterly rental tax	3,546	3,546	2,575	(971)
Communications tax	442,829	442,829	415,515	(27,314)
Personal property tax relief funds	2,483,842	2,483,842	2,483,842	-
Total noncategorical aid	\$ 3,008,309	\$ 3,008,309	\$ 3,011,632	\$ 3,323

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 187,157	\$ 187,157	\$ 189,622	\$ 2,465
Sheriff	749,413	749,413	760,380	10,967
Commissioner of revenue	75,178	75,178	76,581	1,403
Treasurer	92,369	92,369	93,654	1,285
Registrar/electoral board	39,797	39,797	43,444	3,647
Clerk of the Circuit Court	152,728	153,633	165,271	11,638
Total shared expenses	<u>\$ 1,296,642</u>	<u>\$ 1,297,547</u>	<u>\$ 1,328,952</u>	<u>\$ 31,405</u>
Other categorical aid:				
Fire programs fund	\$ 42,135	\$ 45,969	\$ 46,452	\$ 483
Litter control grant	6,171	6,171	5,310	(861)
Virginia Commission for the Arts	5,000	5,000	5,000	-
Other categorical aid	8,610	8,610	10,976	2,366
Total other categorical aid	<u>\$ 61,916</u>	<u>\$ 65,750</u>	<u>\$ 67,738</u>	<u>\$ 1,988</u>
Total categorical aid	<u>\$ 1,358,558</u>	<u>\$ 1,363,297</u>	<u>\$ 1,396,690</u>	<u>\$ 33,393</u>
Total revenue from the Commonwealth	<u>\$ 4,366,867</u>	<u>\$ 4,371,606</u>	<u>\$ 4,408,322</u>	<u>\$ 36,716</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 5,971</u>	<u>\$ 5,971</u>	<u>\$ 6,464</u>	<u>\$ 493</u>
Categorical aid:				
Crime victim assistance	\$ 39,024	\$ 45,053	\$ 37,547	\$ (7,506)
SCAAP grant	862	862	3,283	2,421
Help America vote	2,477	2,477	3,500	1,023
DMV 402 grant	14,625	14,625	13,719	(906)
SAFER grant	140,000	140,000	-	(140,000)
Local law enforcement block grant	2,181	2,181	923	(1,258)
Violence against women formula grants	28,053	28,053	28,731	678
Total categorical aid	<u>\$ 227,222</u>	<u>\$ 233,251</u>	<u>\$ 87,703</u>	<u>\$ (145,548)</u>
Total revenue from the federal government	<u>\$ 233,193</u>	<u>\$ 239,222</u>	<u>\$ 94,167</u>	<u>\$ (145,055)</u>
Total General Fund	<u>\$ 27,325,148</u>	<u>\$ 27,358,399</u>	<u>\$ 27,962,545</u>	<u>\$ 604,146</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Recovered costs:				
Payments from other jurisdictions	\$ -	\$ -	\$ 37,528	\$ 37,528
Expenditure refunds	-	-	25,129	25,129
Total recovered costs	\$ -	\$ -	\$ 62,657	\$ 62,657
Total revenue from local sources	\$ -	\$ -	\$ 62,657	\$ 62,657
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 284,735	\$ 288,488	\$ 282,213	\$ (6,275)
Total categorical aid	\$ 284,735	\$ 288,488	\$ 282,213	\$ (6,275)
Total revenue from the Commonwealth	\$ 284,735	\$ 288,488	\$ 282,213	\$ (6,275)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 697,111	\$ 706,298	\$ 696,181	\$ (10,117)
Total categorical aid	\$ 697,111	\$ 706,298	\$ 696,181	\$ (10,117)
Total revenue from the federal government	\$ 697,111	\$ 706,298	\$ 696,181	\$ (10,117)
Total Virginia Public Assistance Fund	<u>\$ 981,846</u>	<u>\$ 994,786</u>	<u>\$ 1,041,051</u>	<u>\$ 46,265</u>
Comprehensive services act fund:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 3,277	\$ 3,277
Total miscellaneous	\$ -	\$ -	\$ 3,277	\$ 3,277
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services	\$ 499,836	\$ 499,836	\$ 225,809	\$ (274,027)
Total categorical aid	\$ 499,836	\$ 499,836	\$ 225,809	\$ (274,027)
Total revenue from the Commonwealth	\$ 499,836	\$ 499,836	\$ 225,809	\$ (274,027)
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ -	\$ -	\$ 12,231	\$ 12,231
Total categorical aid	\$ -	\$ -	\$ 12,231	\$ 12,231
Total revenue from the federal government	\$ -	\$ -	\$ 12,231	\$ 12,231
Total comprehensive services fund	<u>\$ 499,836</u>	<u>\$ 499,836</u>	<u>\$ 241,317</u>	<u>\$ (258,519)</u>
Drug Enforcement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,759	\$ 1,759
Revenue from the use of property	-	-	-	-
Total revenue from use of money and property	\$ -	\$ -	\$ 1,759	\$ 1,759
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 7,912	\$ 7,912
Total miscellaneous	\$ -	\$ -	\$ 7,912	\$ 7,912
Total revenue from local sources	\$ -	\$ -	\$ 9,671	\$ 9,671

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Drug Enforcement Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 5,349	\$ 5,349
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,349</u>	<u>\$ 5,349</u>
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 10,613	\$ 10,613
Total drug enforcement fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,633</u>	<u>\$ 25,633</u>
Animal Care Fund:				
Revenue from local sources:				
Revenue from use of money:				
Revenue from the use of money	\$ -	\$ -	\$ 5	\$ 5
Total revenue from use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 500	\$ 500
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
Total Animal Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505</u>	<u>\$ 505</u>
Conservation Easement Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ -	\$ -	\$ 10,688	\$ 10,688
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 340	\$ 340
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 58,867	\$ 58,867
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,895</u>	<u>\$ 69,895</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Other categorical aid:				
Conservation easement grants	\$ 5,000	\$ 125,000	\$ 141,488	\$ 16,488
Total Conservation Easement Fund	<u>\$ 5,000</u>	<u>\$ 125,000</u>	<u>\$ 211,383</u>	<u>\$ 86,383</u>
Debt Service Funds:				
School Debt Service Fund				
Revenue from local sources:				
Miscellaneous:				
Expenditure refunds	\$ 52,463	\$ 52,464	\$ 52,464	\$ -
Total revenue from local sources	<u>\$ 52,463</u>	<u>\$ 52,464</u>	<u>\$ 52,464</u>	<u>\$ -</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
BAB interest subsidy	\$ 120,833	\$ 120,833	\$ 121,711	\$ 878
Total School Debt Service Fund	<u>\$ 173,296</u>	<u>\$ 173,297</u>	<u>\$ 174,175</u>	<u>\$ 878</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds: (Continued)				
General Debt Service Fund:				
Revenue from local sources:				
Charges for services:				
Charges for services	\$ -	\$ -	\$ 9,910	\$ 9,910
Total charges for services	\$ -	\$ -	\$ 9,910	\$ 9,910
Total revenue from local sources	\$ -	\$ -	\$ 9,910	\$ 9,910
Total General Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,910</u>	<u>\$ 9,910</u>
Capital Projects Fund:				
General Government Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Gifts and donations	\$ -	\$ 45,000	\$ 10,000	\$ (35,000)
Total revenue from local sources	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 10,000</u>	<u>\$ (35,000)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ 102,956	\$ 59,731	\$ (43,225)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 102,956</u>	<u>\$ 59,731</u>	<u>\$ (43,225)</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 145,067	\$ 490,216	\$ 37,672	\$ (452,544)
Total categorical aid	<u>\$ 145,067</u>	<u>\$ 490,216</u>	<u>\$ 37,672</u>	<u>\$ (452,544)</u>
Total revenue from the federal government	<u>\$ 145,067</u>	<u>\$ 490,216</u>	<u>\$ 37,672</u>	<u>\$ (452,544)</u>
Total General Government Capital Projects Fund	<u>\$ 145,067</u>	<u>\$ 638,172</u>	<u>\$ 107,403</u>	<u>\$ (530,769)</u>
Parks Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 175	\$ 175
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 175</u>
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 1,572	\$ 1,572
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,572</u>	<u>\$ 1,572</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747</u>	<u>\$ 1,747</u>
Total Parks Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747</u>	<u>\$ 1,747</u>
Total Primary Government	<u>\$ 29,130,193</u>	<u>\$ 29,789,490</u>	<u>\$ 29,775,669</u>	<u>\$ (13,821)</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 35,766	\$ 35,766	\$ 69,412	\$ 33,646
Charges for services:				
Tuition	\$ 151,036	\$ 151,036	\$ 213,070	\$ 62,034
Town of Berryville Crossing	2,500	2,500	2,500	-
Facility use fees	35,254	35,254	4,123	(31,131)
Total charges for services	\$ 188,790	\$ 188,790	\$ 219,693	\$ 30,903
Miscellaneous:				
Other miscellaneous	\$ 68,704	\$ 68,704	\$ 103,586	\$ 34,882
Private gifts and donations	33,793	33,793	56,052	22,259
Total miscellaneous	\$ 102,497	\$ 102,497	\$ 159,638	\$ 57,141
Recovered costs:				
Rebates and refunds	\$ 44,110	\$ 44,110	\$ 91,238	\$ 47,128
Insurance recoveries	20,714	20,714	5,922	(14,792)
Sale of equipment	6,665	6,665	99	(6,566)
Total recovered costs	\$ 71,489	\$ 71,489	\$ 97,259	\$ 25,770
Total revenue from local sources	\$ 398,542	\$ 398,542	\$ 546,002	\$ 147,460
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Clarke, Virginia	\$ 11,764,040	\$ 11,764,040	\$ 10,885,332	\$ (878,708)
Total revenues from local governments	\$ 11,764,040	\$ 11,764,040	\$ 10,885,332	\$ (878,708)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,268,420	\$ 2,268,420	\$ 2,300,921	\$ 32,501
At risk payments	23,797	23,797	24,260	463
Basic school aid	4,325,293	4,325,293	4,409,828	84,535
Foster home children	30,494	30,494	15,321	(15,173)
Gifted and talented children	44,973	44,973	45,736	763
Homebound education	11,687	11,687	4,705	(6,982)
Preschool At-Risk	12,000	12,000	30,000	18,000
Special education - soq	589,326	589,326	599,332	10,006
Special education - foster children	-	-	13,750	13,750
Vocational education - soq	66,522	66,522	67,651	1,129
Vocational equipment	4,985	4,985	4,092	(893)
Vocational - occupational	7,545	7,545	3,394	(4,151)
Textbook payments	90,151	90,151	91,682	1,531
Remedial education	59,026	59,026	60,028	1,002

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Share of fringe benefits	786,080	786,080	799,427	13,347
Remedial summer school	18,963	18,963	28,093	9,130
Industry certification program	1,000	1,000	3,906	2,906
Mentor teacher program	2,033	2,033	1,050	(983)
SOL algebra readiness	8,112	8,112	6,458	(1,654)
Early intervention	25,197	25,197	23,622	(1,575)
Salary supplement/bonus	7,500	7,500	5,000	(2,500)
Compensation supplement	75,722	75,722	73,847	(1,875)
Teacher recruitment	1,000	1,000	-	(1,000)
Additional teachers assistance	10,000	10,000	2,000	(8,000)
Project graduation	27,243	27,243	6,540	(20,703)
ISAEP	7,859	7,859	7,859	-
English as a second language	16,316	16,316	16,622	306
Security officer	17,122	17,122	-	(17,122)
Regional tuition	109,298	109,298	145,992	36,694
Other categorical aid	1,257	1,257	1,439	182
Total categorical aid	<u>\$ 8,648,921</u>	<u>\$ 8,648,921</u>	<u>\$ 8,792,555</u>	<u>\$ 143,634</u>
Total revenue from the Commonwealth	<u>\$ 8,648,921</u>	<u>\$ 8,648,921</u>	<u>\$ 8,792,555</u>	<u>\$ 143,634</u>
Revenue from the federal government:				
Categorical aid:				
Title I part A: Grants to local educational agencies	\$ 176,920	\$ 176,920	\$ 163,047	\$ (13,873)
Title II part A: Improving teacher quality	55,133	55,133	56,988	1,855
Title III, Part A: English language acquisition grants	1,651	1,651	(1,654)	(3,305)
Medicaid	4,862	4,862	964	(3,898)
Advanced placement	-	-	768	768
Vocational education basic grants to states	21,876	21,876	20,558	(1,318)
Title VI-B: Special education grants to states	453,201	453,201	351,319	(101,882)
Special education preschool handicapped grant	12,564	12,564	11,259	(1,305)
Total categorical aid	<u>\$ 726,207</u>	<u>\$ 726,207</u>	<u>\$ 603,249</u>	<u>\$ (122,958)</u>
Total revenue from the federal government	<u>\$ 726,207</u>	<u>\$ 726,207</u>	<u>\$ 603,249</u>	<u>\$ (122,958)</u>
Total School Operating Fund	<u>\$ 21,537,710</u>	<u>\$ 21,537,710</u>	<u>\$ 20,827,138</u>	<u>\$ (710,572)</u>
Special Revenue Fund:				
School Food Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 80	\$ 80	\$ 142	\$ 62
Total revenue from use of money and property	<u>\$ 80</u>	<u>\$ 80</u>	<u>\$ 142</u>	<u>\$ 62</u>
Charges for services:				
Cafeteria sales	\$ 480,220	\$ 481,185	\$ 480,212	\$ (973)
Total charges for services	<u>\$ 480,220</u>	<u>\$ 481,185</u>	<u>\$ 480,212</u>	<u>\$ (973)</u>
Recovered costs:				
Expenditure refunds and rebates	21,000	21,000	45,564	24,564
Total recovered costs	<u>21,000</u>	<u>21,000</u>	<u>45,564</u>	<u>24,564</u>
Total revenue from local sources	<u>\$ 501,300</u>	<u>\$ 502,265</u>	<u>\$ 525,918</u>	<u>\$ 23,653</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund: (Continued)				
School Food Service Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 8,000	\$ 8,000	\$ 7,542	\$ (458)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 274,980	\$ 274,980	\$ 300,878	\$ 25,898
Total categorical aid	<u>274,980</u>	<u>274,980</u>	<u>300,878</u>	<u>25,898</u>
Total revenue from the federal government	<u>274,980</u>	<u>274,980</u>	<u>300,878</u>	<u>25,898</u>
Total School Food Service Fund	<u>\$ 784,280</u>	<u>\$ 785,245</u>	<u>\$ 834,338</u>	<u>\$ 49,093</u>
Capital Projects Funds:				
School Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Donations	\$ -	\$ 39,585	\$ 13,996	\$ (25,589)
Total miscellaneous	<u>-</u>	<u>39,585</u>	<u>13,996</u>	<u>(25,589)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 39,585</u>	<u>\$ 13,996</u>	<u>\$ (25,589)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Clarke, Virginia	\$ -	\$ 3,109,486	\$ 1,126,440	\$ (1,983,046)
Revenue from the Commonwealth:				
Categorical aid:				
Technology grant	\$ 154,000	\$ 328,725	\$ 54,598	\$ (274,127)
Total revenue from the Commonwealth	<u>\$ 154,000</u>	<u>\$ 328,725</u>	<u>\$ 54,598</u>	<u>\$ (274,127)</u>
Total School Capital Projects Fund	<u>\$ 154,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ (2,282,762)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 22,475,990</u>	<u>\$ 25,800,751</u>	<u>\$ 22,856,510</u>	<u>\$ (2,944,241)</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 58,964	\$ 59,616	\$ 56,713	\$ 2,903
General and financial administration:				
County administrator	\$ 300,415	\$ 302,738	\$ 302,700	\$ 38
Independent auditor	34,500	34,500	32,400	2,100
Legal services	70,000	70,000	28,576	41,424
Commissioner of revenue	203,717	206,540	205,187	1,353
Assessor	3,500	3,600	3,500	100
Data processing	287,244	289,993	274,583	15,410
Finance and purchasing	536,453	536,453	541,845	(5,392)
Treasurer	268,891	270,515	273,220	(2,705)
Total general and financial administration	\$ 1,704,720	\$ 1,714,339	\$ 1,662,011	\$ 52,328
Board of elections:				
Registrar	\$ 72,797	\$ 73,937	\$ 72,837	\$ 1,100
Electoral board and officials	43,308	43,314	31,337	11,977
Total board of elections	\$ 116,105	\$ 117,251	\$ 104,174	\$ 13,077
Total general government administration	\$ 1,879,789	\$ 1,891,206	\$ 1,822,898	\$ 68,308
Judicial administration:				
Courts:				
Circuit court	\$ 12,680	\$ 13,585	\$ 13,585	\$ -
General district court	3,700	6,549	6,548	1
Magistrate	400	400	97	303
Juvenile and domestic relations court	2,990	4,568	4,568	-
Clerk of the circuit court	248,563	259,160	250,722	8,438
Victim Witness Program	41,976	48,005	44,835	3,170
Regional court services	4,494	4,494	4,494	-
Blue Ridge legal services	1,500	1,500	1,500	-
Total courts	\$ 316,303	\$ 338,261	\$ 326,349	\$ 11,912
Commonwealth's attorney:				
Commonwealth's attorney	\$ 309,990	\$ 324,023	\$ 302,921	\$ 21,102
Total commonwealth's attorney	\$ 309,990	\$ 324,023	\$ 302,921	\$ 21,102
Total judicial administration	\$ 626,293	\$ 662,284	\$ 629,270	\$ 33,014

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,481,979	\$ 1,516,469	\$ 1,510,814	\$ 5,655
Criminal justice training	18,582	19,068	19,067	1
Drug task force	12,500	12,014	11,557	457
Total law enforcement and traffic control	<u>\$ 1,513,061</u>	<u>\$ 1,547,551</u>	<u>\$ 1,541,438</u>	<u>\$ 6,113</u>
Fire and rescue services:				
Emergency medical services	\$ 621,643	\$ 695,505	\$ 695,504	\$ 1
Communications	696,007	709,535	670,192	39,343
Fire and rescue departments	248,585	250,414	250,413	1
Lord Fairfax Emergency Medical Services	5,422	5,422	5,422	-
Forestry services	2,712	2,712	2,712	-
Total fire and rescue services	<u>\$ 1,574,369</u>	<u>\$ 1,663,588</u>	<u>\$ 1,624,243</u>	<u>\$ 39,345</u>
Correction and detention:				
Regional jail	\$ 515,422	\$ 520,768	\$ 520,768	\$ -
Juvenile detention home	31,008	31,008	30,560	448
Probation office	800	800	70	730
Total correction and detention	<u>\$ 547,230</u>	<u>\$ 552,576</u>	<u>\$ 551,398</u>	<u>\$ 1,178</u>
Inspections:				
Building	\$ 144,092	\$ 145,878	\$ 134,503	\$ 11,375
Total inspections	<u>\$ 144,092</u>	<u>\$ 145,878</u>	<u>\$ 134,503</u>	<u>\$ 11,375</u>
Other protection:				
Animal control	\$ 128,744	\$ 110,616	\$ 101,856	\$ 8,760
Medical examiner	1,000	1,000	100	900
Total other protection	<u>\$ 129,744</u>	<u>\$ 111,616</u>	<u>\$ 101,956</u>	<u>\$ 9,660</u>
Total public safety	<u>\$ 3,908,496</u>	<u>\$ 4,021,209</u>	<u>\$ 3,953,538</u>	<u>\$ 67,671</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 100,000	\$ 135,559	\$ 135,558	\$ 1
Sanitation	162,377	162,828	162,827	1
Litter control program	3,000	3,271	3,270	1
Total sanitation and waste removal	<u>\$ 265,377</u>	<u>\$ 301,658</u>	<u>\$ 301,655</u>	<u>\$ 3</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public Works: (continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 824,209	\$ 824,209	\$ 785,712	\$ 38,497
Total maintenance of general buildings and grounds	\$ 824,209	\$ 824,209	\$ 785,712	\$ 38,497
Total public works	\$ 1,089,586	\$ 1,125,867	\$ 1,087,367	\$ 38,500
Health and welfare:				
Health:				
Supplement of local health department	\$ 218,594	\$ 218,594	\$ 218,594	\$ -
Our Health	5,000	5,000	5,000	-
Total health	\$ 223,594	\$ 223,594	\$ 223,594	\$ -
Mental health and mental retardation:				
Northwestern Community Services	\$ 88,000	\$ 88,000	\$ 88,000	\$ -
Concern Hotline	750	750	750	-
Northern Shen. Valley Substance Abuse Coalition	-	15,000	15,000	-
NW Works	1,000	1,000	1,000	-
Total mental health and mental retardation	\$ 89,750	\$ 104,750	\$ 104,750	\$ -
Welfare:				
Shenandoah area on aging	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Virginia Regional Transit	19,302	19,302	19,302	-
FISH human services	1,000	1,000	1,000	-
Abused women's shelter	2,000	2,000	2,000	-
Tax relief for the elderly	-	-	219,993	(219,993)
Independent living center	750	750	750	-
Total welfare	\$ 63,052	\$ 63,052	\$ 283,045	\$ (219,993)
Total health and welfare	\$ 376,396	\$ 391,396	\$ 611,389	\$ (219,993)
Education:				
Other instructional costs:				
Contribution to Clarke County Public Schools	\$ 14,873,526	\$ 14,873,526	\$ 12,011,771	\$ 2,861,755
Lord Fairfax Community College	15,580	15,580	15,580	-
Total education	\$ 14,889,106	\$ 14,889,106	\$ 12,027,351	\$ 2,861,755
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 391,613	\$ 395,598	\$ 377,304	\$ 18,294
Recreation center	102,423	104,552	99,307	5,245
Swimming pool	87,154	87,154	66,656	20,498
Concession stand	14,841	14,841	12,454	2,387
Programs	254,084	255,671	201,798	53,873
Total parks and recreation	\$ 850,115	\$ 857,816	\$ 757,519	\$ 100,297

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and culture: (continued)				
Cultural enrichment:				
Barns of Rose Hill	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Virginia commission for the arts	10,000	10,000	10,000	-
Total cultural enrichment	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Library:				
Contribution to Handley library	\$ 190,000	\$ 190,000	\$ 190,000	\$ -
Total library	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 1,055,115</u>	<u>\$ 1,062,816</u>	<u>\$ 962,519</u>	<u>\$ 100,297</u>
Community development:				
Planning and community development:				
Planning administration	\$ 380,073	\$ 384,129	\$ 384,129	\$ -
Help with housing	5,400	5,400	5,400	-
Board of zoning appeals	3,470	3,470	3,321	149
Office of Economic Development	109,544	92,261	47,928	44,333
Berryville Development Authority	4,100	4,100	1,676	2,424
Small business development center	1,500	1,500	1,500	-
Blandy Experimental Farm	3,000	3,000	3,000	-
Planning commission	22,250	22,306	8,041	14,265
Board of septic appeals	720	2,035	2,034	1
Historic preservation	8,000	8,000	7,861	139
Northern Shenandoah Valley Regional Commission	7,329	7,329	7,329	-
Regional airport	2,500	2,500	2,500	-
Total planning and community development	<u>\$ 547,886</u>	<u>\$ 536,030</u>	<u>\$ 474,719</u>	<u>\$ 61,311</u>
Environmental management:				
Friends of the Shenandoah	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Water quality monitoring	30,000	30,000	30,000	-
Lord Fairfax Soil and Water Conservation	5,000	5,000	5,000	-
Biosolids Application	14,459	14,506	4,860	9,646
Total environmental management	<u>\$ 52,459</u>	<u>\$ 52,506</u>	<u>\$ 42,860</u>	<u>\$ 9,646</u>
Cooperative extension program:				
Cooperative extension service	\$ 40,736	\$ 41,736	\$ 41,633	\$ 103
Northern Virginia 4-H Center	2,300	2,300	2,300	-
Total cooperative extension program	<u>\$ 43,036</u>	<u>\$ 44,036</u>	<u>\$ 43,933</u>	<u>\$ 103</u>
Total community development	<u>\$ 643,381</u>	<u>\$ 632,572</u>	<u>\$ 561,512</u>	<u>\$ 71,060</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Miscellaneous	\$ -	\$ -	\$ 250	\$ (250)
Unemployment compensation	17,000	17,000	12,706	4,294
Legal/professional services contingency	182,000	2,903	-	2,903
Total nondepartmental	<u>\$ 199,000</u>	<u>\$ 19,903</u>	<u>\$ 12,956</u>	<u>\$ 6,947</u>
Total General Fund	<u><u>\$ 24,667,162</u></u>	<u><u>\$ 24,696,359</u></u>	<u><u>\$ 21,668,800</u></u>	<u><u>\$ 3,027,559</u></u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Public assistance and welfare administration	\$ 1,445,745	\$ 1,458,685	\$ 1,459,270	\$ (585)
Total health and welfare	<u>\$ 1,445,745</u>	<u>\$ 1,458,685</u>	<u>\$ 1,459,270</u>	<u>\$ (585)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 1,445,745</u></u>	<u><u>\$ 1,458,685</u></u>	<u><u>\$ 1,459,270</u></u>	<u><u>\$ (585)</u></u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Program expenditures	\$ 972,948	\$ 972,948	\$ 591,785	\$ 381,163
Total health and welfare	<u>\$ 972,948</u>	<u>\$ 972,948</u>	<u>\$ 591,785</u>	<u>\$ 381,163</u>
Total CSA Fund	<u><u>\$ 972,948</u></u>	<u><u>\$ 972,948</u></u>	<u><u>\$ 591,785</u></u>	<u><u>\$ 381,163</u></u>
Drug Enforcement Fund:				
Public Safety:				
Public Safety				
Operations	\$ -	\$ -	\$ 120,395	\$ (120,395)
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,395</u>	<u>\$ (120,395)</u>
Total Drug Enforcement Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 120,395</u></u>	<u><u>\$ (120,395)</u></u>
Conservation Easement Fund:				
Community development:				
Development rights				
Development rights	\$ 30,000	\$ 288,362	\$ 288,361	\$ 1
Total Conservation Easement Fund	<u><u>\$ 30,000</u></u>	<u><u>\$ 288,362</u></u>	<u><u>\$ 288,361</u></u>	<u><u>\$ 1</u></u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
School Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,847,195	\$ 2,474,772	\$ 2,474,772	\$ -
Interest and other fiscal charges	999,750	1,372,174	1,372,174	-
Total School Debt Service Fund	<u>\$ 3,846,945</u>	<u>\$ 3,846,946</u>	<u>\$ 3,846,946</u>	<u>\$ -</u>
Primary Government Debt Service Fund:				
Debt service:				
Principal retirement	\$ 273,801	\$ 172,039	\$ 172,039	\$ -
Interest and other fiscal charges	71,899	173,661	173,661	-
Total Primary Government Debt Service	<u>\$ 345,700</u>	<u>\$ 345,700</u>	<u>\$ 345,700</u>	<u>\$ -</u>
Capital Projects Fund:				
General Government Capital Projects Fund:				
Capital projects expenditures:				
Communications equipment	\$ 72,000	\$ 232,968	\$ 112,615	\$ 120,353
Sheriff's renovations	-	31,833	10,663	21,170
Vehicles	30,000	52,569	51,086	1,483
Baseball field lighting	-	20,335	20,335	-
Office renovations	-	22,420	2,107	20,313
Technology and equipment improvements	153,000	129,308	54,208	75,100
Sheriff vehicles	91,000	92,678	91,185	1,493
Spout run improvements	-	343,279	37,672	305,607
Greenway court preservation	-	103,900	50,673	53,227
Tourism signs	-	20,000	-	20,000
Fire/EMS chase vehicle	65,000	65,000	-	65,000
Fire/EMS personal protective equipment	89,530	89,530	-	89,530
Sitework	-	56,489	35,520	20,969
HVAC	-	18,773	8,473	10,300
Roofing	-	136,633	-	136,633
Systems integration	-	288,524	120,178	168,346
Sheriff equipment	-	1,330	-	1,330
Economic development	-	116,434	14,000	102,434
Reassessment	-	27,470	22,385	5,085
Parks - Shelter	-	90,800	-	90,800
Swimming pool	119,900	119,900	-	119,900
Painting and flooring	-	27,462	6,675	20,787
Paving	22,500	72,500	-	72,500
Voting equipment	48,000	110,000	109,258	742
Landscaping	-	15,375	-	15,375
Buildings	-	72,973	-	72,973
Fencing - ballfield and pool	10,000	34,456	3,420	31,036
Citizens convenience center	35,000	35,000	5,259	29,741
Total General Government Capital Projects Fund	<u>\$ 735,930</u>	<u>\$ 2,427,939</u>	<u>\$ 755,712</u>	<u>\$ 1,672,227</u>
Total Primary Government	<u>\$ 32,044,430</u>	<u>\$ 34,036,939</u>	<u>\$ 29,076,969</u>	<u>\$ 4,959,970</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 16,500,103	\$ 16,532,092	\$ 16,143,703	\$ 388,389
Administration, attendance and health	1,537,049	1,554,732	1,552,295	2,437
Pupil transportation services	1,181,469	1,100,561	993,379	107,182
Operation and maintenance services	2,284,089	2,315,325	2,137,761	177,564
Total School Operating Fund	<u>\$ 21,502,710</u>	<u>\$ 21,502,710</u>	<u>\$ 20,827,138</u>	<u>\$ 675,572</u>
Special Revenue Fund:				
School Food Service Fund:				
Education:				
School food services:				
Administration of school food program	\$ 820,245	\$ 820,245	\$ 808,455	\$ 11,790
Total School Food Service Fund	<u>\$ 820,245</u>	<u>\$ 820,245</u>	<u>\$ 808,455</u>	<u>\$ 11,790</u>
Capital Projects Fund:				
School Capital Projects Fund:				
Capital projects expenditures:				
Band equipment	\$ 17,000	\$ 52,000	\$ 44,927	\$ 7,073
Athletic equipment and uniforms	-	10,410	4,044	6,366
Furniture replacement	20,000	75,732	29,354	46,378
Radon testing/remediation	-	103,604	85,879	17,725
Bus purchases	140,000	164,590	152,790	11,800
School vehicles	13,000	58,993	53,602	5,391
School security system	-	985	985	-
Instructional supplies	-	376	-	376
Fencing	115,000	148,675	148,645	30
School food - service equipment	-	31,167	17,925	13,242
Cooley Upper landscape	-	3,238	975	2,263
HVAC	18,000	514,471	165,845	348,626
Strategic space planning	-	6,500	6,500	-
Roof replacements	-	417,200	19,698	397,502
Flooring replacements	20,000	24,536	6,245	18,291
Modular classroom removal	-	5,278	-	5,278
Security improvements	60,000	276,298	69,737	206,561
Surfacing	10,000	70,803	11,036	59,767
Boyce playground	-	15,000	-	15,000
Technology	329,000	737,406	271,287	466,119
Dorsch scholarship fund	-	39,585	13,996	25,589
Berryville Primary renovation	-	551,929	47,555	504,374
Cooley Upper renovation	85,000	-	-	-
Signs	-	9,111	671	8,440
Painting	25,000	64,867	25,170	39,697
Cooley Lower renovation	-	95,042	18,168	76,874
Total capital projects	<u>\$ 852,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ 2,282,762</u>
Total School Capital Projects Fund	<u>\$ 852,000</u>	<u>\$ 3,477,796</u>	<u>\$ 1,195,034</u>	<u>\$ 2,282,762</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 23,174,955</u>	<u>\$ 25,800,751</u>	<u>\$ 22,830,627</u>	<u>\$ 2,970,124</u>

Other Statistical Information

COUNTY OF CLARKE, VIRGINIA

Government-Wide Expenses by Function
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2006-07	\$ 1,696,286	\$ 420,489	\$ 3,307,884	\$ 1,157,030	\$ 2,565,678
2007-08	2,060,607	421,845	3,447,907	1,244,607	2,136,119
2008-09	2,002,482	436,680	3,612,168	1,155,450	2,388,506
2009-10	1,804,666	440,855	3,719,972	852,209	2,672,185
2010-11	1,905,789	406,759	3,205,467	900,060	2,447,164
2011-12	1,943,393	424,222	3,466,939	970,017	2,501,215
2012-13	2,039,336	566,006	3,462,973	1,001,606	2,101,344
2013-14	2,085,415	595,926	3,515,863	883,176	2,258,462
2014-15	2,228,785	598,469	4,414,115	863,529	2,418,330
2015-16	2,236,563	602,451	4,094,648	943,504	2,646,112

Table 1

	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Interest on Long- Term Debt</u>	<u>Sanitary Authority</u>	<u>IDA</u>	<u>Total</u>
\$	21,446,988	\$ 898,356	\$ 1,267,673	\$ 1,289,965	\$ 556,260	\$ 12,371	\$ 34,618,980
	22,132,397	961,293	1,096,427	1,761,950	633,795	18,030	35,914,977
	21,529,346	995,410	924,413	1,413,426	613,951	6,236	35,078,068
	21,883,310	980,707	2,475,922	1,679,649	639,747	10,032	37,159,254
	20,984,893	969,405	991,056	1,832,949	832,459	10,501	34,486,502
	21,767,329	1,001,174	708,196	2,061,986	867,469	9,081	35,721,021
	22,974,665	1,018,007	1,098,325	1,777,739	946,254	419,373	37,405,628
	23,785,661	999,980	1,656,333	1,671,404	895,992	8,714	38,356,926
	23,617,577	1,048,103	980,692	1,559,976	958,018	10,235	38,697,829
	23,362,861	1,046,407	866,154	1,453,276	928,141	10,090	38,190,208

COUNTY OF CLARKE, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2006-07	\$ 2,235,396	\$ 11,865,571	\$ 1,137,027
2007-08	2,326,605	11,941,509	1,162,277
2008-09	2,045,018	12,366,784	574,420
2009-10	2,217,128	11,769,147	3,374,914
2010-11	2,616,152	11,706,825	406,085
2011-12	2,422,452	11,747,408	439,405
2012-13	2,346,633	12,006,615	810,499
2013-14	2,312,708	12,076,289	1,297,384
2014-15	2,461,210	12,840,732	1,006,920
2015-16	2,852,037	12,760,998	405,142

- (1) Includes discretely presented component units.
- (2) In fiscal year 2010, communications tax reporting was moved from Other Local Taxes to Grants and Contributions Not Restricted to Specific Programs

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes (2)	Unrestricted revenues from money or property	Miscella- neous	Grants and Contributions Not Restricted to Specific Programs	Gain (Loss) on Disposal of Asset	Total
\$ 15,104,767	\$ 2,457,607	\$ 1,265,352	\$ 480,258	\$ 2,728,288	-	\$ 37,274,266
16,045,705	2,350,951	1,757,156	448,435	2,957,252	-	38,989,890
16,834,336	2,222,936	744,769	440,076	2,976,959	-	38,205,298
17,174,992	1,682,254	403,628	295,794	3,106,207	(42,433)	39,981,631
17,655,465	1,653,965	312,727	272,123	2,995,371	-	37,618,713
17,478,712	1,814,930	181,632	783,751	3,043,021	-	37,911,311
18,046,810	1,855,520	168,355	324,211	2,982,591	3,336	38,544,570
18,649,133	1,849,613	140,606	452,072	3,004,576	-	39,782,381
19,310,001	1,777,225	134,424	318,395	3,034,774	-	40,883,681
19,814,919	1,921,422	159,519	530,887	3,018,096	-	41,463,020

COUNTY OF CLARKE, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education (2)</u>
2006-07	\$ 1,148,248	\$ 419,882	\$ 3,101,165	\$ 1,145,874	\$ 2,581,195	\$ 19,688,323
2007-08	1,277,128	418,960	3,288,061	1,125,273	2,155,592	20,273,221
2008-09	1,250,373	433,671	3,363,061	989,119	2,372,269	20,593,066
2009-10	1,269,798	435,732	3,287,873	796,207	2,616,419	19,745,229
2010-11	1,758,864	406,846	3,300,190	866,886	2,558,292	19,753,538
2011-12	1,705,944	422,609	3,291,332	971,266	2,480,546	19,362,230
2012-13	1,723,450	566,436	3,512,071	949,685	2,115,119	21,498,917
2013-14	1,742,173	595,936	3,536,630	898,325	2,251,459	20,891,004
2014-15	1,772,923	618,450	4,115,259	1,003,202	2,438,840	21,320,100
2015-16	1,822,898	629,270	4,073,933	1,087,367	2,662,444	21,651,173

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

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

Table 3

	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	828,018	\$ 1,244,788	\$ 429,871	\$ 1,460,101	\$ 4,595,984	\$ 36,643,449
	886,456	1,068,892	486,779	4,011,771	5,360,875	40,353,008
	902,369	891,594	528,021	3,766,858	6,505,229	41,595,630
	887,006	2,517,665	506,161	3,850,058	3,141,660	39,053,808
	900,137	814,400	3,531	4,087,218	16,577,174	51,027,076
	920,144	721,318	1,242	4,497,146	14,668,743	49,042,520
	948,452	1,081,175	11,430	4,420,922	3,381,480	40,209,137
	929,900	1,648,207	(336)	4,286,713	7,654,661	44,434,672
	952,685	984,087	18,980	4,379,113	3,055,653	40,659,292
	962,519	849,873	12,956	4,192,646	1,950,746	39,895,825

COUNTY OF CLARKE, VIRGINIA

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

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2006-07	\$ 15,027,301	\$ 2,457,607	\$ 409,494	\$ 306,494	\$ 1,562,945	\$ 1,183,139
2007-08	16,150,133	2,350,951	432,043	238,256	1,749,052	1,316,037
2008-09	16,206,520	2,222,936	295,830	265,963	747,635	1,112,975
2009-10	17,169,972	1,682,254	231,078	224,547	367,505	1,203,527
2010-11	17,351,499	1,653,965	326,865	381,509	293,560	1,467,079
2011-12	17,569,637	1,814,930	236,880	362,725	165,093	1,338,568
2012-13	17,940,641	1,855,520	238,733	347,687	161,139	1,277,309
2013-14	18,466,352	1,849,613	286,818	237,835	135,704	1,280,108
2014-15	19,407,675	1,777,225	266,539	303,637	130,204	1,359,581
2015-16	19,734,792	1,921,422	280,881	304,861	157,216	1,677,127

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

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

(3) In fiscal year 2010, communications tax reporting was moved from Other Local Taxes to Intergovernmental Revenue.

Table 4

<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter- governmental (2)</u>	<u>Subtotal</u>	<u>Proceeds From Debt</u>	<u>Total</u>
\$ 569,111	\$ 286,346	\$ 15,310,686	\$ 37,113,123	\$ 29,511,710	\$ 66,624,833
315,074	114,879	15,274,338	37,940,763	2,805,396	40,746,159
153,293	486,361	15,087,521	36,579,034	1,371,046	37,950,080
175,218	252,483	16,313,208	37,619,792	9,900,172	47,519,964
141,845	315,412	14,907,445	36,839,179	567,178	37,406,357
648,323	263,772	15,004,334	37,404,262	307,792	37,712,054
194,021	351,897	15,978,905	38,165,852	-	38,165,852
334,942	258,406	16,348,249	39,198,027	-	39,198,027
182,402	159,612	16,822,126	40,409,001	-	40,409,001
382,181	307,618	15,854,309	40,620,407	-	40,620,407

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1), (2)	Current Tax Collections (1), (4)	Percent of Levy Collected	Delinquent Tax Collections (1), (3)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2006-07	\$ 16,926,279	\$ 17,029,772	100.61%	\$ 216,803	\$ 17,246,575	101.89%	\$ 1,416,900	8.37%
2007-08	18,057,673	17,846,889	98.83%	388,062	18,234,951	100.98%	1,206,020	6.68%
2008-09	18,811,655	18,342,029	97.50%	184,729	18,526,758	98.49%	1,806,318	9.60%
2009-10	19,462,691	19,093,650	98.10%	277,314	19,370,964	99.53%	1,834,072	9.42%
2010-11	19,716,647	19,437,175	98.58%	144,661	19,581,836	99.32%	1,939,623	9.84%
2011-12	19,776,620	19,650,841	99.36%	140,961	19,791,802	100.08%	2,008,440	10.16%
2012-13	19,976,661	20,033,782	100.29%	94,917	20,128,699	100.76%	1,991,275	9.97%
2013-14	20,499,518	20,661,349	100.79%	45,265	20,706,614	101.01%	2,261,984	11.03%
2014-15	20,980,117	21,454,716	102.26%	74,554	21,529,270	102.62%	2,096,823	9.99%
2015-16	21,383,904	21,672,649	101.35%	19,419	21,692,068	101.44%	2,095,157	9.80%

(1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(3) Delinquent tax collections are exclusive of land redemptions.

(4) In calendar year 2006 PPTRA was established as a fixed amount by the Commonwealth. Payments will be received on specified dates, not necessarily corresponding with tax collections.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)		Total
				Real Estate	Personal Property	
2006-07	\$ 2,379,976,523	\$ 134,031,694	\$ 23,092,118	\$ 44,713,209	\$ -	\$ 2,581,813,544
2007-08	2,441,782,816	147,619,698	23,665,552	46,902,741	-	2,659,970,807
2008-09	2,486,836,400	116,384,130	21,681,568	51,387,105	-	2,676,289,203
2009-10	2,226,939,452	121,592,042	19,086,630	54,229,648	-	2,421,847,772
2010-11	2,189,128,079	125,806,164	17,424,033	56,051,400	-	2,388,409,676
2011-12	2,190,224,504	128,161,170	16,579,941	62,777,134	-	2,397,742,749
2012-13	2,195,199,863	133,156,000	15,478,677	63,758,974	-	2,407,593,514
2013-14	2,202,442,172	137,517,528	14,729,940	64,243,208	-	2,418,932,848
2014-15	2,209,918,924	140,683,592	14,079,731	64,514,825	-	2,429,197,072
2015-16	2,125,953,962	146,341,321	15,926,677	67,026,398	-	2,355,248,358

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	(2) Real Estate	Mobile Homes	Personal Property	Rescue Vehicles	Machinery and Tools	Public Utility	
						Real Estate (2)	Personal Property
2006-07	\$.45/.48	\$.45/.48	4.00	2.00	1.25	.45/.48	4.00
2007-08	.48/.50	.48/.50	4.00	2.00	1.25	.48/.50	4.00
2008-09	.50/.53	.50/.53	4.00/4.81	2/2.41	1.25	.50/.53	4.00
2009-10	.53/.62	.53/.62	4.81/4.83	2.41/2.41	1.25	0.53	4.00
2010-11	.62/.62	.62/.62	4.83/4.69	2.41/2.35	1.25	0.62	4.00
2011-12	.62/.63	.62/.63	4.69/4.496	2.35/2.248	1.25	0.62	n/a
2012-13	.63/.63	.63/.63	4.496/4.496	2.248/2.248	1.25	0.63	n/a
2013-14	.63/.655	.63/.655	4.496/4.496	2.248/2.248	1.25	0.63	n/a
2014-15	.655/.655	.655/.655	4.496/4.496	2.248/2.248	1.25	0.655	n/a
2015-16	.655/.72	.655/.72	4.496/4.496	2.248/2.248	1.25	0.655	n/a

(1) Per \$100 of assessed value.

(2) The County collects property taxes based on installments. Calendar year 2006 was a reassessment year for real property. The tax neutral rate for calendar year 2006 was computed to be \$.42/100. The rate for the first half of fiscal year 2006 was \$.81/100 (calendar year 2005); for the second half of fiscal year 2006, the rate was \$.45/100 (calendar year 2006) an effective tax increase of 7%.

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 & Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	14,565	\$ 2,581,814	\$ 36,773,330	1.42%	\$ 2,525
2007-08	14,565	2,659,971	37,154,725	1.40%	2,551
2008-09	14,565	2,676,289	36,767,291	1.37%	2,524
2009-10	14,565	2,421,848	44,596,490	1.84%	3,062
2010-11	14,458	2,388,410	43,187,940	1.81%	2,987
2011-12	14,458	2,397,743	36,753,000	1.53%	2,542
2012-13	14,458	2,407,594	34,490,500	1.43%	2,386
2013-14	14,348	2,418,933	32,208,000	1.33%	2,245
2014-15	14,423	2,429,197	29,814,000	1.23%	2,067
2015-16	14,423	2,355,248	27,400,000	1.16%	1,900

(1) <http://quickfacts.census.gov/>

(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, compensated absences, and VRS obligations.

General Government Capital Projects Carryover Budget Allocations

	FY 15 Carryover	FY 16 Original Budget	FY16 Project Transfers	FY16 Supplemental Budget	Final Budget
Expenditures:					
Sheriff's Equipment (fingerprinting, etc.)	\$ 1,330	\$ -	\$ -	\$ -	\$ 1,330
HVAC	18,773	-	-	-	18,773
Emergency Medical Dispatch-Total Response System	11,321	-	-	-	11,321
Pool Repair	-	119,900	-	-	119,900
Auto Replacement	22,569	30,000	-	-	52,569
Reassessment	27,470	-	-	-	27,470
Tourism signs	-	-	-	20,000	20,000
Sheriff's Vehicles	1,678	91,000	-	-	92,678
Sheriff's Mobile Radios/Repeaters	68,000	72,000	81,647	-	221,647
Fencing - Ballfield and Pool	24,456	10,000	-	-	34,456
Voting Equipment	62,000	48,000	-	-	110,000
Technology improvements	35,308	153,000	(59,000)	-	129,308
Old Park Office Modifications	88,220	-	(65,800)	-	22,420
Park lighting	-	-	20,335	-	20,335
New park shelter	-	-	65,800	25,000	90,800
Painting and flooring	15,962	-	11,500	-	27,462
Asphalt/Sidewalk	50,000	22,500	-	-	72,500
Fire/EMS protective equipment	-	89,530	-	-	89,530
Economic Development construction	116,434	-	-	-	116,434
Citizens' Convenience Center	-	35,000	-	-	35,000
Fire/EMS chase vehicle	-	65,000	-	-	65,000
Sheriff's Building Renovation	124,980	-	(93,147)	-	31,833
Roofing	136,633	-	-	-	136,633
Landscaping	15,375	-	-	-	15,375
Parks Sitework & Parking	76,824	-	(20,335)	-	56,489
General District Court Repairs	72,973	-	-	-	72,973
Systems Integration	229,524	-	59,000	-	288,524
Spout run improvement EPA	287,787	-	-	-	287,787
Spout run improvement NFWF	55,492	-	-	-	55,492
Greenway court preservation	-	-	-	103,900	103,900
Total expenditures	\$ 1,543,109	\$ 735,930	\$ -	\$ 148,900	\$ 2,427,939

School Board Capital Projects Carryover Budget Allocations

	FY 15 Carryover	FY 16 Original Budget	FY16 Project Transfers	FY16 Supplemental Budget	Final Budget
Expenditures:					
School Furniture Replacement	\$ 57,732	\$ 20,000	\$ (2,000)	\$ -	\$ 75,732
Dorsch Scholarship	-	-	-	39,585	39,585
Uniform Replacements and Band Instruments	-	17,000	-	35,000	52,000
Athletic Equipment and Uniforms	10,410	-	-	-	10,410
Truck and Tractor	25,000	-	(25,000)	-	-
Buses	24,590	140,000	-	-	164,590
Passenger Vehicle	5,393	13,000	25,600	15,000	58,993
Modular Classroom Removal	7,680	-	(2,402)	-	5,278
Facilities - Technology	174,725	154,000	-	-	328,725
Technology	61,842	175,000	(9,027)	-	227,815
Elementary Electrical Upgrades	22,269	-	(22,269)	-	-
School Food	31,167	-	-	-	31,167
School Food Technology	-	-	9,027	-	9,027
School Painting	39,867	25,000	-	-	64,867
HVAC	87,802	18,000	108,669	300,000	514,471
Playground Match PTO - Boyce	15,000	-	-	-	15,000
Signage	9,111	-	-	-	9,111
School Roof Replacements	167,200	-	-	250,000	417,200
Fencing Replacements	23,675	115,000	10,000	-	148,675
Flooring	43,140	20,000	(38,604)	-	24,536
Security Improvements	131,328	60,000	84,970	-	276,298
Security Grant	955	-	30	-	985
Track and Asphalt	40,803	-	(10,000)	-	30,803
Paving/Sidewalk Repairs and Improvements	30,000	10,000	-	-	40,000
Cooley Upper Landscaping	3,238	-	-	-	3,238
Radon Testing and Remediation	10,000	-	93,604	-	103,604
ERP System	171,839	-	-	-	171,839
Former High Renovation	210,042	-	(115,000)	-	95,042
DG Cooley Renovation	-	85,000	(85,000)	-	-
ADA Compliance	25,000	-	(25,000)	-	-
STEM Equipment	376	-	-	-	376
Berryville Primary Renovation	48,993	-	-	502,936	551,929
Strategic Space Planning	4,098	-	2,402	-	6,500
	<u>\$ 1,483,275</u>	<u>\$ 852,000</u>	<u>\$ -</u>	<u>\$ 1,142,521</u>	<u>\$ 3,477,796</u>
Total expenditures					

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Compliance

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

To The Honorable Members of the Board of Supervisors
County of Clarke
Berryville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clarke, 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 Clarke, Virginia's basic financial statements, and have issued our report thereon dated April 13, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
April 13, 2017

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 Clarke
Berryville, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Clarke, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Clarke, Virginia's major federal programs for the year ended June 30, 2016. County of Clarke, 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 applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Clarke, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Clarke, 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Clarke, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
April 13, 2017

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115	\$ 13,478
Temporary Assistance For Needy Families (TANF)	93.558	0400115/0400116	70,863
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	136
Low-income Home Energy Assistance	93.568	0600415/0600416	6,960
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	15,678
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	526
Foster Care - Title IV-E	93.658	1100115/1100116	101,165
Adoption Assistance	93.659	1120115/1120116	29,790
Social Services Block Grant	93.667	1000115/1000116	75,258
Chafee Foster Care Independence Program	93.674	9150115/9150116	486
Children's Health Insurance Program (CHIP)	93.767	0540115/0540116	6,717
Medical Assistance Program	93.778	1200115/1200116	<u>212,269</u>
Total Department of Health and Human Services			<u>\$ 533,326</u>
Department of Agriculture:			
Direct Payments:			
Child Nutrition Cluster:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	406230	\$ 44,475
Department of Education:			
National School Lunch Program (NSLP)	10.555	406230	<u>211,850</u> \$ 256,325
School Breakfast Program (SBP)	10.553	405910	44,553
Total Child Nutrition Cluster			<u>\$ 300,878</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116 0040115/0040116	<u>175,086</u>
Total Department of Agriculture			<u>\$ 475,964</u>

Schedule of Expenditures of Federal Awards (Continued)
 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 Justice:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	n/a	\$ 3,283
Equitable Sharing Program	16.922	n/a	10,613
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unavailable	923
Violence Against Women Formula Grants	16.588	10WFAX0050	45,218
Crime Victim Assistance	16.575	12VAGX0095	21,060
Total Department of Justice			<u>\$ 81,097</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2016-54046-4630	\$ 12,552
State and Community Highway Safety	20.600	SC-2016-54021-5108	1,167
Total Department of Transportation			<u>\$ 13,719</u>
U.S. Election Assistance Commission:			
Pass Through Payments:			
Help America Vote Act Requirements Payments	90.401	not available	<u>\$ 3,500</u>
Environmental Protection Agency:			
Direct Payment:			
Department of Health:			
Chesapeake Bay Program	66.466	n/a	\$ 20,278
Nonpoint Source Implementation Grants	66.460	n/a	17,394
Total Environmental Protection Agency			<u>\$ 37,672</u>
Department of Education:			
Direct Payments:			
Department of Education:			
Medical Assistance Program	93.778	n/a	\$ 964
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A130046/S010A140046	163,047
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	H027A140107/H027A150172	351,319
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A140112/H173A150112	11,259
Advanced Placement Program	84.330	S330B150008	768
English Language Acquisition State Grants	84.365	S365A130046/S365A140046	(1,654)
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	V048A140046	20,558
Supporting Effective Instruction State Grant	84.367	S367A130044/S367A140044	56,988
Total Department of Education			<u>\$ 603,249</u>
Total Expenditures of Federal Awards			<u>\$ 1,748,527</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CLARKE, VIRGINIA

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	94,167
General Capital Projects Fund		37,672
Special Revenue Funds:		
Virginia Public Assistance Fund		696,181
Comprehensive Services Act Fund		12,231
Drug Enforcement Fund		10,613
Debt Service Funds:		
School Debt Service Fund		121,711
Total primary government	\$	<u>972,575</u>

Component Unit School Board:

School Operating Fund	\$	603,249
School Food Service Fund		300,878
Total component unit school board	\$	<u>904,127</u>

 Total federal expenditures per basic financial statements \$ 1,876,702

Less amounts not reported on the Schedule of Expenditures of Federal Awards:

Payment in lieu of taxes	\$	6,464
Build America Bond interest rate subsidy		121,711

 Total federal expenditures per basic financial statements \$ 1,748,527

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 1,748,527

COUNTY OF CLARKE, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

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

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster: Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.778	Medical Assistance Program

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None