



COUNTY OF AUGUSTA, VIRGINIA

Comprehensive Annual Financial Report: June 30, 2017

COUNTY OF AUGUSTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017



Prepared by
Misty Cook, Director of Finance
Lora Swortzel, Accountant
Augusta County, Virginia

**COUNTY OF AUGUSTA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal.....	1-5
GFOA Certificate of Achievement.....	6
Organizational Chart.....	7-8
List of Elected and Appointed Officials	9

FINANCIAL SECTION

Independent Auditor’s Report	10-12
Management’s Discussion and Analysis	13-23

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	24
Statement of Activities.....	2	25-26
Fund Financial Statements:		
Balance Sheet—Governmental Funds	3	27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	28
Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds	5	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	30
Statement of Net Position—Fiduciary Funds.....	7	31
Notes to the Financial Statements.....		32-91

**COUNTY OF AUGUSTA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual:		
General Fund	8	92
Special Revenue Fund—Virginia Public Assistance Fund	9	93
Other Postemployment Benefit Program—Schedule of Funding Progress	10	94
Other Postemployment Benefit Program—Schedule of Employer Contributions	10	94
Schedule of Changes in the County Net Pension Liability and Related Ratios—Virginia Retirement System	11	95
Schedule of Changes in the School Board Non-Professional Net Pension Liability and Related Ratios—Virginia Retirement System.....	12	96
Schedule of School Board Share of Net Pension Liability—VRS Teacher Retirement Plan (Cost-Sharing)—Virginia Retirement System	13	97
Schedule of County Contributions—Virginia Retirement System	14	98
Schedule of School Board Non-Professional Contributions—Virginia Retirement System	15	99
Schedule of School Board Professional Contributions—Virginia Retirement System	16	100
Notes to Required Supplementary Information—Virginia Retirement System.....		101-102
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual:		
Debt Service Fund.....	17	103
County Capital Improvements Fund	18	104
School Capital Improvements Fund	19	105
Combining and Individual Fund Statements and Schedules:		
Combining Statement of Net Position—Fiduciary Funds	20	106
Combining Statement of Changes in Net Position—Fiduciary Funds	21	107-108

**COUNTY OF AUGUSTA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information: (continued)		
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	22	109
Schedule by Function and Activity	23	110
Schedule of Changes by Function and Activity	24	111
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet.....	25	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	26	113
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual.....	27	114-115
Statement of Net Position—Fiduciary Fund	28	116
Statement of Changes in Net Position—Fiduciary Funds	29	117
Nonmajor Special Revenue Funds:		
Combining Balance Sheet.....	30	118
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	31	119
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual.....	32	120-121
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	33	122
Schedule by Function and Activity.....	34	123
Schedule of Changes by Function and Activity	35	124
Statement of Changes in Net Position—Agency Fund.....	36	125
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues—Budget and Actual—Governmental Funds	1	126-132
Schedule of Expenditures—Budget and Actual—Governmental Funds	2	133-138

**COUNTY OF AUGUSTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Net Position/Assets by Component	1	139-140
Changes in Net Position/Assets	2	141-144
Governmental Activities Tax Revenues by Source	3	145
Fund Balances of Governmental Funds	4	146-147
Changes in Fund Balances of Governmental Funds	5	148-149
General Governmental Tax Revenues by Source	6	150
Assessed Value and Estimated Actual Value of Taxable Property.....	7	151
Property Tax Rates	8	152
Principal Property Taxpayers.....	9	153
Property Tax Levies and Collections	10	154
Ratios of Outstanding Debt by Type	11	155
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	12	156
Demographic and Economic Statistics	13	157
Principal Employers	14	158
Full-time Equivalent County Government Employees by Function.....	15	159-160
Operating Indicators by Function.....	16	161-162
Capital Asset Statistics by Function.....	17	163-164

**COUNTY OF AUGUSTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

	<u>Page</u>
Schedule of Expenditures of Federal Awards.....	165-166
Notes to Schedule of Expenditures of Federal Awards.....	167
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	168-169
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	170-172
Schedule of Findings and Questioned Costs.....	173-175
Corrective Action Plan.....	176
Summary Schedule of Prior Audit Findings.....	177

INTRODUCTORY SECTION



COUNTY OF AUGUSTA

Finance Department

18 Government Center Lane * PO Box 590

Verona, VA 24482-0590

Phone: 540-245-5741 * Fax: 540-245-5742

November 27, 2017

To the Honorable Board of Supervisors of the County of Augusta, Virginia:

The comprehensive annual financial report of the County of Augusta (County) for the year ended June 30, 2017, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require the County issue annually a report on its financial position and activity, and this report be audited by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. Therefore, management of the County is responsible for establishing and maintaining internal controls to ensure the protection of the County's assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: (1) the costs of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, activities and component unit of the County. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The accounting firm of PBMares, LLP, Certified Public Accountants, has audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. This audit was conducted using guidelines set forth by *Government Auditing Standards* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Based upon this audit, the independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting requirements set forth by state statutes, the independent audit was also designed to meet the requirements of the federal Single Audit Act of 1984, as amended in 1997, to meet the special needs of federal grantor agencies. As a part of the County's single audit, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine the government has complied with applicable laws and regulations. The auditor's report related specifically to the single audit is included in the Compliance Section of this report.

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

Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The discretely presented component unit included in this report is the Augusta County School Board. The financial statements for the Augusta County Service Authority, Middle River Regional Jail Authority and the Economic Development Authority of Augusta County, Virginia are not included in the County report as these organizations do not create a financial benefit and/or burden on the County and are administered by independent boards separate from the Augusta County Board of Supervisors.

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

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

The County of Augusta was formed in 1738 and named for Augusta, Princess of Wales and the mother of King George, III. The original western boundary of the County was the western edge of Virginia, which at that time was the Mississippi River. The present boundaries of the County were set in 1790. Situated in the Shenandoah Valley of Virginia, the County is at the juncture of Interstates 64 and 81, and the headwaters of the James River and the Potomac River basins. It is 150 miles southwest of the nation's capital, Washington, D.C., 100 miles west of the state capital, Richmond, and 85 miles north of the City of Roanoke. Within the boundaries of the County of Augusta are the independent cities of Staunton, founded in 1747, and Waynesboro, founded in 1801. The County is a political subdivision of the Commonwealth of Virginia administered by a seven member board elected by magisterial district for four year staggered terms. The Board of Supervisors elects one of its own to serve as Chairman and selects a County Administrator to oversee the general administration of the County.

Although primarily a rural county, the County's 2016 population was 74,997. The County enjoys a diversified economy, with manufacturing accounting for approximately 21% of the jobs in the County. Manufacturing employs approximately 5,500 of 36,000 plus workers in the County's labor force and makes up approximately 3.2% of the total local property taxes. Agriculture is a large portion of the overall economy of the County. Augusta County is one of the top producers of many commodities in the state and this wealth of production overflows into many other industries of the County; including farm equipment manufacturers and dealers, transportation, energy, retail, and the ever growing agritourism business. The unemployment rate for the County increased slightly from 3.5% in 2016 to 3.6% in 2017. The County's rate remains lower than that of the State's unemployment rate of 3.9% and compares favorably to the national unemployment rate of 4.5%.

In Fiscal Year 2017, local revenues increased by 3.9%. The main contributor to this increase was sales and use tax, which was up by 2.2% over the prior year. This is a good indicator that consumer spending may be gaining from the previous recession. The previous high collection for sales tax was in fiscal year 2008. The County has exceeded this previous high by \$525,000. This trend is in line with the total taxable sales for Augusta County as reported by the Virginia Department of Taxation, which increased by approximately 7.28% over the prior year. The County also realized an increase in general property taxes due to a slight growth in real estate assessments which are up by 2.5% over the previous fiscal year. The County also had a public service corporation complete a large infrastructure upgrade which created an increase in overall taxes received from public service corporations.

□ Major Initiatives and Goals □

The mission statement of the County of Augusta Board of Supervisors is as follows:

"The government of Augusta County exists to provide the citizens of the County with essential services which will address their individual and collective well-being. In partnership with the community of residents, the government of Augusta County pledges civic stewardship that is fiscally accountable, socially responsive, and worthy of the citizens trust."

During the Fiscal Year 2017, the County partnered with the Augusta County School Board to purchase and implement a new capital asset software that will be shared with the School Board and the County. It was a suggestion of our auditors to procure a capital asset software to aid in the completion of the annual financial reports and to aid in the record keeping of assets. This software was implemented and was able to be utilized for the preparation of the current financial report.

During Fiscal Year 2017, the County completed the second issue General Obligation Bond for the Virginia Public School Authority in the amount of \$14,285,000. This bond was the final issue to finance Phase VI of the Augusta County Schools' Capital Improvement Program which included construction of two new elementary schools and the expansion of one middle school. The two new elementary schools are each 91,050 square feet and accommodate 750 students in grades Pre-K through fifth providing both instructional and support services. Both facilities include administrative and core support service areas including principal office, guidance office, media center, cafeteria and dining spaces, remedial and specialized instruction, physical education/recreational use, and separation of bus and parent drop-offs. These new facilities replaced Riverheads Elementary School and Hugh K. Cassell Elementary School which were more than 40 years old and had failing electrical, mechanical, and plumbing infrastructures. These facilities were closed at the end of the 2016-2017 school year and will be demolished in the future now that the new schools are complete. The expansion of Wilson Middle School, which was originally constructed in 2005, is a multiple two-story classroom addition (two additions of two stories each). Wilson Middle School's operating capacity will be increased from 540 to 750 students. The additional space will include nine general classrooms and three science labs with adjacent prep and storage rooms. The first issue was completed on April 26, 2016 for \$27,825,000. The School Board strives to keep debt service spending within authorized budgeted guidelines through long term planning of school capital projects.

□ Financial Information □

Financial Planning

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management. The County has established a Fund Balance policy to maintain an unassigned General Fund balance of no less than two months of General Fund expenditures. Unassigned General Fund balance would provide the County with financial resources to address unforeseen revenue fluctuations, unanticipated expenditures and emergencies, which result in unanticipated budgetary shortfalls. As of June 30, 2017, the County meets this fund balance policy requirement. However, the County recognizes its obligation to the Debt Service Fund and Virginia Public Assistance. When those obligations are considered in conjunction with the fund balance policy requirements, the County has less than the required two months of General Fund operating expenditures by \$838,034. The County will consider this requirement as it reviews the fund balance policy and prepares for the Fiscal Year 2018 revised budget.

Capital Improvement Plan

The Capital Improvement Plan provides a systematic approach to planning and financing capital improvements including future capital facility needs, correlating projects to community goals and growth, eliminating poorly planned expenditures, encouraging cooperation with other governmental units, and facilitation of private sector improvements consistent with the County Comprehensive Plan. As part of the budget process each year, the County Administrator proposes a capital improvements plan. Each year, based on the availability of funds and specific general operating revenues, amounts are budgeted as a transfer from the general operating budget to the Capital Improvements Fund. These transfers may vary year to year depending on the anticipation or demand of new projects, the availability of revenues in the General Fund, and year end fund balance surpluses. The County Capital Improvements Fund includes balances assigned to depreciation accounts for future capital replacement costs for fire apparatus, emergency communications equipment, information technology, vehicle replacements, and building capital improvements. It also includes balances assigned to develop and maintain County parks and recreational facilities, infrastructure improvements and economic development initiatives, renovations and improvements to County buildings, and fund support for local organizations capital improvements, such as Blue Ridge Community College and Shenandoah Valley Regional Airport Commission. The Capital Improvement Plan is based on a five year outlook of replacement costs and needs. It anticipates future replacement costs by incorporating an inflationary factor into the original purchase cost and allocating that amount over the life of the capital asset. The Capital Improvement Plan has enabled the County to afford needed projects without bonding the cost. At June 30, 2017, the County had a number of debt issues outstanding related to school construction. These issues totaled \$81,314,078 in general obligation bonds. At June 30, 2017, the County also had revenue bonds for construction of a gravity sewage system, a roadway and bridge construction, and Mill Place water tank outstanding. These issues totaled \$6,774,755.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, money market funds, U.S. Agency Securities, Corporate Debt, and municipal bonds. The yield on investments ranged from 0.502% to 5.5%. Local Government Investment Pool (LGIP) interest rates have risen with a range of rates of 0.502% to 1.052% in 2017. The County continues to invest in money market accounts and LGIP funds which offer higher yields than what may be earned on the standard checking accounts. All County deposits are insured by either federal depository insurance or the Virginia Security for Public Deposits Act.

□ **Awards and Acknowledgements** □

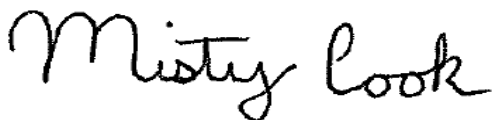
The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Augusta, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This is the nineteenth consecutive year the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA awarded a Certificate of Achievement for Excellence in Budget Presentation to the County of Augusta, Virginia for its Budget preparation document for the 2018 Fiscal Year Budget. This is the first year the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Budget document. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this is an important goal to strive for yearly and we will continue to make it a goal for our budget documents.

The preparation of this annual financial report could not have been accomplished without the dedicated effort of Mr. Timothy K. Fitzgerald, County Administrator, Ms. Jennifer Whetzel, Deputy County Administrator, Mr. Richard T. Homes, Treasurer, Mr. Mark Lotts, School Board Director of Business and Finance, Mr. Jerry Orlando, Shenandoah Valley Department of Social Services, and the members of their staffs. We would like to express our appreciation to all members of those departments who assisted and contributed to the preparation of this report.

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

Sincerely,



Misty Cook
Director of Finance



Lora Swortzel
Accountant



Government Finance Officers Association

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

Presented to

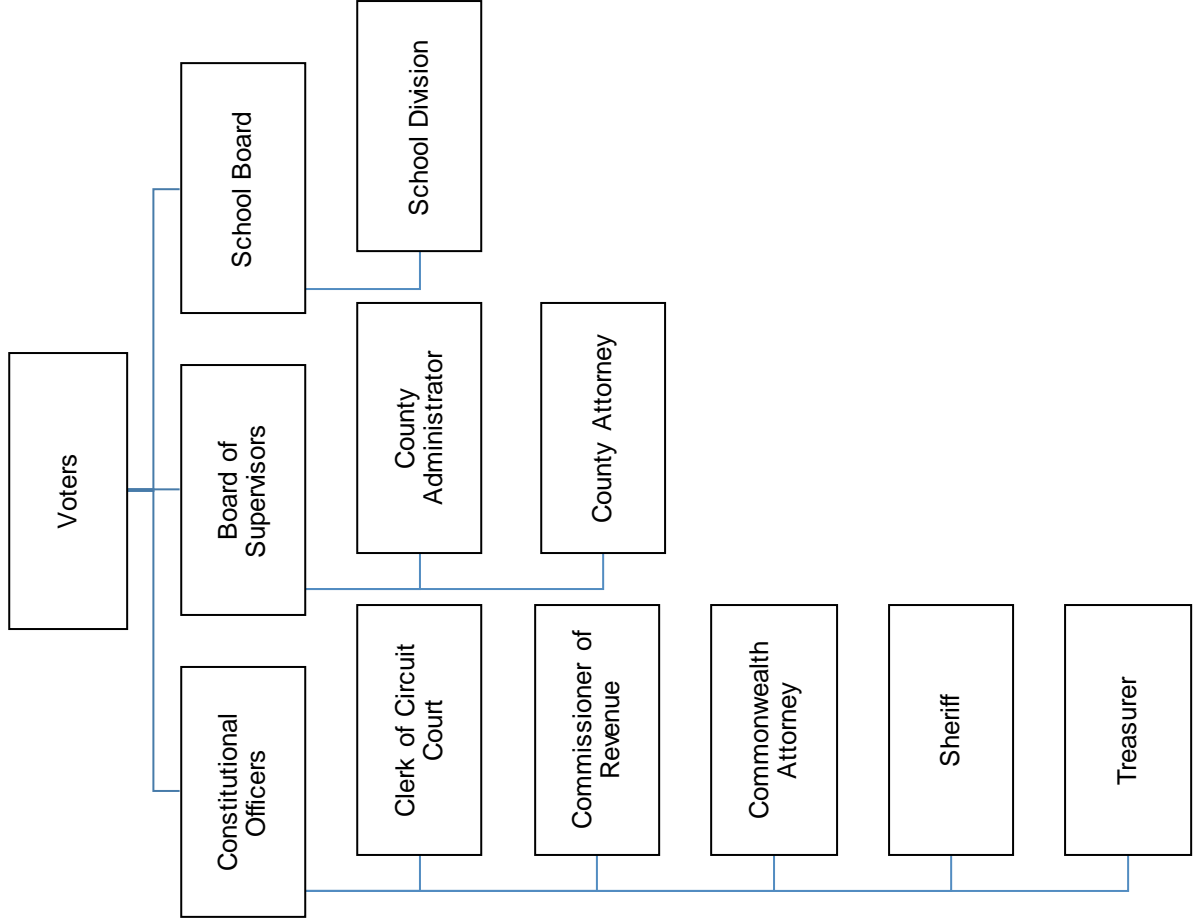
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Virginia**

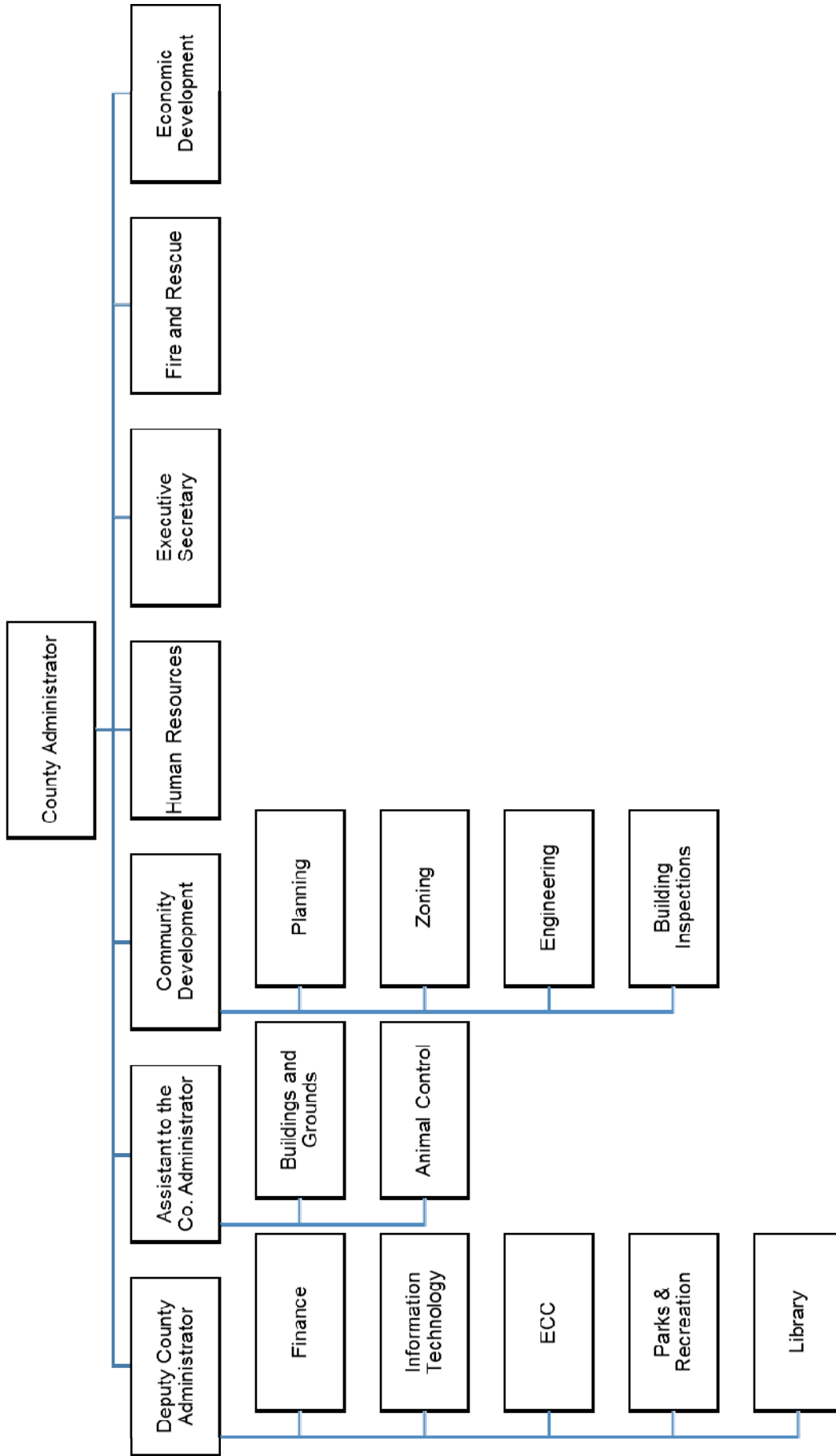
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

County of Augusta, Virginia Organizational Chart





COUNTY OF AUGUSTA, VIRGINIA

BOARD OF SUPERVISORS

Tracy C. Pyles, Jr., Chairman
Terry Lee Kelley, Jr., Vice-Chairman

Wendell L. Coleman
Gerald W. Garber
Carolyn S. Bragg

Marshall W. Pattie
Michael L. Shull
Timothy K. Fitzgerald, Clerk

COUNTY SCHOOL BOARD

Timothy R. Quillen, Chairman
John L. Ocheltree, Jr., Vice-Chairman

Nicholas T. Collins
David R. Shiflett
Donna H. Wells

Timothy Z. Swortzel
John M. Ward
Marsha K. Buehner, Clerk

OTHER OFFICIALS

Judges of the Circuit Court Hon. Victor V. Ludwig, Hon. W. Chapman Goodwin
Judges of the General District Court Hon. Gordon Saunders, Hon. William Cleaveland, and Hon. Rupen Shah
Judges of the Juvenile & Domestic Court Hon. Laura Dascher, Hon. Linda Jones, Hon. Correy R. Smith and Hon. Paul Tucker
Clerk of the General District Court Christy Hostetter
Clerk of the Juvenile & Domestic Court Teresa L. Smith
Clerk of the Circuit Court..... Carol M. Brydge
Commonwealth Attorney..... Tim Martin
Commissioner of the Revenue.....W. Jean Shrewsbury
TreasurerRichard T. Homes
Sheriff..... Donald Smith
Superintendent of Schools..... Dr. Eric Bond
Director of Augusta County Service Authority Ken Fanfoni
Director of Social Services..... Anita Harris
General Registrar..... Constance Messick
Chief Building InspectorG.W. Wiseman
Director of Community Development John Wilkinson
Director of Economic Development..... Amanda N. Glover
Director of Information Technology Jacquelyn A. Zetwick
Director of Parks and Recreation.....Andy Wells
Director of Emergency Operation CenterDonna J. Good
Chief of Fire and Rescue Carson D. Holloway
Maintenance ManagerTony Clements
Library Director Diantha McCauley
Human Resources Director..... Faith H. Duncan
County AttorneyJames R. Benkahla
County Administrator Timothy K. Fitzgerald
Deputy County Administrator Jennifer M. Whetzel
Assistant to the County Administrator Candy Hensley
Director of Finance..... Misty D. Cook

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 and specifications require 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 auditor's 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 County'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 County'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 13-23 and 92-102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as other supplementary information, supporting schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, other supplementary information, and supporting schedules 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 Schedule of Expenditures of Federal Awards, other supplementary information and supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the County'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's internal control over financial reporting and compliance.

P. B. Mares, CPA

Harrisonburg, Virginia
November 27, 2017

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Augusta, Virginia (County) for the fiscal year ended June 30, 2017. This narrative is to be read in conjunction with the additional information we have furnished in our letter of transmittal which can be found earlier in this report.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,712,420 (net position). Of this amount, \$39,611,252 is unrestricted, or may be used to meet the County's ongoing obligations to creditors and citizens. The School Board's net position was \$21,631,463 of which (\$96,428,666) is unrestricted. (See Exhibit 1.)
- The County's total net position decreased by \$26,220,279. The School Board's total net position increased by \$29,768,292. (See Exhibit 2.)
- The primary government and School Board general revenues, charges for services, operating grants and contributions, and capital grants and contributions were \$108,605,347 and \$113,663,778, respectively, for fiscal year 2017. (See Exhibit 2.)
- Expenses were \$134,825,626 for governmental activities and \$83,895,486 for School Board. (See Exhibit 2.)

Fund Financial Statements

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,658,436, or 17.6 percent of the total General Fund expenditures. (See Exhibit 3.). This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2017 budget as well as funding for future operating and capital expenditures as appropriated.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$50,563,651, a decrease of \$12,689,499 in comparison with the prior year. Approximately 26 percent of this total amount, or \$13,260,689, is available for spending at the County's discretion (unassigned fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now accompanied by government-wide financial statements, the objective of operational accountability is also met. These objectives provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the Statement of Net Position and 2) the Statement of Activities.

The Statement of Net Position presents all of the County's permanent accounts, or assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County includes future pension expenses as deferred outflows of resources. Deferred inflows of resources represent 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 includes property taxes receivable, investment land held for sale and projected earnings related to pension plan investments as deferred inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The Statement of Activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The Statement of Activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

The government-wide financial statements include, in addition to the primary government or County, a component unit, the Augusta County School Board. Although the component unit is a legally separate entity, the County is financially accountable for it. A primary government is financially accountable if either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The fund financial statements present only major, or significant, funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances.

Fiduciary funds

Fiduciary funds account for assets held by the County as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. A separate Statement of Net Position and Combining Statement of Changes in Net Position is provided in the report.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information displaying budgetary comparison schedules and the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with fiduciary funds and School Board individual fund financial statements are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,712,420 at the end of the fiscal year.

The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

County of Augusta, Virginia Summary Statement of Net Position June 30, 2017 and 2016

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 100,985,089	\$ 119,570,851
Capital assets, net	61,760,430	63,947,031
Total assets	<u>\$ 162,745,519</u>	<u>\$ 183,517,882</u>
Deferred outflows of resources	<u>\$ 3,951,049</u>	<u>\$ 2,322,105</u>
Long-term liabilities	\$ 97,666,446	\$ 87,239,891
Other liabilities	28,487,938	30,105,507
Total liabilities	<u>\$ 126,154,384</u>	<u>\$ 117,345,398</u>
Deferred inflows of resources	<u>\$ 20,829,764</u>	<u>\$ 22,561,890</u>
Net Position:		
Net investment in capital assets	\$ (28,355,363)	\$ 14,697,452
Restricted	8,456,531	26,675,632
Unrestricted	39,611,252	4,559,615
Total net position	<u>\$ 19,712,420</u>	<u>\$ 45,932,699</u>

The County uses capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt used to acquire those assets, 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.

Restricted net position represents 43 percent of total net position and are resources that are subject to external restrictions on how they may be used. The majority of restricted net position is used for capital projects, fire service, education and training, as well as, law enforcement operations to support drug education, awareness, and enforcement. The balance of unrestricted net position, which is \$39,611,252 or 201 percent of total net position, may be used to meet the County's ongoing obligations to citizens and creditors. These obligations include public safety and future construction projects.

During the current fiscal year, the County's net position decreased by \$26,220,279.

Legislation requires debt issued for projects by the School Board to be assumed by the Primary Government. Therefore, the School Board is not recognizing the debt for these renovations and only recognizes a portion of the building renovations in its current capital assets. The deficit unrestricted net position balance for the School Board is due to the VRS net pension liability.

Governmental Activities

Governmental activities decreased the County's net position by \$26,220,279. Key elements of this decrease are as follows:

**County of Augusta, Virginia
Summary Statement of Changes in Net Position
Years Ended June 30, 2017 and 2016**

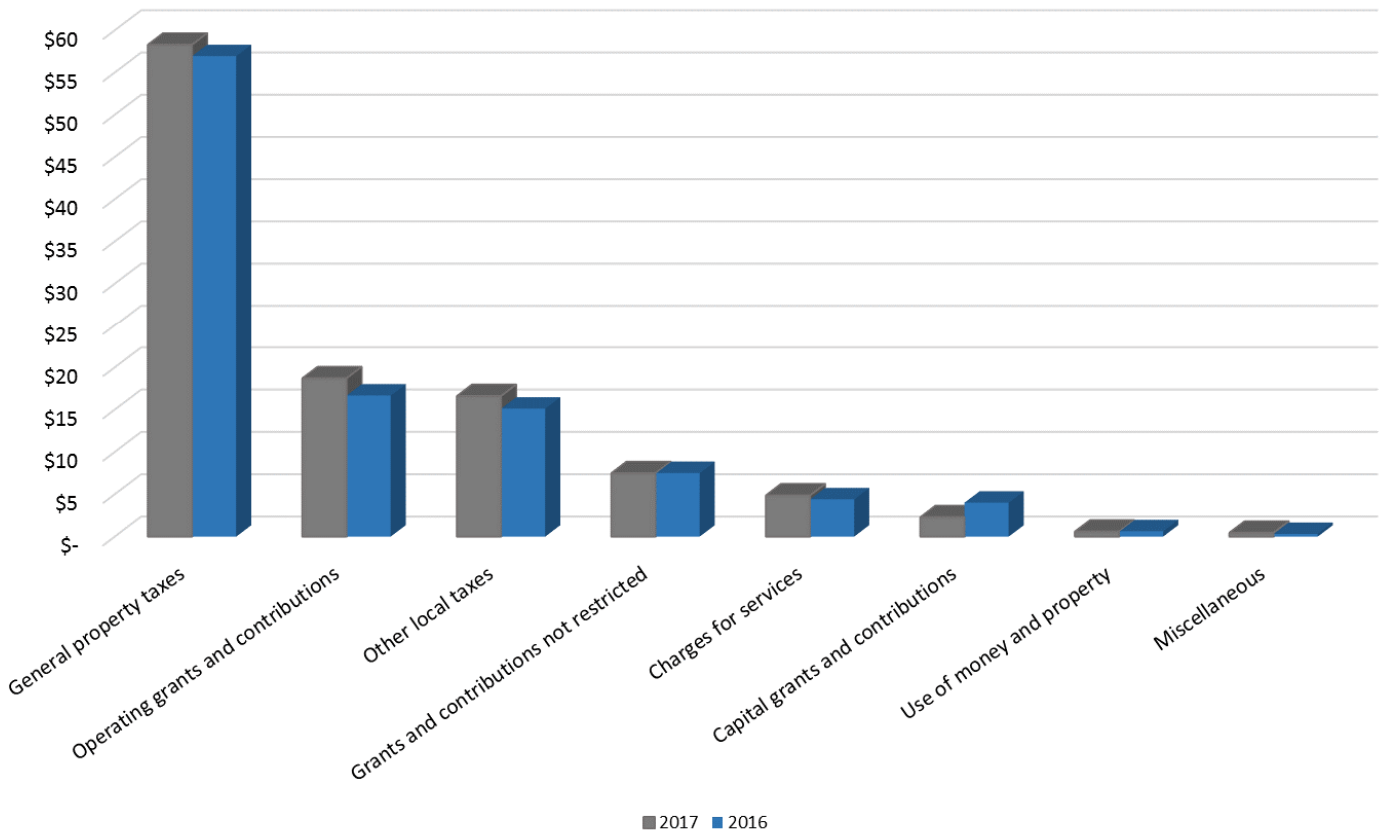
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,869,644	\$ 4,404,666
Operating grants and contributions	18,706,733	16,661,521
Capital grants and contributions	2,296,245	4,009,604
General revenues:		
General property taxes	58,296,837	56,937,887
Other local taxes	15,604,926	15,115,255
Use of money and property	592,384	634,230
Miscellaneous	456,414	320,825
Grants and contributions not restricted to specific programs	7,497,164	7,510,753
Sale of land	285,000	-
Total revenues	<u>\$ 108,605,347</u>	<u>\$ 105,594,741</u>
Expenses:		
General government	\$ 6,377,127	\$ 5,499,180
Judicial administration	1,995,424	1,865,010
Public safety	21,392,046	12,583,559
Public works	5,305,146	7,230,620
Health and welfare	16,469,416	14,668,197
Education	75,383,817	57,310,967
Parks, recreation and cultural	2,858,721	2,821,846
Community development	1,797,866	1,750,061
Interest on long-term debt	3,246,063	1,869,341
Total expenses	<u>\$ 134,825,626</u>	<u>\$ 105,598,781</u>
Decrease in net position	\$ (26,220,279)	\$ (4,040)
Net position, beginning	<u>45,932,699</u>	<u>45,936,739</u>
Net position, ending	<u>\$ 19,712,420</u>	<u>\$ 45,932,699</u>

Governmental Activities – Revenues

- General property taxes increased by approximately \$1.3 million. The County realized an increase in in general property taxes due to slight growth in real estate assessment which are up by 2.5% over the previous fiscal year. Public service corporation taxes increased due to an increase assessment on one public service corporation provider who underwent a major infrastructure upgrade.
- Operating grants and contributions increased by 12% due to a full year of SAFER funding for fire personnel and an increase in funding for health and welfare services.
- Other local taxes increased by 3.2%, largely due to an increase in collections of local sales tax. Lodging and meals taxes continue to see growth as well.
- Capital grants and contributions decreased over the prior year by approximately \$1.7 million or 42%. This is largely in part to the completion of a watershed rehabilitation project that included state and federal funding.

Governmental Activities - Revenue by Source

**Fiscal Years Ended June 30, 2017 and 2016
(\$ in Millions)**

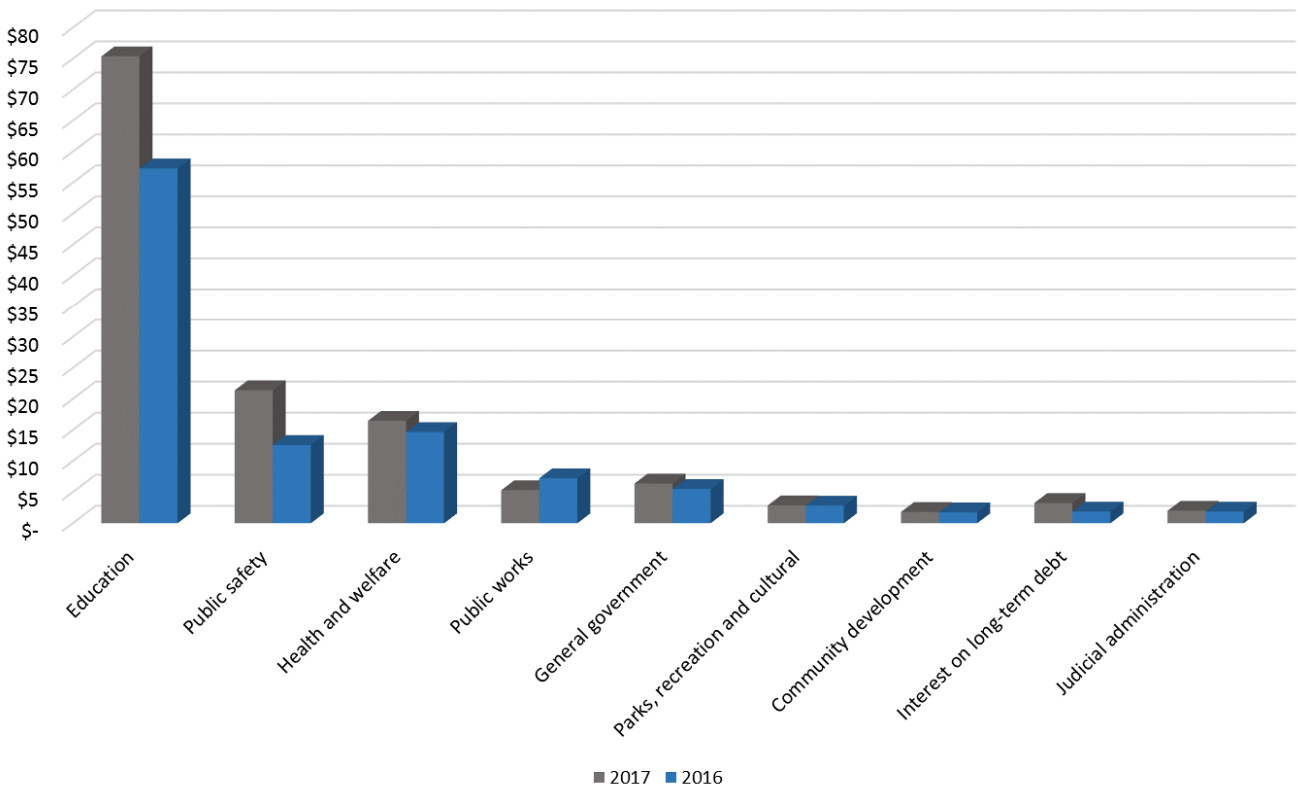


Governmental Activities – Expenses

- Expenses allocated to education were 31.5% higher in fiscal year 2017 due to construction projects related to building two replacement elementary schools and remodeling a middle school.
- In 2016, public safety expenses decreased significantly over the prior year due to recognizing the notes receivable for the addition of new authority members to Middle River Regional Jail Authority. 2017 expenses are more in line with 2015 balances.
- Public works expenses decreased 26.6% over the prior fiscal year due to the completion of a watershed rehabilitation project.
- Interest on long term debt increased by approximately 73% from fiscal year 2016. This is due to the addition of payments on the first issuance of debt related to the two replacement elementary schools and the remodeling of a middle school.

Governmental Activities - Expenses by Function

Fiscal Years Ended June 30, 2017 and 2016
(\$ in Millions)



Financial Analysis of the County's Funds

As mentioned 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 financial resources. Such information is useful in assessing the County's financing requirements. 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.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$50,563,651 approximately 26 percent of this total amount constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance falls within the categories of nonspendable, restricted, committed, or assigned. Nonspendable fund balance totals \$93,961 which is inventories and prepaid items reported in the governmental funds. Restricted fund balance includes funds that have been constrained for specific purposes by sources outside the County. Restricted fund balance includes funds received from the state for fire programs, state and federal asset forfeiture funds, and funds recently received from a bond issuance for school construction. Committed and assigned fund balances have been constrained by the County itself, depending on the level of decision making authority. These fund balance amounts include funds for issuing fire revolving loans, work in drug enforcement operations, EMS contributions related to EMS transport services, and capital projects. Of the capital projects the most prominent are public safety equipment replacement and general government renovations.

The General Fund is the chief operating fund of the County. As of June 30, 2017, total fund balance of the General Fund was \$18,144,561, of which \$13,658,436 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17.6 percent of total General Fund expenditures, which includes transfers to the School Board component unit of \$40,073,627.

The fund balance of the County's General Fund increased by \$1,455,870 during the current fiscal year. The key factor in this increase was due to an increase in other local taxes collected.

Other governmental funds consist of the Virginia Public Assistance (VPA) Fund, Debt Service Fund, County Capital Improvements Fund, and School Capital Improvements Fund. As of June 30, 2017, total fund balances of these funds were \$0, \$0, \$27,326,844, and \$5,092,246, respectively. The VPA Fund accounts for revenues and expenditures related to welfare. The Debt Service Fund accounts for debt service payments made by the County. The County Capital Improvements Fund accounts for funds used for the acquisition or construction of major capital facilities. Significant changes in the County Capital Improvement Fund are attributable to the completion of construction in progress projects as noted in the capital assets section of the Management's Discussion and Analysis. The School Capital Improvements Fund accounts for construction expenditures for the school system.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were a \$44,492 increase. Budgeted revenues increased by \$1,338,572. The increase in budgeted revenues can be attributed to an increase in real estate taxes including Public Service Corporation. Final budget appropriations and revenues closely reflected actual results, as the final budget is prepared in March of the fiscal year.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2017, is \$61,760,430 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, land improvements, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- An increase in public safety equipment for a KME fire truck (\$1,092,932), Ford Ambulance (\$203,826), SCBA protective equipment (\$52,996), and a LifePak defibrillator (\$33,052).
- Purchase of voting machines and ballot box for the Registrar (\$293,890).
- Replacement of 12 sheriff vehicles (\$345,305).
- Construction in progress includes an Emergency Communication radio project to update current radio tower equipment (\$1,504,160) and an HVAC upgrade for the Government Center (\$201,980).

County of Augusta's Capital Assets for Governmental Activities (net of depreciation) As of June 30,

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 5,440,703	\$ 5,486,551
Buildings and system	42,964,175	47,876,760
Machinery and equipment	7,635,669	6,331,649
Land improvements	3,288,625	3,550,684
Construction in progress	2,431,258	701,387
Total	<u>\$ 61,760,430</u>	<u>\$ 63,947,031</u>

Additional information on the County's capital assets can be found in Note 13 to the financial statements.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Augusta's Outstanding Debt As of June 30,

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 81,314,078	\$ 71,450,958
Premium on general obligation bonds	5,514,279	4,434,211
Revenue bonds	6,774,755	7,262,431
Premium on revenue bonds	822,297	901,141
Net OPEB obligation	1,594,000	1,580,000
Compensated absences	1,647,037	1,611,150
Total	<u>\$ 97,666,446</u>	<u>\$ 87,239,891</u>

Legislation enacted in fiscal year ended June 30, 2002 required that debt historically reported by the School Board be assumed by the Primary Government. The legislation affected the reporting of local school capital assets as well.

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

Economic Factors and Next Year's Budgets and Rates

- The annual unemployment rate for Augusta County in 2017 was 3.6 percent. The County's rate is slightly better than the state's unemployment rate of 3.9 percent and still compares favorably to the national average rate of 4.5 percent.
- The County depends on financial resources flowing from, or associated with, both the federal government and the Commonwealth of Virginia. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. Revenues from the Commonwealth of Virginia represent approximately 13.1 percent, 42.5 percent, and 54.3 percent of total revenues for the General Fund, Virginia Public Assistance, and the School Operating Fund, respectively. Revenues from the federal government represent 1.6 percent, 47 percent, and 4 percent of total revenues for the General Fund, Virginia Public Assistance, and the School Operating Fund, respectively.
- Investment earnings are subject to changes associated with the U.S. treasury securities because of actions by the Federal Reserve.
- Real Estate tax rates for fiscal year 2017 are \$0.58 per \$100 of assessed value. Personal Property tax rates for autos and motorcycles are \$2.50 per \$100 of assessed value. Other Personal Property tax rates are \$2.50 per \$100 of assessed value for campers, boats, and airplanes and \$2.00 per \$100 assessed valued value for business personal property, large trucks and machinery and tools.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

In the General Fund, the County strives to maintain an unrestricted fund balance to be used for unanticipated emergencies of no less than two months of the GAAP basis General Fund expenditures at the close of the fiscal year. As of June 30, 2017, the County meets this fund balance policy requirement. However, the County recognizes its obligation to the Debt Service Fund and Virginia Public Assistance. When those obligations are considered in conjunction with the fund balance policy requirements, the County has less than the required two months of General Fund operating expenditures by \$838,034. The County will consider this requirement as it reviews its fund balance policy and prepares for the fiscal year 2018 revised budget.

Appropriations for County funds lapse at fiscal year-end, with the exception of the County Capital Improvements Fund. It is anticipated that fund balance will not be used to finance daily operations for the 2018 budget year, although as in some previous fiscal years, it is a possibility.

Requests for Information

This financial report is designed to provide reader's with a general overview of the County of Augusta's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, P.O. Box 590, Verona, Virginia 24482. Also, please visit the County's website at www.co.augusta.va.us.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2017

	<u>Primary Government Governmental Activities</u>	<u>Component Unit School Board</u>
ASSETS		
Cash and cash equivalents	\$ 27,101,475	\$ 2,595,399
Cash in custody of others	257,370	3,000
Investments	20,904,490	-
Investments - land held for sell	902,560	-
Receivables (net of allowance for uncollectibles):		
Taxes receivable	24,596,261	-
Accounts receivable	1,609,773	223,329
Notes receivable	6,884,171	-
Due from primary government	-	2,995,420
Due from component unit	317,026	-
Due from other governmental units	3,561,213	5,179,732
Inventories	25,147	-
Prepaid expenses	68,814	-
Restricted assets:		
Temporarily restricted:		
Cash and cash equivalents (in custody of others)	8,679,711	-
Equity interest in joint venture	6,077,078	-
Capital assets (net of accumulated depreciation):		
Land	5,440,703	1,573,501
Buildings and system	42,964,175	74,882,567
Machinery and equipment	7,635,669	3,191,211
Land improvement	3,288,625	-
Construction in progress	2,431,258	38,412,850
Total assets	<u>\$ 162,745,519</u>	<u>\$ 129,057,009</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	<u>\$ 3,951,049</u>	<u>\$ 15,229,130</u>
Total deferred outflows of resources	<u>\$ 3,951,049</u>	<u>\$ 15,229,130</u>
LIABILITIES		
Reconciled overdraft	\$ -	\$ 209,193
Accounts payable	6,090,688	3,202,797
Accrued liabilities	798,515	2,937,913
Accrued interest payable	1,648,042	-
Due to primary government	-	317,026
Due to component unit	2,995,420	-
Unearned revenue	1,177,663	150,019
Deposits held in escrow	1,212,741	-
Net pension liability	14,564,869	102,875,487
Long-term liabilities:		
Due within one year	6,784,130	368,336
Due in more than one year	90,882,316	6,666,190
Total liabilities	<u>\$ 126,154,384</u>	<u>\$ 116,726,961</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	\$ 19,028,939	\$ -
Deferred revenue - other	1,323,442	-
Pension plan	477,383	5,927,715
Total deferred inflows of resources	<u>\$ 20,829,764</u>	<u>\$ 5,927,715</u>
NET POSITION		
Net investment in capital assets	\$ (28,355,363)	\$ 118,060,129
Restricted:		
Fire revolving loans	2,966,538	-
Capital Projects	5,489,993	-
Unrestricted (deficit)	39,611,252	(96,428,666)
Total net position	<u>\$ 19,712,420</u>	<u>\$ 21,631,463</u>

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

County of Augusta, Virginia

Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental activities:				
General government administration	\$ 6,377,127	\$ 740,688	\$ 420,827	\$ 114,004
Judicial administration	1,995,424	232,593	1,093,439	-
Public safety	21,392,046	1,631,946	4,579,560	102,479
Public works	5,305,146	1,281,673	17,437	502,852
Health and welfare	16,469,416	158,177	12,429,550	-
Education	75,383,817	-	-	1,162,862
Parks, recreation and cultural	2,858,721	824,567	165,920	9,048
Community development	1,797,866	-	-	405,000
Interest on long-term debt	3,246,063	-	-	-
Total governmental activities	<u>\$ 134,825,626</u>	<u>\$ 4,869,644</u>	<u>\$ 18,706,733</u>	<u>\$ 2,296,245</u>
Total primary government	<u>\$ 134,825,626</u>	<u>\$ 4,869,644</u>	<u>\$ 18,706,733</u>	<u>\$ 2,296,245</u>
COMPONENT UNIT				
School Board	\$ 83,895,486	\$ 3,116,679	\$ 66,074,497	\$ -
Total component unit	<u>\$ 83,895,486</u>	<u>\$ 3,116,679</u>	<u>\$ 66,074,497</u>	<u>\$ -</u>

General revenues:
 General property taxes
 Local sales tax
 Consumers' utility tax
 Business license taxes
 Restaurant food taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Sale of land
 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.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Unit	
Governmental Activities	School Board	
\$ (5,101,608)	\$	-
(669,392)		-
(15,078,061)		-
(3,503,184)		-
(3,881,689)		-
(74,220,955)		-
(1,859,186)		-
(1,392,866)		-
(3,246,063)		-
<u>\$ (108,953,004)</u>	<u>\$</u>	<u>-</u>
<u>\$ (108,953,004)</u>	<u>\$</u>	<u>-</u>
\$ -	\$	(14,704,310)
<u>\$ -</u>	<u>\$</u>	<u>(14,704,310)</u>
58,296,837		-
5,542,113		-
1,786,347		-
3,625,435		-
2,544,440		-
2,106,591		-
592,384	55,715	
456,414	1,069,136	
7,497,164	43,347,751	
285,000		-
<u>\$ 82,732,725</u>	<u>\$</u>	<u>44,472,602</u>
(26,220,279)		29,768,292
45,932,699		(8,136,829)
<u>\$ 19,712,420</u>	<u>\$</u>	<u>21,631,463</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2017

	General	Virginia Public Assistance	County Capital Improvements	School Capital Improvements	Total
ASSETS					
Cash and cash equivalents	\$ 19,910,778	\$ -	\$ 6,889,579	\$ 301,118	\$ 27,101,475
Cash in custody of others	253,070	4,300	-	-	257,370
Investments	-	-	20,904,490	-	20,904,490
Receivables (net of allowance for uncollectibles):					
Taxes receivable	24,596,261	-	-	-	24,596,261
Accounts receivable	1,568,827	-	1,397	39,549	1,609,773
Notes receivable	370,622	-	-	-	370,622
Due from other funds	463,863	-	-	-	463,863
Due from component unit	317,026	-	-	-	317,026
Due from other governmental units	1,859,127	824,786	877,300	-	3,561,213
Inventories	25,147	-	-	-	25,147
Prepaid items	68,814	-	-	-	68,814
Restricted assets:					
Cash and cash equivalents	-	-	-	8,679,711	8,679,711
Land held for sale	902,560	-	-	-	902,560
Total assets	<u>\$ 50,336,095</u>	<u>\$ 829,086</u>	<u>\$ 28,672,766</u>	<u>\$ 9,020,378</u>	<u>\$ 88,858,325</u>
LIABILITIES					
Accounts payable	\$ 743,054	\$ 73,580	\$ 1,345,922	\$ 3,928,132	\$ 6,090,688
Accrued liabilities	506,872	291,643	-	-	798,515
Due to other funds	-	463,863	-	-	463,863
Due to component unit	2,995,420	-	-	-	2,995,420
Unearned revenue	1,177,663	-	-	-	1,177,663
Deposits held in escrow	1,212,741	-	-	-	1,212,741
Total liabilities	<u>\$ 6,635,750</u>	<u>\$ 829,086</u>	<u>\$ 1,345,922</u>	<u>\$ 3,928,132</u>	<u>\$ 12,738,890</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 24,232,342	\$ -	\$ -	\$ -	\$ 24,232,342
Unavailable revenue - other	1,323,442	-	-	-	1,323,442
Total deferred inflows of resources	<u>\$ 25,555,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,555,784</u>
FUND BALANCES					
Nonspendable	\$ 93,961	\$ -	\$ -	\$ -	\$ 93,961
Restricted	2,966,538	-	-	5,489,993	8,456,531
Committed	1,171,649	-	-	-	1,171,649
Assigned	253,977	-	27,326,844	-	27,580,821
Unassigned	13,658,436	-	-	(397,747)	13,260,689
Total fund balances	<u>\$ 18,144,561</u>	<u>\$ -</u>	<u>\$ 27,326,844</u>	<u>\$ 5,092,246</u>	<u>\$ 50,563,651</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,336,095</u>	<u>\$ 829,086</u>	<u>\$ 28,672,766</u>	<u>\$ 9,020,378</u>	<u>\$ 88,858,325</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, 2017

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 50,563,651
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,760,430
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	5,203,403
Notes receivable - EDA loan	360,000
Notes receivable - Middle River Regional Jail Buy-In	6,153,549
Equity interest in joint venture not reported in the funds.	6,077,078
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(113,879,357)
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.	3,951,049
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.	<u>(477,383)</u>
Net position of governmental activities	<u>\$ 19,712,420</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, 2017

	General	Virginia Public Assistance	Debt Service	County Capital Improvements	School Capital Improvements	Total
REVENUES						
General property taxes	\$ 58,114,396	\$ -	\$ -	\$ -	\$ -	\$ 58,114,396
Other local taxes	15,604,926	-	-	9,048	-	15,613,974
Permits, privilege fees, and regulatory licenses	645,578	-	-	-	-	645,578
Fines and forfeitures	214,784	-	-	-	-	214,784
Revenue from the use of money and property	592,384	-	-	18,683	108,348	719,415
Charges for services	3,811,996	158,177	39,109	-	-	4,009,282
Miscellaneous	456,414	-	-	114,004	1,054,514	1,624,932
Recovered costs	161,052	1,301,541	-	971,056	-	2,433,649
Intergovernmental revenues:						
Commonwealth	12,274,558	5,904,077	-	931,939	-	19,110,574
Federal	1,499,789	6,525,473	-	59,709	-	8,084,971
Total revenues	\$ 93,375,877	\$ 13,889,268	\$ 39,109	\$ 2,104,439	\$ 1,162,862	\$ 110,571,555
EXPENDITURES						
Current:						
General government administration	\$ 5,075,701	\$ -	\$ -	\$ -	\$ -	\$ 5,075,701
Judicial administration	2,030,508	-	-	-	-	2,030,508
Public safety	20,393,454	-	-	-	-	20,393,454
Public works	3,686,463	-	-	-	-	3,686,463
Health and welfare	1,269,238	16,594,477	-	-	-	17,863,715
Education	40,078,627	-	-	-	-	40,078,627
Parks, recreation and cultural	2,834,341	-	-	-	-	2,834,341
Community development	1,808,146	-	-	-	-	1,808,146
Nondepartmental	209,231	-	-	-	-	209,231
Capital projects	-	-	-	6,518,973	30,914,341	37,433,314
Debt service:						
Principal retirement	-	-	4,909,556	-	-	4,909,556
Interest and other fiscal charges	-	-	2,723,848	-	31,439	2,755,287
Total expenditures	\$ 77,385,709	\$ 16,594,477	\$ 7,633,404	\$ 6,518,973	\$ 30,945,780	\$ 139,078,343
Excess (deficiency) of revenues over (under) expenditures	\$ 15,990,168	\$ (2,705,209)	\$ (7,594,295)	\$ (4,414,534)	\$ (29,782,918)	\$ (28,506,788)
OTHER FINANCING SOURCES (USES)						
Sale of land	\$ -	\$ -	\$ -	285,000	\$ -	\$ 285,000
Transfers in	-	2,705,209	7,594,295	4,941,213	657,295	15,898,012
Transfers out	(14,534,298)	-	-	(1,363,714)	-	(15,898,012)
Issuance of revenue bonds	-	-	-	-	14,285,000	14,285,000
Premium on revenue bonds	-	-	-	-	1,247,289	1,247,289
Total other financing sources (uses), net	\$ (14,534,298)	\$ 2,705,209	\$ 7,594,295	\$ 3,862,499	\$ 16,189,584	\$ 15,817,289
Net change in fund balances	\$ 1,455,870	\$ -	\$ -	\$ (552,035)	\$ (13,593,334)	\$ (12,689,499)
Fund balances - beginning	16,688,691	-	-	27,878,879	18,685,580	63,253,150
Fund balances - ending	\$ 18,144,561	\$ -	\$ -	\$ 27,326,844	\$ 5,092,246	\$ 50,563,651

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

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ (12,689,499)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	2,161,402
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net assets.	(4,348,003)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	182,441
Notes receivable - EDA loan	(60,000)
Notes receivable - Middle River Regional Jail Buy-In	(697,518)
Revenues related to the equity interest in joint venture not reported as revenues in the funds.	185,223
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 assets. 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.	(10,622,733)
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.	(17,519)
Deferred outflows of resources - pension contributions	<u>(314,073)</u>
Change in net position of governmental activities	<u>\$ (26,220,279)</u>

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

Statement of Net Position
 Fiduciary Funds
 June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 10,245,536
Other receivables	382,773
Total assets	<u>\$ 10,628,309</u>
LIABILITIES	
Accounts payable	\$ 2,402,469
Accrued liabilities	249,561
Other liabilities	4,043,327
Amounts held for Social Services Clients	157,077
Amounts held for Shenandoah Valley Regional Program for Special Education	1,262,384
Amounts held for Valley Alcohol Safety Action Program	65,639
Amounts held for Valley Career and Technical Education Center	110,955
Amounts held for Valley Children's Advocacy Center	80,759
Amounts held for Insurance Trust	2,256,138
Total liabilities	<u>\$ 10,628,309</u>

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

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - There are no blended component units for the year ended June 30, 2017.

Discretely Presented Component Unit - The County has one discretely presented component unit, the Augusta County School Board.

The Augusta County School Board operates the elementary and secondary public schools in the County. School Board members are elected by popular vote. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The Augusta County School Board does not prepare separate financial statements.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's financial accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Augusta County Economic Development Authority and the Augusta County Service Authority. The County implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. Upon review it was determined that the Augusta County Economic Development Authority and the Augusta County Service Authority are related organizations of the County. This determination was based on the justification that the County is able to appoint a voting majority of the Authority's board, but a financial benefit and/or burden relationship does not exist between the two. The Augusta County Economic Development Authority and the Augusta County Service Authority have separate audited financial statements.

Undivided Interests - The Augusta Regional Landfill is an undivided interest contractually formed by the Cities of Staunton and Waynesboro and the County of Augusta, Virginia. The purposes for which the Landfill is formed are to develop regional garbage and refuse disposal, including development of systems and facilities for recycling, waste reduction, and disposal alternatives with the ultimate goal of acquiring, financing, construction, and/or operating and maintaining regional solid waste disposal areas, systems and facilities. The Landfill began operations on December 11, 1970.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

A. Financial Reporting Entity (continued)

Joint Ventures

The County and the Cities of Staunton and Waynesboro participate in supporting the Augusta Regional Landfill for local residents. The Augusta Regional Landfill is a hybrid undivided interest/joint venture contractually formed by the City of Staunton, Virginia, the County of Augusta, Virginia and the City of Waynesboro, Virginia. A summary of revenues for the Augusta Regional Landfill for the year ended June 30, 2017 is as follows:

	<u>County of Augusta</u>	<u>City of Staunton</u>	<u>City of Waynesboro</u>
Revenues	\$ 1,509,265	\$ 498,178	\$ 711,172
% of total revenues	55.52%	18.32%	26.16%

The County's net investment is recorded on the Statement of Net Position. The County's equity interest as of June 30, 2017 was \$6,077,078.

Complete financial statements for the Landfill can be obtained at the Augusta County Service Authority in Verona, Virginia.

The County School Board and the Cities of Staunton and Waynesboro participate in supporting the Valley Career and Technical Center (Center) for local residents. The Center provides vocational training to secondary and adult students. The Center is governed by a six member board of trustees of which two are appointed by the Augusta County School Board, two by City of Staunton School Board and two by City of Waynesboro School Board. Funding for the Center was provided by the County of Augusta, City of Staunton and City of Waynesboro for the year ended June 30, 2017 as follows:

	<u>County of Augusta</u>	<u>City of Staunton</u>	<u>City of Waynesboro</u>
Operations	\$ 2,883,413	\$ 653,378	\$ 646,104
% of total revenues	68.93%	15.62%	15.45%

Complete financial statements for the Center can be obtained from their Administrative Offices in Fishersville, Virginia.

Jointly Governed Organizations - The County, in conjunction with other localities, has created the Shenandoah Valley Airport Commission, the Shenandoah Valley Juvenile Detention Home Commission, the Valley Alcohol Safety Action Program, the Valley Community Services Board, and the Middle River Regional Jail Authority. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$177,100 for operations to the Valley Community Services Board, \$134,080 to the Shenandoah Valley Airport, \$111,092 to the Shenandoah Valley Juvenile Detention Home and \$2,123,415 to the Middle River Regional Jail Authority. The School Board contributed \$768,551 to the Shenandoah Valley Regional Program for operations.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements however interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Sales and utility taxes, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state, which is generally in a two month period preceding receipt by the County.

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

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

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the activities of the Fire Revolving Loan, Drug Enforcement, Revenue Recovery, Economic Development, and Central Stores.

The *special revenue fund* accounts for and reports the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund consists of the Virginia Public Assistance Fund. Revenue sources include reimbursements from the Commonwealth and Federal government for program expenditures. Local match is also provided by the County.

The *debt service fund* accounts for and reports the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital project funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities. Capital project funds consist of the County Capital Improvements Fund and the School Capital Improvements Fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Fiduciary funds include Special Welfare, Shenandoah Valley Regional Program for Special Education, Valley Alcohol Safety Action Program, Valley Career and Technical Center, Valley Children's Advocacy Center, Self-Insurance Trust, School Endowments and Augusta County School Activity Funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

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

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

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

Net Position Flow Assumption

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

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

1. Deposits and Investments

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

Investments for the government, as well as for its component units, are reported at fair value. The government and corporate securities are stated at fair value based on quoted market prices (level 1 inputs). The State Treasurer's Local Government Investment Pool and State Non-Arbitrage Program operate in accordance with appropriate state laws and regulations. The external local government investment pools are reported at amortized cost and classified as cash and cash equivalents.

2. 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 interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

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

3. Inventory and Prepaid Items

Inventory is valued using the *first in, first out* method. Inventory in the General Fund consists of expendable supplies held for consumption and are accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid expenditures in the General Fund of expendable services held for consumption and are accounted for under the consumption method. Cost is recorded as an expense at the time the services items are used.

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2017, the General Fund had allowances of \$872,997 for property taxes and \$467,775 for EMS transport fees. The allowance for property taxes represents .26 percent of the total levies for the previous six years.

6. Use of Estimates

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, buildings, improvements, 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	40
Building improvements	40
Land improvements	15-20
Machinery and equipment	5-10

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

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

8. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be the maximum paid upon retirement. The County accrues salary-related payments associated with the payment of compensated absences.

9. *Long-Term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. *Fund Equity*

The County reports fund balance in accordance with *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 by the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the action to remove or change the constraint;

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

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

10. Fund Equity (continued)

- Assigned fund balance – amounts intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has by resolution authorized the Director of Finance to assign fund balance. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the General Fund.

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

The Board of Supervisors, as the highest level of authority within the County, establishes the commitment of fund balance to purposes through the approval of the annual budget plan by resolution, in conjunction with the resolutions associated with the establishment of fee and tax rates, and acceptance or appropriation of funds. All subsequent commitments taken by the Board of Supervisors must occur prior to year-end; however, the amount can be determined in the subsequent period. The Board has authorized the County Administrator, or the County Administrator's designee, as the official authorized to assign resources and ending fund balance to a specific purpose within fund balance policy guidelines.

In the General Fund, the County strives to maintain an unrestricted fund balance to be used for unanticipated emergencies of no less than two months of the GAAP basis General Fund operating expenditures at the close of the fiscal year, as adjusted for temporary funding of unanticipated budgetary shortfalls, if applicable. In the event the unassigned General Fund balance is used to provide for temporary funding of unanticipated budgetary shortfalls, the County shall restore the unrestricted General Fund balance to the minimum level of two months of General Fund operating expenditures within three to five fiscal years following the fiscal year in which the event occurred. The plan to restore the unassigned General Fund balance shall be included and highlighted in the County's adopted budget. The County currently meets the fund balance policy and no such adjustments are necessary. However, the County recognizes its obligation to the Debt Service Fund and Virginia Public Assistance Fund. When those obligations are considered in conjunction with the fund balance policy requirements, the County has less than the required two months of General Fund operating expenditures by \$838,034. See Note 18 for more information on fund balance designations.

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

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

11. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation and amortization, less any outstanding debt and deferred inflows and deferred outflows related to the acquisition, construction or improvement of those assets.

12. Restricted Assets

The primary government has restricted assets in the amount of \$8,679,711 for unspent debt proceeds at June 30, 2017. These funds will be spent during fiscal year 2018 for school capital projects.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County and discretely presented component unit, the School Board, have three items that qualify for reporting in this category. The three items are the employer's fiscal year 2017 Virginia Retirement System contributions, the changes in proportion and differences between employer contributions and proportionate share of contributions, and the net difference between projected and actual earnings on pension plan investments and are reported in the government-wide Statement of Net Position for the County and the School Board.

In addition to liabilities, the statement of net 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. Four types of items qualify for reporting in this category. Accordingly, two items, unavailable revenue representing property taxes receivable and other unavailable revenues, which arise under the modified accrual basis of accounting, are reported only as unavailable revenues in the governmental funds Balance Sheet. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. Under the accrual basis, the second half installment of property taxes are reported as deferred inflows of resources on the Statement of Net Position. Other deferred revenues are also reported as deferred inflows of resources on the Statement of Net Position. The two additional items, the difference between expected and actual experience plus the changes in proportion and differences between employer contributions and proportionate share of contributions, are reported in the government-wide Statement of Net Position for the County and School Board.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

14. 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 Augusta and its component unit, the Augusta County School Board, retirement plans and the additions to/deductions from the County, and the Augusta County School Board's retirement plan's net fiduciary positions have been determined on the same basis as they were reported by the 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.

15. Subsequent Events

The County has evaluated subsequent events through November 27, 2017, the date on which the financial statements were available to be issued.

Note 2—Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance total governmental funds* and *net position of governmental activities* as reported in the government-wide Statements of Net Position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The details of these (\$113,879,357) and (\$109,910,013) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit-School Board
Bonds payable	\$ (88,088,833)	\$ -
Unamortized premium on bonds	(6,336,576)	-
Accrued interest payable	(1,648,042)	-
Net OPEB obligation	(1,594,000)	(5,108,000)
Net pension liability	(14,564,869)	(102,875,487)
Compensated absences	(1,647,037)	(1,926,526)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (113,879,357)</u>	<u>\$ (109,910,013)</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2—Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these \$2,161,402 and \$25,284,262 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit-School Board
Capital outlay	\$ 4,429,525	\$ 31,379,960
Depreciation and amortization expense	<u>(2,268,123)</u>	<u>(6,095,698)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 2,161,402</u>	<u>\$ 25,284,262</u>

Another element of that reconciliation explains the net effect of various miscellaneous transactions involving capital assets (i.e. disposals, trade-ins, transfers, and donations). The details of these (\$4,348,003) and \$4,252,970 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit-School Board
Disposals of capital assets	\$ (94,739)	\$ (294)
Allocation of debt financed school assets based on current year repayments	<u>(4,253,264)</u>	<u>4,253,264</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (4,348,003)</u>	<u>\$ 4,252,970</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2—Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities (continued)

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of this (\$10,622,733) difference in the primary government are as follows:

	<u>Primary Government</u>
Principal repayments:	
General obligation debt	\$ 4,909,556
Other:	
Issuance of long-term debt	(14,285,000)
Premium on issuance of long-term debt	<u>(1,247,289)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (10,622,733)</u>

Another element of that reconciliation states that some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of these (\$17,519) and (\$1,116,135) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit-School Board</u>
Compensated absences	\$ (35,887)	\$ 24,233
Net OPEB obligation	(14,000)	(598,000)
Pension expense	523,144	(542,368)
Accrued interest	(736,841)	-
Amortization of bond premium	<u>246,065</u>	<u>-</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (17,519)</u>	<u>\$ (1,116,135)</u>

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 3—Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to April 1, 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. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, School Operating Fund, School Cafeteria Fund, School Capital Improvements Fund, Debt Service Fund, Head Start Fund, Governor's School Fund and County Capital Improvements Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. During preparation of the revised budget, the County Administrator is authorized to transfer budgeted amounts between general government departments and the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary review is employed as a management control device during the year for all budgeted funds.
6. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.
7. All budget data presented in the accompanying financial statements is the original and revised budget as of June 30.
8. Encumbrances, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, lapse at year end.
9. Annual budgets are adopted on a basis consistent with GAAP for all governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, the School Cafeteria Fund had expenditures exceeding appropriations.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4—Deposits and Investments:

Deposits

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

Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the County’s deposits may not be returned to the County. The County requires all deposits to comply with the Virginia Security for Public Deposits Act.

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, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The County’s investment policy provides that securities purchased for the County shall be held by the County Treasurer or by the Treasurer’s custodian. If held by a custodian, the securities must be in the County’s name or in the custodian’s nominee name and identifiable on the custodian’s books as belonging to the County. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2017, all of the County’s investments were held in accordance with this policy.

Credit Risk of Debt Securities

The County investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The County’s rated debt investments as of June 30, 2017 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

County's Rated Debt Investments' Values

	Fair Quality Ratings				
	AAAm	AAA	AA+	A+	Aaf
U.S. Agencies	\$ -	\$ -	\$ 18,903,603	\$ -	\$ -
Corporate Debt	-	99,862	1,052,300	848,725	-
Local Government Investment Pool	148,195	-	-	-	-
State Non-Arbitrage Pool (SNAP)	-	-	-	-	8,679,711
Total	\$ 148,195	\$ 99,862	\$ 19,955,903	\$ 848,725	\$ 8,679,711

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4—Deposits and Investments: (Continued)

Concentration of Credit Risk

The County's investment policy limits the investment in corporate notes or bonds and obligations of other state, local government or districts within in the United States, but outside Virginia, to not more than 5% in the obligations of any one issuer. Investments issued or explicitly guaranteed by the U.S. Government and external investment pools are excluded from this requirement.

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

Investment Maturities (in years)

Investment Type	Fair Value	Less than 1	
		Year	1-5 Years
Local Government Investment Pool	\$ 148,195	\$ 148,195	\$ -
Corporate Debt	2,000,887	948,587	1,052,300
U.S. Agencies	18,903,603	9,562,146	9,341,457
State Non-Arbitrage Pool (SNAP)	8,679,711	8,679,711	-
Total	\$ 29,732,396	\$ 19,338,639	\$ 10,393,757

External Investment Pools

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia Statutes pursuant to Section 2.2-4605 *Code of Virginia*. The Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The County's investment in the LGIP, totaling 148,195, is stated at amortized cost and classified as cash and cash equivalents. The maturity of the LGIP is less than one year.

The Virginia State Non-Arbitrage Program's (SNAP) SNAP Fund is a commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (*Code of Virginia* Section 2.2-4700 et. seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

- U.S. agency securities of \$18,903,603 are valued using quoted market prices (Level 1 inputs).
- Corporate debt of \$2,000,887 is valued using quoted market prices (Level 1 inputs).

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 5—Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit-School Board</u>
Shenandoah Valley Regional Program for Special Education:		
VRS net pension liability	\$ -	\$ 2,180,413
Commonwealth of Virginia:		
Local sales tax	1,006,667	-
State sales tax	-	2,070,875
Motor vehicle carrier's tax	87,951	-
State recordation tax	49,878	-
Titling tax	30,057	-
Reimbursement of shared services	355,475	-
Auto rental tax	11,914	-
Criminal Justice	10,973	-
Wireless PSAP	28,020	-
Library	40,071	-
Timber tax	2,904	-
Transportation	448,069	-
Economic development	400,000	-
School	-	37,182
Other	5,298	-
Comprehensive services act	287,526	-
Virginia public assistance	121,480	-
Rescue squad assistance	21,379	-
Four for life	83,126	-
Federal Government:		
Virginia public assistance	415,780	-
Criminal justice	23,990	-
Homeland security	114,538	-
Transportation	8,265	-
Transportation enhancement	7,852	-
School grants	-	544,065
Headstart	-	347,197
	<u> </u>	<u> </u>
Totals	\$ <u>3,561,213</u>	\$ <u>5,179,732</u>

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 6—Interfund/Entity Obligations:

The interfund receivables and payables are due to the fact the General Fund aided in funding the operations of the various funds.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:				
General Fund	\$ 463,863	\$ -	\$ 2,995,420	\$ 317,026
VPA Fund	-	463,863	-	-
Total	<u>\$ 463,863</u>	<u>\$ 463,863</u>	<u>\$ 2,995,420</u>	<u>\$ 317,026</u>
Component Unit - School Board:				
School Operating Fund	\$ -	\$ -	\$ -	\$ 2,995,405
Head Start Fund	-	-	-	15
Governor's School Fund	-	-	317,026	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,026</u>	<u>\$ 2,995,420</u>

Note 7—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 14,534,298
Virginia Public Assistance Fund	2,705,209	-
School Capital Projects Fund	657,295	-
Debt Service Fund	7,594,295	-
County Capital Improvements Fund	4,941,213	1,363,714
Total	<u>\$ 15,898,012</u>	<u>\$ 15,898,012</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 AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8—Long-Term Obligations:

Primary Government-Governmental Activity Indebtedness

The following is a summary of long-term debt transactions for the County for the year ended June 30, 2017.

	Balance June 30, 2016	Issuances	Retirements	Balance June 30, 2017
General obligation bonds	\$ 71,450,958	\$ 14,285,000	\$ 4,421,880	\$ 81,314,078
Revenue bonds	7,262,431	-	487,676	6,774,755
Premiums on bond issues	5,335,352	1,247,289	246,065	6,336,576
Net OPEB obligation	1,580,000	234,000	220,000	1,594,000
Compensated absences	1,611,150	824,899	789,012	1,647,037
Total long-term liabilities	\$ 87,239,891	\$ 16,591,188	\$ 6,164,633	\$ 97,666,446

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 5,710,707	\$ 3,215,399	\$ 497,677	\$ 234,347
2019	5,946,668	2,836,989	517,676	214,553
2020	5,311,804	2,579,998	537,677	193,759
2021	4,948,004	2,352,572	557,676	171,866
2022	5,057,781	2,133,915	582,677	151,944
2023-2027	25,806,794	7,248,545	2,778,382	412,985
2028-2032	14,547,320	3,268,346	1,228,383	34,991
2033-2037	13,985,000	1,076,266	74,607	-
Total	\$ 81,314,078	\$ 24,712,030	\$ 6,774,755	\$ 1,414,445

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 8—Long-Term Obligations: (Continued)

Primary Government-Governmental Activity Indebtedness (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General obligation bonds (issued for school construction):</u>		
\$13,037,187 1998A Series, issued November 19, 1998, Virginia Public School Authority Bonds, due in annual installments from \$727,344 to \$742,320 through July 15, 2018, plus semi-annual interest at 5.1%.	\$ 1,469,664	\$ 727,344
\$2,000,000 1999A Series, issued November 18, 1999, Virginia Public School Authority Bonds, due in annual installments of \$100,000 through July 15, 2019, plus semi-annual interest at 6.1%.	300,000	100,000
\$6,015,170 1999B Series, issued November 18, 1999, Virginia Public School Authority Bonds, due in annual installments from \$348,113 to \$369,360 through July 15, 2019, plus semi-annual interest at 6.1%.	1,075,885	348,113
\$5,875,000 2004A Series, issued May 13, 2004, Virginia Public School Authority Bonds, due in annual installments from \$290,000 to \$295,000 through July 2025, plus semi-annual interest at 5.1%. The bond was issued at a premium of \$425,392 which will be amortized over the life of the bond.	2,335,000	295,000
\$6,454,481 2004B Series, issued November 10, 2004, Virginia Public School Authority Bonds, due in annual installments from \$335,570 to \$372,067 through July 15, 2024, plus semi-annual interest at 4.1% to 5.1%. The bond was issued at a premium of \$474,102 which will be amortized over the life of the bond.	2,833,395	335,570
\$26,610,000 2006A Series, issued November 9, 2006, Virginia Public School Authority Bonds, due in annual installments of \$1,330,000 through July 2026, plus semi-annual interest at 4.225% to 5.1%. The bond was issued at a premium of \$791,524 which will be amortized over the life of the bond.	13,300,000	1,330,000
\$12,729,426 2007A Series, issued November 8, 2007, Virginia Public School Authority Bonds, due in annual installments from \$625,930 to \$742,320 through July 15, 2027, plus semi-annual interest at 4.35% to 5.1%. The bond was issued at a premium of \$686,698 which will be amortized over the life of the bond.	7,477,634	625,930
\$7,500,000 2011A Series, issued June 28, 2011, Virginia Public School Authority Bonds as Qualified School Construction Bonds, due in annual installments of \$468,750 through June 1, 2027, plus semi-annual interest which will be reimbursed to VPSA as a federal tax credit and then transferred to the County.	4,687,500	468,750

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8—Long-Term Obligations: (Continued)

Primary Government-Governmental Activity Indebtedness (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General obligation bonds (issued for school construction): (continued)</u>		
\$6,600,000 2012B Series, issued May 10, 2012, Virginia Public School Authority Bonds due in annual installments from \$245,000 to \$490,000 through July 15, 2032, plus semi-annual interest at 3.05% to 5.05%. The bond was issued at a premium of \$966,694 which will be amortized over the life of the bond.	\$ 5,725,000	\$ 245,000
\$27,825,000 2016A Series, issued April 26, 2016, Virginia Public School Authority Bonds due in annual installments from \$890,000 to \$1,875,000 through July 15, 2035 plus semi-annual interest at 2.05% to 5.05%. The bond was issued at a premium of \$2,381,661 which will be amortized over the life of the bond.	27,825,000	890,000
\$14,285,000 2016B Series, issued October 25, 2016, Virginia Public School Authority Bonds due in annual installments from \$345,000 to \$990,000 through July 15, 2036 plus semi-annual interest at 3.05% to 5.05%. The bond was issued at a premium of \$1,247,288.70 which will be amortized over the life of the bond.	<u>14,285,000</u>	<u>345,000</u>
Sub-total general obligation bonds payable	\$ <u>81,314,078</u>	\$ <u>5,710,707</u>
Unamortized premium on general obligation bonds	\$ <u>5,514,279</u>	\$ <u>348,668</u>
<u>Revenue bonds:</u>		
\$1,789,123 2012B Series, issued August 23, 2012, Virginia Resources Authority Bonds due in annual installments of \$92,677 through December 1, 2033. The loan is interest free.	\$ 1,464,755	\$ 92,677
\$4,415,000 2013A Series, issued June 5, 2013, Virginia Resources Authority Bonds due in annual installments from \$240,000 to \$390,000 through October 1, 2028, plus semi-annual interest at 2.02% to 4.84%. The bond was issued at a premium of \$718,271 which will be amortized over the life of the bond.	3,735,000	240,000
\$1,890,000 2014C Series, issued November 19, 2014, Virginia Resources Authority Bonds due in annual installments from \$165,000 to \$235,000 through October 1, 2024, plus semi-annual interest at 2.969% to 5.125%. The bond was issued at a premium of \$309,600 which will be amortized over the life of the bond.	<u>1,575,000</u>	<u>165,000</u>
Sub-total revenue bonds payable	\$ <u>6,774,755</u>	\$ <u>497,677</u>
Unamortized premium on revenue bonds	\$ <u>822,297</u>	\$ <u>78,845</u>
Net OPEB obligation (payable from General Fund)	\$ <u>1,594,000</u>	\$ <u>-</u>
Compensated absences (payable from the General Fund)	\$ <u>1,647,037</u>	\$ <u>148,233</u>
Total	\$ <u><u>97,666,446</u></u>	\$ <u><u>6,784,130</u></u>

Arbitrage Rebate Compliance:

As of June 30, 2017 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the School Board Component Unit for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017
Net OPEB obligation	\$ 4,510,000	\$ 1,144,000	\$ 546,000	\$ 5,108,000
Compensated absences	<u>1,950,759</u>	<u>910,336</u>	<u>934,569</u>	<u>1,926,526</u>
Total long-term liabilities	<u>\$ 6,460,759</u>	<u>\$ 2,054,336</u>	<u>\$ 1,480,569</u>	<u>\$ 7,034,526</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Net OPEB obligation (payable from the School Fund)	\$ 5,108,000	\$ -
Accrued compensated absences (payable from the School Fund)	<u>1,926,526</u>	<u>368,336</u>
Total long-term obligations	<u>\$ 7,034,526</u>	<u>\$ 368,336</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plans

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the County of Augusta and its component unit, the Augusta County School Board (School Board), are automatically covered by the VRS Retirement Plan or the VRS Teacher Retirement Plan upon employment. These plans are 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:

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<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>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>About the Hybrid Retirement Plan (Continued)</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>Hybrid Opt-In Election 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>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>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 (teachers). Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<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.
<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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>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>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>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>	

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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>
<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 Defined Benefit Component Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
		<p>Defined Contribution Component Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 9—Pension Plan: (Continued)

A. Plan Description (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 Contribution 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> <p>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>

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<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>Vesting (Continued) <u>Defined Contribution Component (Continued)</u></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>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>Distribution is not required by law until age 70 1/2.</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>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1.</p> <p><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 Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Service Retirement Multiplier 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>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier Defined Benefit Component The retirement multiplier for the defined benefit component is 1.0%. For members that 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: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p>	<p>Sheriffs and regional jail superintendents: Not applicable.</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>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component Not applicable.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component Same as Plan 2.</p>
<p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility 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>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Earliest Reduced Retirement Eligibility 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 Age 60 with at least five years (60 months) of creditable service.</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 <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>
<p>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</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>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</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> 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><u>Eligibility:</u> Same as Plan 1.</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</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>		

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: 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 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. • Political Subdivision Employees: The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Disability Coverage</p> <p>Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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>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>Disability Coverage</p> <p>Political subdivision employees: 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>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Purchase of Prior Service Same as Plan 1.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and school divisions (teachers), 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</p> <p>Defined Benefit Component 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>Defined Contribution Component Not applicable.</p>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

County (Agent Plan)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>283</u>
Inactive members:	
Vested inactive members	55
Non-vested inactive members	98
Inactive members active elsewhere in VRS	<u>275</u>
Total inactive members	<u>428</u>
Active members	<u>437</u>
Total covered employees	<u>1,148</u>

Contributions

The contribution requirement for active employees is governed by Section 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 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2017 was 10.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$2,008,032 and \$2,361,901 for the years ended June 30, 2017 and 2016, respectively.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

School Board Non-Professional (Agent Plan)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>53</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	39
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	<u>66</u>
Active members	<u>92</u>
Total covered employees	<u>211</u>

Contributions

The contribution requirement for active employees is governed by Section 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 5.00% 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 School Board non-professional's contractually required contribution rate for the year ended June 30, 2017 was 11.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$148,802 and \$222,018 for the years ended June 30, 2017 and 2016, respectively.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

A. Plan Description (continued)

School Board Professional (Cost-Sharing Plan)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions 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 5.00% 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 School Board Professional's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium.

The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.94% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board for the professional plan were \$8,094,101 and \$7,779,214 for the years ended June 30, 2017 and 2016, respectively.

B. Net Pension Liability

The County and the School Board's non-professional plan net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017, the School Board reported a liability for the professional plan of \$101,694,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 0.72566% as compared to 0.74809% at June 30, 2015.

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee’s in the County’s retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality Rates:	14% of deaths are assumed to be service related.
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 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvement.

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

- 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

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (continued)

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

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

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

Mortality Rates:	60% of deaths are assumed to be service related.
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 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

- Update mortality table
- Decrease in male and female rates of disability

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (continued)

Actuarial Assumptions – School Board Professional Plan

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

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

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

Mortality Rates:	5% of deaths are assumed to be service related.
Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were 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 were set back 3 years.
Post-disablement:	RP-2000 Disabled Life Mortality Table with males set back 1 year and no provision for future mortality improvement.

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

- Update mortality table
- Adjustments to 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 AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (continued)

Net Pension Liability

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

	Teacher Employee Retirement Plan
Total pension liability	\$ 44,182,326
Plan fiduciary net position	<u>30,168,211</u>
Employers' net pension liability	<u>\$ 14,014,115</u>
Plan fiduciary net position as a percentage of the total pension liability	68.63%

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

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liabilities 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 the School Board’s 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 liabilities.

C. Changes in the Net Pension Liability

County

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 86,147,656	\$ 74,512,605	\$ 11,635,051
Changes for the year:			
Service cost	2,204,270	-	2,204,270
Interest	5,859,705	-	5,859,705
Difference between expected and actual experience	(603,214)	-	(603,214)
Contributions – employer	-	2,361,901	(2,361,901)
Contributions – employee	-	947,593	(947,593)
Net investment income	-	1,268,675	(1,268,675)
Benefit payments, including refunds of employee contributions	(4,875,173)	(4,875,173)	-
Administrative expense	-	(46,683)	46,683
Other changes	-	(543)	543
Net changes	<u>\$ 2,585,588</u>	<u>\$ (344,230)</u>	<u>\$ 2,929,818</u>
Balances at June 30, 2016	<u>\$ 88,733,244</u>	<u>\$ 74,168,375</u>	<u>\$ 14,564,869</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

C. Changes in the Net Pension Liability (continued)

School Board Non-Professional

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at June 30, 2015	\$ 11,472,150	\$ 10,748,173	\$ 723,977
Changes for the year:			
Service cost	245,933	-	245,933
Interest	782,063	-	782,063
Difference between expected and actual experience	(44,608)	-	(44,608)
Contributions – employer	-	222,018	(222,018)
Contributions – employee	-	127,674	(127,674)
Net investment income	-	183,043	(183,043)
Benefit payments, including refunds of employee contributions	(599,653)	(599,653)	-
Administrative expense	-	(6,779)	6,779
Other changes	-	(78)	78
Net changes	<u>\$ 383,735</u>	<u>\$ (73,775)</u>	<u>\$ 457,510</u>
Balances at June 30, 2016	<u>\$ 11,855,885</u>	<u>\$ 10,674,398</u>	<u>\$ 1,181,487</u>

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

The following presents the net pension liabilities of the County, the School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County, the School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County net pension liability	\$ 26,313,598	\$ 14,564,869	\$ 4,848,364
School Board non-professional net pension liability (asset)	2,638,008	1,181,487	(33,072)
School Board professional net pension liability	144,966,000	101,694,000	66,049,000

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

C. Changes in the Net Pension Liability (continued)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS 2016 comprehensive annual financial report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

County

For the year ended June 30, 2017, the County recognized pension expense of \$1,838,757. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (477,383)
Net difference between projected and actual earnings on pension plan investments	1,943,017	-
Employer contributions subsequent to the measurement date	<u>2,008,032</u>	<u>-</u>
Total	<u>\$ 3,951,049</u>	<u>\$ (477,383)</u>

\$2,008,032 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2018	\$ (165,421)
2019	(157,801)
2020	1,010,705
2021	<u>778,151</u>
	<u>\$ 1,465,634</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

School Board Non-Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to its non-professional plan of \$71,386. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (146,715)
Net difference between projected and actual earnings on pension plan investments	276,227	-
Employer contributions subsequent to the measurement date	<u>148,802</u>	<u>-</u>
Total	<u>\$ 425,029</u>	<u>\$ (146,715)</u>

\$148,802 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2018	\$ (92,410)
2019	(45,541)
2020	155,395
2021	<u>112,068</u>
	<u>\$ 129,512</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9—Pension Plan: (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

School Board Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to the professional plan of \$8,402,000. 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.

The School Board professional plan includes employees of the Shenandoah Valley Regional Program for the purpose of determining the actuarial valuation for post employment retirement liability. The actuarial valuation cannot be determined for the Program’s employees separately from the School Board’s employees, but a portion of the pension expense totaling \$935,342 has been allocated and reported as due from the Program.

At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,809,000	\$ (3,296,000)
Net difference between projected and actual earnings on pension plan investments	901,000	-
Employer contributions subsequent to the measurement date	<u>8,094,101</u>	<u>(2,485,000)</u>
Total	<u>\$ 14,804,101</u>	<u>\$ (5,781,000)</u>

\$8,094,101 reported as deferred outflows of resources related to pensions resulting from the School Board’s contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2018	\$ 1,023,000
2019	1,023,000
2020	(2,230,000)
2021	(1,202,000)
2022	<u>457,000</u>
	<u>\$ (929,000)</u>

Note 10—Other Postemployment Benefits Program:

Beginning in fiscal year 2009, the County and School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the County and School Board retiree health benefit subsidy. Historically, the County and School Board's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the County and School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employee's active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the County and School Board. This funding methodology mirrors the funding approach used for pension benefits. A separate audited employment benefit plan is not available for the County or School Board.

County

A. Plan Description

The County offers its employees the option to participate in the group health insurance program offered to other employees upon retirement, through a single-employer defined benefit plan. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Retirees shall have participated in the group insurance program for the five years preceding retirement. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the County for retirees regardless of age if he/she has been employed by the County for at least 10 years immediately prior to the disability. The County reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. Retiree contributions are adjusted as insurance rates change.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits (OPEB) under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$234,000 for fiscal year 2017. The County has paid \$220,000 toward this obligation during fiscal year 2017. The County's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 10—Other Postemployment Benefits Program: (Continued)

County (continued)

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

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

Annual Required Contribution (ARC)	\$	263,000
Interest on OPEB obligation		63,000
Adjustment to ARC		(92,000)
Annual OPEB cost	\$	<u>234,000</u>
Contributions made	\$	<u>(220,000)</u>
Increase in net OPEB obligation	\$	14,000
Net OPEB obligation - beginning of year		<u>1,580,000</u>
Net OPEB obligation - end of year	\$	<u><u>1,594,000</u></u>

For 2017, the County’s cash payment of \$220,000 was \$14,000 short of the OPEB cost. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/17	\$ 234,000	94.02%	\$ 1,594,000
6/30/16	515,000	64.27%	1,580,000
6/30/15	505,000	68.91%	1,396,000

D. Funded Status and Funding Progress

The funded status of the plan as of the July 1, 2015, the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$	2,714,000
Unfunded actuarial accrued liability	\$	2,714,000
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	\$	18,430,000
UAAL as a percentage of covered payroll		14.73%

Note 10—Other Postemployment Benefits Program: (Continued)

County (continued)

D. Funded Status and Funding Progress (continued)

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

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

E. Actuarial Methods and Assumptions:

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

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding of liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Data is net of any retiree contributions.

Actuarial Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%
Medical trend rate	7.40% graded down to 5.0%
Amortization period	20 years/open funded
Inflation rate	2.50%

Note 10—Other Postemployment Benefits Program: (Continued)

School Board

Health Insurance Plan

A. Plan Description

The School Board offers its employees the option to participate in the group health insurance program offered to other employee's upon retirement, through a single-employer defined benefit plan. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. Retirees shall have participated in the group insurance program for the five years preceding retirement. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Spouses and dependents may maintain coverage after the death of the retiree as long as they meet the eligibility requirements of the plan and assume full responsibility for the premiums. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the School Board for retirees regardless of age if he/she has been employed by the School Board for at least 10 years immediately prior to the disability. The School Board reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. Retiree contributions are adjusted as insurance rates change.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay-as-you go cost for OPEB benefits is \$1,144,000 for fiscal year 2017. The School Board has paid \$546,000 toward this obligation during fiscal year 2017. The School Board's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10—Other Postemployment Benefits Program: (Continued)

School Board (Continued)

Health Insurance Plan (continued)

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

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

Annual Required Contribution (ARC)	\$ 1,227,000
Interest on OPEB obligation	180,000
Adjustment to ARC	<u>(263,000)</u>
Annual OPEB cost	\$ 1,144,000
Contributions made	\$ <u>(546,000)</u>
Increase in net OPEB obligation	\$ 598,000
Net OPEB obligation - beginning of year	<u>4,510,000</u>
Net OPEB obligation - end of year	\$ <u><u>5,108,000</u></u>

For 2017, the School Board’s cash payment of \$546,000 was \$598,000 short of the OPEB cost. The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/17	\$ 1,144,000	47.73%	\$ 5,108,000
6/30/16	1,773,000	53.41%	4,510,000
6/30/15	1,731,000	52.05%	3,684,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 11,668,000
Unfunded actuarial accrued liability	\$ 11,668,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 52,427,000
UAAL as a percentage of covered payroll	22.26%

Note 10—Other Postemployment Benefits Program: (Continued)

School Board

Health Insurance Plan (continued)

D. Funded Status and Funding Progress (continued)

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

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

E. Actuarial Methods and Assumptions

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

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Data is net of any retiree contributions.

Actuarial Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%
Medical trend	7.40% graded down to 5.0%
Amortization period	20 years/open funded
Inflation rate	2.50%

Note 10—Other Postemployment Benefits Program: (Continued)

School Board

VRS Health Insurance Credit Program

A. Plan Description

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

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. The School Board participates in the program for the professional pool employees only. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

The School Board is required to contribute, an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.23% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$642,400, \$586,490, and \$589,569, respectively, and equaled the required contributions for each year.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11—Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$1,177,663 and \$150,019 is comprised of the following:

	Governmental Activities	School Board
Federal payment in lieu of taxes	\$ 393,632	\$ -
Prepaid property taxes	784,031	-
ITCV grant	-	89,563
Community Foundation donation	-	2,660
Prepaid meals-cafeteria	-	54,356
Other	-	3,440
	<hr/>	<hr/>
Total	<u>\$ 1,177,663</u>	<u>\$ 150,019</u>

Note 12—Unavailable and Deferred Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue at June 30, 2017 totaled \$24,232,342 for the fund financial statements and deferred revenue totaled \$19,028,939 for government-wide financial statements. It is comprised of the following:

	Property Taxes	Other
Property taxes receivable, net of allowance (reported on Fund statements)	\$ 5,203,403	\$ -
Unbilled property taxes for second half 2017	19,028,939	-
Land held for investment	-	902,560
Repayment of loans from fire departments	-	370,622
EMS transport fees	-	48,125
Other	-	2,135
	<hr/>	<hr/>
Total	<u>\$ 24,232,342</u>	<u>\$ 1,323,442</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13—Capital Assets:

Primary Government

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 5,486,551	\$ -	\$ (45,848)	\$ -	\$ 5,440,703
Construction in progress	<u>701,387</u>	<u>1,729,871</u>	<u>-</u>	<u>-</u>	<u>2,431,258</u>
Total capital assets not being depreciated	<u>\$ 6,187,938</u>	<u>\$ 1,729,871</u>	<u>\$ (45,848)</u>	<u>\$ -</u>	<u>\$ 7,871,961</u>
Capital assets being depreciated:					
Buildings	\$ 70,892,342	\$ 108,262	\$ (79,983)	\$ (4,421,880)	\$ 66,498,741
Machinery and equipment	16,137,873	2,580,517	(508,552)	-	18,209,838
Land Improvements	<u>5,019,683</u>	<u>10,875</u>	<u>-</u>	<u>-</u>	<u>5,030,558</u>
Total capital assets being depreciated	<u>\$ 92,049,898</u>	<u>\$ 2,699,654</u>	<u>\$ (588,535)</u>	<u>\$ (4,421,880)</u>	<u>\$ 89,739,137</u>
Accumulated depreciation for:					
Buildings	\$ (23,015,582)	\$ (729,458)	\$ 41,858	\$ 168,616	\$ (23,534,566)
Machinery and equipment	(9,806,224)	(1,265,731)	497,786	-	(10,574,169)
Land Improvements	<u>(1,468,999)</u>	<u>(272,934)</u>	<u>-</u>	<u>-</u>	<u>(1,741,933)</u>
Total accumulated depreciation	<u>\$ (34,290,805)</u>	<u>\$ (2,268,123)</u>	<u>\$ 539,644</u>	<u>\$ 168,616</u>	<u>\$ (35,850,668)</u>
Total capital assets being depreciated, net	<u>\$ 57,759,093</u>	<u>\$ 431,531</u>	<u>\$ (48,891)</u>	<u>\$ (4,253,264)</u>	<u>\$ 53,888,469</u>
Governmental activities capital assets, net	<u>\$ 63,947,031</u>	<u>\$ 2,161,402</u>	<u>\$ (94,739)</u>	<u>\$ (4,253,264)</u>	<u>\$ 61,760,430</u>

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

Governmental activities:	
General government	\$ 1,199,811
Judicial administration	17,388
Public safety	826,450
Public works	55,054
Health and welfare	64,491
Parks, recreation, and cultural	81,632
Community development	<u>23,297</u>
Total depreciation expenses-governmental activities	<u>\$ 2,268,123</u>

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13—Capital Assets: (Continued)

Discretely Presented Component Unit

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

School Board	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,573,501	\$ -	\$ -	\$ -	\$ 1,573,501
Construction in progress	11,476,586	30,251,486	-	(3,315,222)	38,412,850
Total capital assets not being depreciated	\$ 13,050,087	\$ 30,251,486	\$ -	\$ (3,315,222)	\$ 39,986,351
Capital assets being depreciated:					
Buildings	\$ 138,757,264	\$ 185,791	\$ -	\$ 7,772,041	\$ 146,715,096
Machinery and equipment	24,202,178	942,683	(248,441)	(34,939)	24,861,481
Total capital assets being depreciated:	\$ 162,959,442	\$ 1,128,474	\$ (248,441)	\$ 7,737,102	\$ 171,576,577
Accumulated depreciation for:					
Buildings	\$ (66,307,214)	\$ (5,356,699)	\$ -	\$ (168,616)	\$ (71,832,529)
Machinery and equipment	(21,179,418)	(738,999)	248,147	-	(21,670,270)
Total accumulated depreciation	\$ (87,486,632)	\$ (6,095,698)	\$ 248,147	\$ (168,616)	\$ (93,502,799)
Total capital assets being depreciated, net	\$ 75,472,810	\$ (4,967,224)	\$ (294)	\$ 7,568,486	\$ 78,073,778
School Board capital assets, net	\$ 88,522,897	\$ 25,284,262	\$ (294)	\$ 4,253,264	\$ 118,060,129

Depreciation expense charged to education was \$6,095,698.

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 School Board of Augusta County, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$39,204,078 are reported in the Primary Government for financial reporting purposes.

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 14—Risk Management:

The County is a member of the Virginia Association of Counties Risk Pool (VACorp) for all risks of losses. This workers' compensation program is administered by a servicing contractor, which furnishes claims review and processing. The County administers the workers' compensation program in the General Fund by charging the various departments or funds a portion of the premium.

Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays VACorp contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACorp may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management. The County pays an annual premium for its public officials general liability insurance to this public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The County continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 15—Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of the U.S. Office of Management and Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 16—Joint Venture – Augusta Regional Landfill: Landfill Closure and Post-closure Costs:

Augusta Regional Landfill is a joint venture of the County of Augusta and the Cities of Waynesboro and Staunton. These entities share the costs of landfill operations on a site operated by the Augusta Regional Landfill. State and federal laws and regulations require the regional landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County recognizes a portion of these closure and post-closure care costs as a component of its equity interest in the landfill joint venture.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**Note 16—Joint Venture—Augusta Regional Landfill: Landfill Closure and Post-closure Costs:
(Continued)**

At June 30, 2017, the Augusta Regional Landfill reported as its landfill closure liability \$4,685,724 which represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The Augusta Regional Landfill reported a post-closure monitoring liability of \$2,794,608 at June 30, 2017. This represents the cumulative amount reported to date based on the use of 100.00% of the estimated capacity of the Permit #21 landfill of which the County is 60.33% responsible and 95% of the estimated capacity of the Permit #585 (Phases 1-3) landfill, of which the County is 56.97% responsible. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2017 for both landfill permits are \$7,480,332. The Landfill will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$308,827 for the Permit #585 (Phases 1-3) landfill as the remaining estimated capacity is filled within the next eighteen to twenty four months and \$3,072,897 for the newly constructed Phase 4 cell as it is filled in the next six to eight years. Both Permit #21 and Permit #585 closure and post-closure costs are based on DEQ approved factors which are conservative. The costs are inflated annually based on a DEQ-approved inflation rate. However, actual costs may be higher due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Capital Improvements Fund.

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

Note 17—Construction Contracts Outstanding:

The Primary Government had the following material contracts outstanding at June 30, 2017:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Amount Spent as of June 30, 2017</u>	<u>Amount of Contract Remaining at Year End</u>
Public Safety Radio System upgrade	\$ 3,195,062	\$ 1,437,778	\$ 1,757,284
Rt. 608 & 636 Road Improvements	3,450,600	539,774	2,910,826
Hugh Cassell Elementary School design	980,563	968,910	11,653
Riverheads Elementary School design	1,210,084	1,196,270	13,814
Hugh Cassell Elementary School construction	18,507,910	15,876,540	2,631,370
Riverheads Elementary School construction	18,822,673	16,259,842	2,562,831
Total	<u>\$ 46,166,892</u>	<u>\$ 36,279,114</u>	<u>\$ 9,887,778</u>

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 18—Fund Balance:

Fund balance had the following classifications at June 30, 2017:

	<u>General</u>	<u>County Capital Improvements</u>	<u>School Capital Improvements</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventories	\$ 25,147	\$ -	\$ -	\$ 25,147
Prepaid items	68,814	-	-	68,814
Restricted for:				
Fire revolving loan program	2,966,538	-	-	2,966,538
Capital projects	-	-	5,489,993	5,489,993
Committed to:				
Education	363,983	-	-	363,983
Emergency medical services	807,666	-	-	807,666
Assigned to:				
Fire revolving loan program	206,472	-	-	206,472
Drug enforcement	47,505	-	-	47,505
Other capital projects	-	27,326,844	-	27,326,844
Unassigned	13,658,436	-	(397,747)	13,260,689
Total	<u>\$ 18,144,561</u>	<u>\$ 27,326,844</u>	<u>\$ 5,092,246</u>	<u>\$ 50,563,651</u>

Note 19—Notes Receivable:

Notes receivable represents a loan agreement between the County of Augusta, the Economic Development Authority (EDA), and Crescent Development Group, LLC. The loan funds were used by the developer to satisfy debt owed for the purchase of property, a portion of which was used for the relocation of State Route 636. The loan is due in ten annual installments of \$60,000 plus accrued interest. Accrued interest is calculated at the rate of 4.75% per annum. Loan installments are collected by the EDA and forwarded to the County upon receipt. The EDA shall retain 1% of the annual interest as a debt service fee.

Amounts due to the County at June 30, 2017 include:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 60,000	\$ 13,500
2019	60,000	11,250
2020	60,000	9,000
2021	60,000	6,750
2022	60,000	4,500
2023	60,000	2,250
	<u>\$ 360,000</u>	<u>\$ 47,250</u>

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 19—Notes Receivable: (Continued)

The Middle River Regional Jail Authority (MRRJA), which opened in April 2006, was established by the County of Augusta, City of Staunton and City of Waynesboro (the Original Member Jurisdictions) to house prisoners from their own jurisdictions as well as others. An agreement was executed as of July 1, 2015 among the Original Member Jurisdictions and the County of Rockingham and City of Harrisonburg to allow the County and City to become Member Jurisdictions of MRRJA, effectively allowing the County and City to no longer pay MRRJA's per diem rental fee.

The total paid to the County by the County of Rockingham and City of Harrisonburg in accordance with the July 1, 2015 agreement was \$697,518 in fiscal year 2017, which has been shown as a recovered cost in the Capital Improvements Fund, and as a reduction in the receivable on the Governmental Activities Statement of Net Position.

Amounts due to the County at June 30, 2017 include:

Year	Principal	Interest
2018	\$ 712,654	\$ 133,532
2019	728,118	118,067
2020	743,918	102,267
2021	760,062	86,124
2022	776,555	69,631
2023	793,406	52,780
2024	810,623	35,563
2025	828,213	17,972
	<u>\$ 6,153,549</u>	<u>\$ 615,936</u>

Note 20—Risk Management:

Health Insurance – County and School Board

The County and School Board retain a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There has been no significant reduction in insurance coverage during the past year.

County and School Board employees and employee dependents are eligible for medical benefits from a County and School Board, Insurance Trust Fund Agency (Agency Fund). Funding is provided by charges to County and School Board departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the County's annual liability.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 20—Risk Management: (Continued)

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2017 and 2016.

<u>Fiscal Year Ended</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
June 30, 2017	\$ 1,612,800	\$ 1,878,000	\$ (1,612,800)	\$ 1,878,000
June 30, 2016	1,819,940	1,612,800	(1,819,940)	1,612,800
June 30, 2015	-	1,819,940	-	1,819,940

Note 21—Commitments, Contingencies, and Subsequent Events:

Operating Leases

The County and School Board have numerous operating leases for office equipment. However, total future minimum lease commitments are considered insignificant.

Federal and State-Assisted Programs

The County has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Subsequent Events

The Board of Supervisors approved Tasks 1 and 2 of the Hearthstone Dam project at their July 26, 2017 meeting. These tasks include the sub-surface investigation and review of the NRCS design. Total contract awarded to Schnabel Engineering was \$282,000.

The Board of Supervisors approved a contract for Centerview Drive at their September 13, 2017 meeting. This contract was awarded to F. Clayton Plecker and Sons in the amount of \$499,707.

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 22—Tax Abatements:

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

The County negotiates tax abatement agreements on an individual basis. The County is authorized pursuant to *Virginia Code* Section 15.2-953, 1950, as amended, to make gifts, donations and appropriations of money to economic development authorities for the purposes of promoting economic development. The Economic Development Authority of Augusta County receives contributions from the County for the purpose of promoting economic development. As stated in contribution and grant agreements for each tax increment financing, the County is committed to disburse funds to the Authority when appropriated by the County. The Authority is then required to disburse the funds to the respective developer or business.

The County acknowledges that the expansion, retention or relocation of a Company or completion of an infrastructure project would foster and promote the economic development of the County. The Commonwealth of Virginia offers grant programs for economic development projects that made a significant capital investment, create new jobs or purchase Virginia products. The County can match grants awarded by the Commonwealth to Companies utilizing tax abatement agreements. Performance measures are tracked to ensure the Company meets the criteria outlined in the grant. Infrastructure projects funded by County debt are reimbursed to the County through growth in the area of the project, utilizing tax abatement, which shows as a reduction in revenue until the debt service is paid in full.

The County has tax abatement agreements for the following as of June 30, 2017:

Purpose	Type of Tax Abated During the Fiscal Year	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Industry expansion	Machinery & tools	50%	\$ 136,974
Industry expansion	Real, personal property and machinery & tools	100%	101,698
Industry expansion	Machinery & tools	50%	62,480
Industry relocation	Real, personal property & business license	100%	277,122
Industry retention	Machinery & tools	100%	153,000
Industry expansion	Real, personal property	100%	7,081
Construct water tank in commerce park	Real, personal property & business license	100%	130,842
Construct transportation corridor (Rt 636)	Real, personal property & business license	100%	109,277
Construct transportation corridor (Rt 608)	Real, personal property & business license	100%	38,192
			<u>\$ 1,016,666</u>

The County has not made any commitments as part of the agreements other than to abate taxes. The County is not subject to any tax abatement agreements entered into by other governmental entities. The County has chosen to disclose information about its tax abatement agreements individually.

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 22—Upcoming Pronouncements:

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will increase the usefulness of the County's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

The County has not determined the impact of these pronouncements on its financial statements.

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.

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
General property taxes	\$ 56,391,900	\$ 57,093,000	\$ 58,114,396	\$ 1,021,396
Other local taxes	14,524,952	15,092,409	15,604,926	512,517
Permits, privilege fees, and regulatory licenses	608,400	615,400	645,578	30,178
Fines and forfeitures	220,500	184,000	214,784	30,784
Revenue from the use of money and property	590,600	647,600	592,384	(55,216)
Charges for services	3,679,700	3,741,400	3,811,996	70,596
Miscellaneous	297,000	458,600	456,414	(2,186)
Recovered costs	146,700	176,500	161,052	(15,448)
Intergovernmental revenues:				
Commonwealth	12,407,000	12,200,915	12,274,558	73,643
Federal	1,494,320	1,489,820	1,499,789	9,969
Total revenues	<u>\$ 90,361,072</u>	<u>\$ 91,699,644</u>	<u>\$ 93,375,877</u>	<u>\$ 1,676,233</u>
EXPENDITURES				
Current:				
General government administration	\$ 5,208,324	\$ 5,035,485	\$ 5,075,701	\$ 40,216
Judicial administration	2,033,355	2,073,083	2,030,508	(42,575)
Public safety	21,761,173	21,775,901	20,393,454	(1,382,447)
Public works	3,750,300	3,724,992	3,686,463	(38,529)
Health and welfare	1,284,879	1,281,263	1,269,238	(12,025)
Education	40,206,766	40,206,766	40,078,627	(128,139)
Parks, recreation and cultural	2,963,469	2,962,846	2,834,341	(128,505)
Community development	1,743,441	1,895,864	1,808,146	(87,718)
Nondepartmental	184,081	224,080	209,231	(14,849)
Total expenditures	<u>\$ 79,135,788</u>	<u>\$ 79,180,280</u>	<u>\$ 77,385,709</u>	<u>\$ (1,794,571)</u>
Excess of revenues over expenditures	<u>\$ 11,225,284</u>	<u>\$ 12,519,364</u>	<u>\$ 15,990,168</u>	<u>\$ 3,470,804</u>
OTHER FINANCING USES				
Transfers out	\$ (11,358,634)	\$ (14,532,511)	\$ (14,534,298)	\$ 1,787
Total other financing uses, net	<u>\$ (11,358,634)</u>	<u>\$ (14,532,511)</u>	<u>\$ (14,534,298)</u>	<u>\$ 1,787</u>
Net change in fund balances	\$ (133,350)	\$ (2,013,147)	\$ 1,455,870	\$ 3,469,017
Fund balances - beginning	133,350	2,013,147	16,688,691	14,675,544
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,144,561</u>	<u>\$ 18,144,561</u>

Special Revenue Fund - Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 161,508	\$ 161,508	\$ 158,177	\$ (3,331)
Recovered costs	1,301,541	1,301,541	1,301,541	-
Intergovernmental revenues:				
Commonwealth	5,535,331	6,082,331	5,904,077	(178,254)
Federal	6,485,132	6,485,132	6,525,473	40,341
Total revenues	<u>\$ 13,483,512</u>	<u>\$ 14,030,512</u>	<u>\$ 13,889,268</u>	<u>\$ (141,244)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 16,190,397	\$ 16,940,397	\$ 16,594,477	\$ (345,920)
Total expenditures	<u>\$ 16,190,397</u>	<u>\$ 16,940,397</u>	<u>\$ 16,594,477</u>	<u>\$ (345,920)</u>
Deficiency of revenues under expenditures	<u>\$ (2,706,885)</u>	<u>\$ (2,909,885)</u>	<u>\$ (2,705,209)</u>	<u>\$ 204,676</u>
OTHER FINANCING SOURCES				
Transfers in	\$ 2,706,885	\$ 2,909,885	\$ 2,705,209	\$ (204,676)
Total other financing sources	<u>\$ 2,706,885</u>	<u>\$ 2,909,885</u>	<u>\$ 2,705,209</u>	<u>\$ (204,676)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Postemployment Benefit Program
 Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll ((b-a)/c)</u>
A. Primary Government: County Other Postemployment Benefit Program						
07/01/15	\$ -	\$ 2,714,000	\$ 2,714,000	0.00%	\$ 18,430,000	14.7%
07/01/13	-	4,171,000	4,171,000	0.00%	15,701,000	26.6%
07/01/11	-	4,365,000	4,365,000	0.00%	14,711,000	29.7%
07/01/09	-	3,656,000	3,656,000	0.00%	14,876,000	24.6%
07/01/07	-	3,714,000	3,714,000	0.00%	14,112,000	26.3%
B. Discretely Presented Component Unit: School Board Other Postemployment Benefit Program						
07/01/15	\$ -	\$ 11,668,000	\$ 11,668,000	0.00%	\$ 52,427,000	22.3%
07/01/13	-	14,726,000	14,726,000	0.00%	53,221,000	27.7%
07/01/11	-	17,200,000	17,200,000	0.00%	55,880,000	30.8%
07/01/09	-	14,154,000	14,154,000	0.00%	53,465,000	26.5%
07/01/07	-	12,047,000	12,047,000	0.00%	55,425,000	21.7%

Note:

Fiscal Year 2009 was the first year of implementation of GASB 45 for the Primary Government and Discretely Presented Component Unit School Board.

Other Postemployment Benefit Program
 Schedule of Employer Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
A. Primary Government employees:		
2015	\$ 527,000	66.03%
2016	540,000	61.30%
2017	263,000	83.65%
B. Component Unit - School Board employees:		
2015	\$ 1,783,000	50.53%
2016	1,841,000	51.44%
2017	1,227,000	44.50%

Schedule of Changes in the County Net Pension Liability and Related Ratios - Virginia Retirement System

	Fiscal Year June 30,		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 2,078,481	\$ 2,101,912	\$ 2,204,270
Interest	5,396,036	5,639,039	5,859,705
Differences between expected and actual experience	-	(82,018)	(603,214)
Benefit payments, including refunds of employee contributions	<u>(3,868,114)</u>	<u>(4,137,964)</u>	<u>(4,875,173)</u>
Net change in total pension liability	\$ 3,606,403	\$ 3,520,969	\$ 2,585,588
Total pension liability - beginning	\$ 79,020,284	\$ 82,626,687	\$ 86,147,656
Total pension liability - ending (a)	<u>\$ 82,626,687</u>	<u>\$ 86,147,656</u>	<u>\$ 88,733,244</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,210,642	\$ 2,313,950	\$ 2,361,901
Contributions - employee	909,646	921,678	947,593
Net investment income	9,910,591	3,285,690	1,268,675
Benefit payments, including refunds of employee contributions	(3,868,114)	(4,137,964)	(4,875,173)
Administrative expense	(53,478)	(45,225)	(46,683)
Other	523	(693)	(543)
Net change in plan fiduciary net position	\$ 9,109,810	\$ 2,337,436	\$ (344,230)
Plan fiduciary net position - beginning	\$ 63,065,359	\$ 72,175,169	\$ 74,512,605
Plan fiduciary net position - ending (b)	<u>\$ 72,175,169</u>	<u>\$ 74,512,605</u>	<u>\$ 74,168,375</u>
County's net pension liability - ending (a) - (b)	<u>\$ 10,451,518</u>	<u>\$ 11,635,051</u>	<u>\$ 14,564,869</u>
Plan fiduciary net position as a percentage of the total pension liability	87.35%	86.49%	83.59%
Covered-employee payroll	\$ 17,685,136	\$ 18,511,600	\$ 23,020,478
County's net pension liability as a percentage of covered-employee payroll	59.10%	62.85%	63.27%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

See Notes to Required Supplementary Information.

Schedule of Changes in the School Board Non-Professional
Net Pension Liability and Related Ratios - Virginia Retirement System

	Fiscal Year June 30,		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 257,529	\$ 250,850	\$ 245,933
Interest	739,629	770,891	782,063
Differences between expected and actual experience	-	(276,356)	(44,608)
Benefit payments, including refunds of employee contributions	(529,213)	(571,921)	(599,653)
Net change in total pension liability	\$ 467,945	\$ 173,464	\$ 383,735
Total pension liability - beginning	\$ 10,830,741	\$ 11,298,686	\$ 11,472,150
Total pension liability - ending (a)	<u>\$ 11,298,686</u>	<u>\$ 11,472,150</u>	<u>\$ 11,855,885</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 218,931	\$ 226,499	\$ 222,018
Contributions - employee	131,504	130,761	127,674
Net investment income	1,445,168	476,637	183,043
Benefit payments, including refunds of employee contributions	(529,213)	(571,921)	(599,653)
Administrative expense	(7,868)	(6,644)	(6,779)
Other	76	(102)	(78)
Net change in plan fiduciary net position	\$ 1,258,598	\$ 255,230	\$ (73,775)
Plan fiduciary net position - beginning	\$ 9,234,345	\$ 10,492,943	\$ 10,748,173
Plan fiduciary net position - ending (b)	<u>\$ 10,492,943</u>	<u>\$ 10,748,173</u>	<u>\$ 10,674,398</u>
School Board's non-professional net pension liability - ending (a) - (b)	<u>\$ 805,743</u>	<u>\$ 723,977</u>	<u>\$ 1,181,487</u>
Plan fiduciary net position as a percentage of the total pension liability	92.87%	93.69%	90.03%
Covered-employee payroll	\$ 2,593,969	\$ 2,683,637	\$ 2,018,345
School Board's non-professional net pension liability as a percentage of covered-employee payroll	31.06%	26.98%	58.54%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

See Notes to Required Supplementary Information.

Schedule of School Board Share of Net Pension Liability
 VRS Teacher Retirement Plan (Cost-Sharing) - Virginia Retirement System

	Fiscal Year June 30,		
	2014	2015	2016
Employer's proportion of the net pension liability	0.73785%	0.74809%	0.72566%
Employer's proportionate share of the net pension liability	\$ 89,167,000	\$ 94,157,000	\$ 101,694,000
Employer's covered-employee payroll	\$ 53,959,194	\$ 69,167,427	\$ 53,064,216
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.25%	136.13%	191.64%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

See Notes to Required Supplementary Information.

Schedule of County Contributions - Virginia Retirement System

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 2,210,642	\$ 2,313,950	\$ 2,361,901	\$ 2,008,032
Contributions in relation to the CRC	<u>2,210,642</u>	<u>2,313,950</u>	<u>2,361,901</u>	<u>2,008,032</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 17,685,136	\$ 18,511,600	\$ 23,020,478	\$ 19,571,462
Contributions as a percentage of covered-employee payroll	12.50%	12.50%	10.26%	10.26%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

See Notes to Required Supplementary Information.

Schedule of School Board Non-Professional Contributions - Virginia Retirement System

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 218,931	\$ 226,499	\$ 222,018	\$ 148,802
Contributions in relation to the CRC	<u>218,931</u>	<u>226,499</u>	<u>222,018</u>	<u>148,802</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 2,593,969	\$ 2,683,637	\$ 2,018,345	\$ 1,352,745
Contributions as a percentage of covered-employee payroll	8.44%	8.44%	11.00%	11.00%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

Schedule of School Board Professional Contributions - Virginia Retirement System

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 6,291,642	\$ 8,064,922	\$ 7,779,214	\$ 8,094,101
Contributions in relation to the CRC	<u>6,291,642</u>	<u>8,064,922</u>	<u>7,779,214</u>	<u>8,094,101</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 53,959,194	\$ 69,167,427	\$ 53,064,216	\$ 55,212,149
Contributions as a percentage of covered-employee payroll	11.66%	11.66%	14.66%	14.66%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF AUGUSTA, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2017**

Note 1—Changes of Benefit Terms:

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

Note 2—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 ended June 30, 2012:

County and School Board Non-Professional:

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

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

School Board Professional:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rate 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 AUGUSTA, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2017**

Note 3—Contractually Required Contributions:

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

County and School Board Non-Professional:

Non-LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-4.75%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

School Board Professional:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.95%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

OTHER SUPPLEMENTARY INFORMATION

Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 40,805	\$ 40,000	\$ 39,109	\$ (891)
Total revenues	<u>\$ 40,805</u>	<u>\$ 40,000</u>	<u>\$ 39,109</u>	<u>\$ (891)</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 4,909,556	\$ 4,909,556	\$ 4,909,556	\$ -
Interest and other fiscal charges	1,997,919	2,729,094	2,723,848	(5,246)
Total expenditures	<u>\$ 6,907,475</u>	<u>\$ 7,638,650</u>	<u>\$ 7,633,404</u>	<u>\$ (5,246)</u>
Deficiency of revenues under expenditures	<u>\$ (6,866,670)</u>	<u>\$ (7,598,650)</u>	<u>\$ (7,594,295)</u>	<u>\$ 4,355</u>
OTHER FINANCING SOURCES				
Transfers in	\$ 6,866,670	\$ 7,598,650	\$ 7,594,295	\$ (4,355)
Total other financing sources	<u>\$ 6,866,670</u>	<u>\$ 7,598,650</u>	<u>\$ 7,594,295</u>	<u>\$ (4,355)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local taxes	\$ 9,048	\$ 9,048	\$ 9,048	\$ -
Revenue from the use of money and property	18,350	18,780	18,683	(97)
Miscellaneous	200	30,500	114,004	83,504
Recovered costs	973,186	1,013,186	971,056	(42,130)
Intergovernmental revenues:				
Commonwealth	1,204,800	1,030,200	931,939	(98,261)
Federal	500,000	206,300	59,709	(146,591)
Total revenues	<u>\$ 2,705,584</u>	<u>\$ 2,308,014</u>	<u>\$ 2,104,439</u>	<u>\$ (203,575)</u>
EXPENDITURES				
Capital projects	\$ 5,134,785	\$ 7,431,112	\$ 6,518,973	\$ (912,139)
Total expenditures	<u>\$ 5,134,785</u>	<u>\$ 7,431,112</u>	<u>\$ 6,518,973</u>	<u>\$ (912,139)</u>
Deficiency of revenues under expenditures	\$ (2,429,201)	\$ (5,123,098)	\$ (4,414,534)	\$ 708,564
OTHER FINANCING SOURCES (USES)				
Sale of land	\$ -	\$ 360,000	\$ 285,000	\$ (75,000)
Transfers in	2,429,201	4,763,098	4,941,213	178,115
Transfers out	(1,144,122)	(1,391,622)	(1,363,714)	27,908
Total other financing sources, net	<u>\$ 1,285,079</u>	<u>\$ 3,731,476</u>	<u>\$ 3,862,499</u>	<u>\$ 131,023</u>
Net change in fund balances	\$ (1,144,122)	\$ (1,391,622)	\$ (552,035)	\$ 839,587
Fund balances - beginning	1,144,122	1,391,622	27,878,879	26,487,257
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,326,844</u>	<u>\$ 27,326,844</u>

School Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 55,042	\$ 68,444	\$ 108,348	\$ 39,904
Miscellaneous	14,364	451,052	1,054,514	603,462
Total revenues	<u>\$ 69,406</u>	<u>\$ 519,496</u>	<u>\$ 1,162,862</u>	<u>\$ 643,366</u>
EXPENDITURES				
Capital projects	\$ -	\$ 32,220,992	\$ 30,914,341	\$ (1,306,651)
Interest and other fiscal charges	-	31,439	31,439	-
Total expenditures	<u>\$ -</u>	<u>\$ 32,252,431</u>	<u>\$ 30,945,780</u>	<u>\$ (1,306,651)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 69,406</u>	<u>\$ (31,732,935)</u>	<u>\$ (29,782,918)</u>	<u>\$ (1,950,017)</u>
OTHER FINANCING SOURCES				
Transfers in	\$ 500,000	\$ 652,500	\$ 657,295	\$ 4,795
Issuance of general obligation bonds	15,500,000	15,532,289	14,285,000	(1,247,289)
Premium on general obligation bonds	-	-	1,247,289	1,247,289
Total other financing sources	<u>\$ 16,000,000</u>	<u>\$ 16,184,789</u>	<u>\$ 16,189,584</u>	<u>\$ 4,795</u>
Net change in fund balances	\$ 16,069,406	\$ (15,548,146)	\$ (13,593,334)	\$ 1,954,812
Fund balances - beginning	(16,069,406)	15,548,146	18,685,580	3,137,434
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,092,246</u>	<u>\$ 5,092,246</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Combining Statement of Net Position
 Fiduciary Funds
 June 30, 2017

	Agency Funds						Total
	Special Welfare	Shenandoah Valley Regional Program for Special Education	Valley Alcohol Safety Action Program	Valley Career and Technical Education Center	Valley Children's Advocacy Center	Insurance Trust	
ASSETS							
Cash and cash equivalents	\$ 157,077	\$ 3,726,677	\$ 70,309	\$ 296,181	\$ 24,292	\$ 5,971,000	\$ 10,245,536
Other receivables	-	206,514	42,642	66,423	67,194	-	382,773
Total assets	<u>\$ 157,077</u>	<u>\$ 3,933,191</u>	<u>\$ 112,951</u>	<u>\$ 362,604</u>	<u>\$ 91,486</u>	<u>\$ 5,971,000</u>	<u>\$ 10,628,309</u>
LIABILITIES							
Accounts payable	\$ -	\$ 373,064	\$ 9,568	\$ 179,248	\$ 3,727	\$ 1,836,862	\$ 2,402,469
Accrued liabilities	-	139,416	37,744	72,401	-	-	249,561
Other liabilities	-	2,158,327	-	-	7,000	1,878,000	4,043,327
Amounts held for social services clients	157,077	-	-	-	-	-	157,077
Amounts held for Shenandoah Valley Regional Program for Special Education	-	1,262,384	-	-	-	-	1,262,384
Amounts held for Valley Alcohol Safety Action Program	-	-	65,639	-	-	-	65,639
Amounts held for Valley Career and Technical Education Center	-	-	-	110,955	-	-	110,955
Amounts held for Valley Children's Advocacy Center	-	-	-	-	80,759	-	80,759
Amounts held for Insurance Trust	-	-	-	-	-	2,256,138	2,256,138
Total liabilities	<u>\$ 157,077</u>	<u>\$ 3,933,191</u>	<u>\$ 112,951</u>	<u>\$ 362,604</u>	<u>\$ 91,486</u>	<u>\$ 5,971,000</u>	<u>\$ 10,628,309</u>

Combining Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 163,604	\$ 258,426	\$ 264,953	\$ 157,077
Total assets	<u>\$ 163,604</u>	<u>\$ 258,426</u>	<u>\$ 264,953</u>	<u>\$ 157,077</u>
LIABILITIES				
Amounts held for social services clients	\$ 163,604	\$ 258,426	\$ 264,953	\$ 157,077
Total liabilities	<u>\$ 163,604</u>	<u>\$ 258,426</u>	<u>\$ 264,953</u>	<u>\$ 157,077</u>
Shenandoah Valley Regional Program for Special Education Fund:				
ASSETS				
Cash and cash equivalents	\$ 3,599,304	\$ 11,026,867	\$ 10,899,494	\$ 3,726,677
Other receivables	169,203	206,514	169,203	206,514
Total assets	<u>\$ 3,768,507</u>	<u>\$ 11,233,381</u>	<u>\$ 11,068,697</u>	<u>\$ 3,933,191</u>
LIABILITIES				
Accounts payable	\$ 82,779	\$ 373,064	\$ 82,779	\$ 373,064
Accrued liabilities	204,876	139,416	204,876	139,416
Other liabilities	2,045,162	2,158,327	2,045,162	2,158,327
Amounts held for Shenandoah Valley Regional Program for Special Education	1,435,690	11,026,867	11,200,173	1,262,384
Total liabilities	<u>\$ 3,768,507</u>	<u>\$ 13,697,674</u>	<u>\$ 13,532,990</u>	<u>\$ 3,933,191</u>
Valley Alcohol Safety Action Program Fund:				
ASSETS				
Cash and cash equivalents	\$ 107,930	\$ 357,827	\$ 395,448	\$ 70,309
Other receivables	53,958	42,642	53,958	42,642
Total assets	<u>\$ 161,888</u>	<u>\$ 400,469</u>	<u>\$ 449,406</u>	<u>\$ 112,951</u>
LIABILITIES				
Accounts payable	\$ 9,071	\$ 9,568	\$ 9,071	\$ 9,568
Accrued liabilities	34,281	37,744	34,281	37,744
Amounts held for Valley Alcohol Safety Action Program	118,536	353,157	406,054	65,639
Total liabilities	<u>\$ 161,888</u>	<u>\$ 400,469</u>	<u>\$ 449,406</u>	<u>\$ 112,951</u>
Valley Career and Technical Education Center Fund:				
ASSETS				
Cash and cash equivalents	\$ 410,184	\$ 4,299,467	\$ 4,413,470	\$ 296,181
Other receivables	106,567	66,423	106,567	66,423
Prepaid expenses	4,000	-	4,000	-
Total assets	<u>\$ 520,751</u>	<u>\$ 4,365,890</u>	<u>\$ 4,524,037</u>	<u>\$ 362,604</u>
LIABILITIES				
Accounts payable	\$ 222,996	\$ 179,248	\$ 222,996	\$ 179,248
Accrued liabilities	100,235	72,401	100,235	72,401
Amounts held for Valley Career and Technical Education Center	197,520	4,299,467	4,386,032	110,955
Total liabilities	<u>\$ 520,751</u>	<u>\$ 4,551,116</u>	<u>\$ 4,709,263</u>	<u>\$ 362,604</u>
Valley Children's Advocacy Center Fund:				
ASSETS				
Cash and cash equivalents	\$ 15,181	\$ 316,440	\$ 307,329	\$ 24,292
Other receivables	8,750	67,194	8,750	67,194
Total assets	<u>\$ 23,931</u>	<u>\$ 383,634</u>	<u>\$ 316,079</u>	<u>\$ 91,486</u>
LIABILITIES				
Accounts payable	\$ 1,168	\$ 3,727	\$ 1,168	\$ 3,727
Other liabilities	-	7,000	-	7,000
Amounts held for Valley Children's Advocacy Center	22,763	309,440	251,444	80,759
Total liabilities	<u>\$ 23,931</u>	<u>\$ 320,167</u>	<u>\$ 252,612</u>	<u>\$ 91,486</u>

Combining Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Insurance Trust Fund:				
ASSETS				
Cash and cash equivalents	\$ 3,678,324	\$ 22,468,654	\$ 20,175,978	\$ 5,971,000
Prepaid expenses	202,474	-	202,474	-
Total assets	<u>\$ 3,880,798</u>	<u>\$ 22,468,654</u>	<u>\$ 20,378,452</u>	<u>\$ 5,971,000</u>
LIABILITIES				
Accounts payable	\$ 392,026	\$ 1,836,862	\$ 392,026	\$ 1,836,862
Incurred but not reported (IBNR) payable	1,612,800	1,878,000	1,612,800	1,878,000
Amounts held for Insurance Trust	1,875,972	22,468,654	22,088,488	2,256,138
Total liabilities	<u>\$ 3,880,798</u>	<u>\$ 26,183,516</u>	<u>\$ 24,093,314</u>	<u>\$ 5,971,000</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 7,974,527	\$ 38,727,681	\$ 36,456,672	\$ 10,245,536
Other receivables	338,478	382,773	338,478	382,773
Prepaid expenses	206,474	-	206,474	-
Total assets	<u>\$ 8,519,479</u>	<u>\$ 39,110,454</u>	<u>\$ 37,001,624</u>	<u>\$ 10,628,309</u>
LIABILITIES				
Accounts payable	\$ 708,040	\$ 2,402,469	\$ 708,040	\$ 2,402,469
Accrued liabilities	339,392	249,561	339,392	249,561
Other liabilities	3,657,962	4,043,327	3,657,962	4,043,327
Amounts held for social services clients	163,604	258,426	264,953	157,077
Amounts held for Shenandoah Valley Regional Program for Special Education	1,435,690	11,026,867	11,200,173	1,262,384
Amounts held for Valley Alcohol Safety Action Program	118,536	353,157	406,054	65,639
Amounts held for Valley Career and Technical Education Center	197,520	4,299,467	4,386,032	110,955
Amounts held for Valley Children's Advocacy Center	22,763	309,440	251,444	80,759
Amounts held for Insurance Trust	1,875,972	22,468,654	22,088,488	2,256,138
Total liabilities	<u>\$ 8,519,479</u>	<u>\$ 22,942,714</u>	<u>\$ 21,214,050</u>	<u>\$ 10,628,309</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Governmental capital assets:		
Land	\$ 5,440,703	\$ 5,486,551
Buildings	66,498,741	70,892,342
Machinery and equipment	18,209,838	16,137,873
Land improvement	5,030,558	5,019,683
Construction in progress	2,431,258	701,387
Total governmental capital assets	<u>\$ 97,611,098</u>	<u>\$ 98,237,836</u>
Investments in governmental capital assets by source:		
General fund	\$ 97,202,783	\$ 97,889,271
Special revenue funds	408,315	348,565
Total governmental capital assets by source	<u>\$ 97,611,098</u>	<u>\$ 98,237,836</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2017

Function and Activity	Land	Land Improvements	Buildings	Machinery and Equipment	Construction in Progress	Total
General government administration:						
Board of supervisors	\$ 3,913,603	\$ 4,803,853	\$ 26,152,788	\$ 3,198,293	\$ 201,979	\$ 38,270,516
County administrator	-	-	-	21,220	-	21,220
Commissioner of revenue	-	-	-	55,831	-	55,831
Central accounting	-	-	-	33,740	-	33,740
Management information systems	-	-	-	1,334,680	49,744	1,384,424
Board of elections	-	-	-	293,890	-	293,890
Total general government administration	\$ 3,913,603	\$ 4,803,853	\$ 26,152,788	\$ 4,937,654	\$ 251,723	\$ 40,059,621
Judicial administration:						
Clerk of Circuit Court	\$ -	\$ -	\$ -	\$ 181,231	\$ -	\$ 181,231
General District Court	-	-	-	19,252	-	19,252
Commonwealth's Attorney	-	-	-	68,669	5,940	74,609
Total judicial administration	\$ -	\$ -	\$ -	\$ 269,152	\$ 5,940	\$ 275,092
Public safety:						
Sheriff	\$ -	\$ -	\$ 19,756	\$ 2,909,414	\$ -	\$ 2,929,170
Emergency operations	-	-	-	1,981,128	2,168,240	4,149,368
Fire department	62,000	-	363,937	5,638,319	-	6,064,256
Emergency services	-	-	-	38,371	-	38,371
Juvenile detention and probation	-	-	5,913	38,920	-	44,833
Building inspections	-	-	-	147,997	-	147,997
Animal control	-	-	-	110,386	-	110,386
Drug enforcement	-	-	-	71,284	-	71,284
Total public safety	\$ 62,000	\$ -	\$ 389,606	\$ 10,935,819	\$ 2,168,240	\$ 13,555,665
Public works:						
Sanitation and waste removal	\$ -	\$ -	\$ 60,446	\$ 197,389	\$ -	\$ 257,835
Maintenance of buildings and grounds	-	162,207	359,328	238,941	-	760,476
Total public works	\$ -	\$ 162,207	\$ 419,774	\$ 436,330	\$ -	\$ 1,018,311
Education:						
Schools	\$ -	\$ -	\$ 39,204,078	\$ -	\$ -	\$ 39,204,078
Total education	\$ -	\$ -	\$ 39,204,078	\$ -	\$ -	\$ 39,204,078
Health and welfare:						
Social services	\$ -	\$ -	\$ -	\$ 408,315	\$ -	\$ 408,315
Total health and welfare	\$ -	\$ -	\$ -	\$ 408,315	\$ -	\$ 408,315
Parks, recreation, and cultural:						
Parks and recreation	\$ 1,465,100	\$ 64,498	\$ 332,495	\$ 641,018	\$ -	\$ 2,503,111
Library	-	-	-	360,216	-	360,216
Total parks, recreation, and cultural	\$ 1,465,100	\$ 64,498	\$ 332,495	\$ 1,001,234	\$ -	\$ 2,863,327
Community development:						
Community development	\$ -	\$ -	\$ -	\$ 177,659	\$ -	\$ 177,659
Economic development	-	-	-	43,675	5,355	49,030
Total community development	\$ -	\$ -	\$ -	\$ 221,334	\$ 5,355	\$ 226,689
Total governmental capital assets	\$ 5,440,703	\$ 5,030,558	\$ 66,498,741	\$ 18,209,838	\$ 2,431,258	\$ 97,611,098

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2017

Function and Activity	Governmental Funds Capital Assets				Governmental Funds Capital Assets
	June 30, 2016	Additions	Deductions	Transfers	
General government administration:					
Board of supervisors	\$ 38,081,559	\$ 314,791	\$ (125,834)	\$ -	\$ 38,270,516
County administrator	21,220	-	-	-	21,220
Commissioner of revenue	55,831	-	-	-	55,831
Central accounting	33,740	-	-	-	33,740
Management information systems	1,355,943	28,481	-	-	1,384,424
Board of elections	-	293,890	-	-	293,890
Total general government administration	\$ 39,548,293	\$ 637,162	\$ (125,834)	\$ -	\$ 40,059,621
Judicial administration:					
Clerk of Circuit Court	\$ 187,795	\$ 17,167	\$ (23,731)	\$ -	\$ 181,231
General District Court	19,252	-	-	-	19,252
Commonwealth's Attorney	68,669	5,940	-	-	74,609
Total judicial administration	\$ 275,716	\$ 23,107	\$ (23,731)	\$ -	\$ 275,092
Public safety:					
Sheriff	\$ 2,921,000	\$ 345,305	\$ (337,135)	\$ -	\$ 2,929,170
Emergency operations	2,636,245	1,550,190	(37,067)	-	4,149,368
Fire department	4,583,451	1,480,805	-	-	6,064,256
Emergency services	38,371	-	-	-	38,371
Juvenile detention and probation	44,833	-	-	-	44,833
Building inspections	171,082	-	(23,085)	-	147,997
Animal control	78,800	31,586	-	-	110,386
Drug enforcement	71,284	-	-	-	71,284
Total public safety	\$ 10,545,066	\$ 3,407,886	\$ (397,287)	\$ -	\$ 13,555,665
Public works:					
Sanitation and waste removal	\$ 229,655	\$ 28,180	\$ -	\$ -	\$ 257,835
Maintenance of buildings and grounds	725,491	34,985	-	-	760,476
Total public works	\$ 955,146	\$ 63,165	\$ -	\$ -	\$ 1,018,311
Education:					
Schools	\$ 43,625,958	\$ -	\$ -	\$ (4,421,880)	\$ 39,204,078
Total education	\$ 43,625,958	\$ -	\$ -	\$ (4,421,880)	\$ 39,204,078
Health and welfare:					
Social services	\$ 348,565	\$ 97,873	\$ (38,123)	\$ -	\$ 408,315
Total health and welfare	\$ 348,565	\$ 97,873	\$ (38,123)	\$ -	\$ 408,315
Parks, recreation, and cultural:					
Parks and recreation	\$ 2,443,923	\$ 79,720	\$ (20,532)	\$ -	\$ 2,503,111
Library	318,719	70,373	(28,876)	-	360,216
Total parks, recreation, and cultural	\$ 2,762,642	\$ 150,093	\$ (49,408)	\$ -	\$ 2,863,327
Community development:					
Community development	\$ 150,440	\$ 27,219	\$ -	\$ -	\$ 177,659
Economic development	26,010	23,020	-	-	49,030
Total community development	\$ 176,450	\$ 50,239	\$ -	\$ -	\$ 226,689
Total governmental capital assets	\$ 98,237,836	\$ 4,429,525	\$ (634,383)	\$ (4,421,880)	\$ 97,611,098

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2017

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,193,736	\$ 401,663	\$ 2,595,399
Cash in custody of others	3,000	-	-	3,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	211,300	1,509	10,520	223,329
Due from primary government	2,995,405	-	15	2,995,420
Due from other governmental units	2,651,984	138	347,197	2,999,319
Total assets	<u>\$ 5,861,689</u>	<u>\$ 2,195,383</u>	<u>\$ 759,395</u>	<u>\$ 8,816,467</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Reconciled overdraft	\$ -	\$ -	\$ 209,193	\$ 209,193
Accounts payable	3,008,338	68,990	125,469	3,202,797
Accrued liabilities	2,757,688	72,518	107,707	2,937,913
Due to primary government	-	-	317,026	317,026
Unearned revenue	95,663	54,356	-	150,019
Total liabilities	<u>\$ 5,861,689</u>	<u>\$ 195,864</u>	<u>\$ 759,395</u>	<u>\$ 6,816,948</u>
Fund balances:				
Assigned	\$ -	\$ 1,999,519	\$ -	\$ 1,999,519
Total fund balances	<u>\$ -</u>	<u>\$ 1,999,519</u>	<u>\$ -</u>	<u>\$ 1,999,519</u>
Total liabilities and fund balances	<u>\$ 5,861,689</u>	<u>\$ 2,195,383</u>	<u>\$ 759,395</u>	<u>\$ 8,816,467</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above	\$ 1,999,519
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	118,060,129
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(109,910,013)
Deferred outflows of resources represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.	15,229,130
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.	(5,927,715)
Long-term due from other government - pension plan	<u>2,180,413</u>
Net position of governmental activities	<u>\$ 21,631,463</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, 2017

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Revenue from the use of money and property	\$ 50,391	\$ 5,324	\$ -	\$ 55,715
Charges for services	581,205	1,690,735	844,739	3,116,679
Miscellaneous	1,050,320	2,500	16,316	1,069,136
Intergovernmental revenues:				
Local government	40,068,878	-	5,712	40,074,590
Commonwealth	54,703,388	109,646	621,505	55,434,539
Federal	4,167,176	3,040,756	3,432,026	10,639,958
Total revenues	<u>\$ 100,621,358</u>	<u>\$ 4,848,961</u>	<u>\$ 4,920,298</u>	<u>\$ 110,390,617</u>
EXPENDITURES				
Current:				
Education	\$ 100,621,358	\$ 4,729,515	\$ 4,919,335	\$ 110,270,208
Contribution to primary government	-	-	963	963
Total expenditures	<u>\$ 100,621,358</u>	<u>\$ 4,729,515</u>	<u>\$ 4,920,298</u>	<u>\$ 110,271,171</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 119,446</u>	<u>\$ -</u>	<u>\$ 119,446</u>
Net change in fund balances	\$ -	\$ 119,446	\$ -	\$ 119,446
Fund balances - beginning	-	1,880,073	-	1,880,073
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,999,519</u>	<u>\$ -</u>	<u>\$ 1,999,519</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	\$ 119,446
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.	25,284,262
The net effect of miscellaneous transactions involving capital assets (i.e., disposals, trade-ins, transfers, and donations) is to increase net assets.	4,252,970
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.	(1,116,135)
Deferred outflows of resources - pension plan contributions subsequent to the measurement date	292,407
Due from other government - pension plan	935,342
Change in net position of governmental activities	<u>\$ 29,768,292</u>

County of Augusta, Virginia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	School Operating Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 34,016	\$ 36,620	\$ 50,391	\$ 13,771
Charges for services	613,447	633,882	581,205	(52,677)
Miscellaneous	1,129,191	1,214,780	1,050,320	(164,460)
Intergovernmental revenues:				
Local government	40,201,766	40,201,766	40,068,878	(132,888)
Commonwealth	55,191,797	54,960,442	54,703,388	(257,054)
Federal	4,603,963	4,664,107	4,167,176	(496,931)
Total revenues	<u>\$ 101,774,180</u>	<u>\$ 101,711,597</u>	<u>\$ 100,621,358</u>	<u>\$ (1,090,239)</u>
EXPENDITURES				
Current:				
Education	\$ 101,774,180	\$ 101,711,597	\$ 100,621,358	\$ (1,090,239)
Total expenditures	<u>\$ 101,774,180</u>	<u>\$ 101,711,597</u>	<u>\$ 100,621,358</u>	<u>\$ (1,090,239)</u>
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 27

School Cafeteria Fund			
Budgeted Amounts			Variance with
Original	Final	Actual	Final Budget
			Over
			(Under)
\$ 4,000	\$ 5,134	\$ 5,324	\$ 190
1,852,300	1,713,028	1,690,735	(22,293)
-	-	2,500	2,500
-	-	-	-
80,000	74,407	109,646	35,239
2,515,000	2,452,000	3,040,756	588,756
<u>\$ 4,451,300</u>	<u>\$ 4,244,569</u>	<u>\$ 4,848,961</u>	<u>\$ 604,392</u>
<u>\$ 4,451,300</u>	<u>\$ 4,244,569</u>	<u>\$ 4,729,515</u>	<u>\$ 484,946</u>
<u>\$ 4,451,300</u>	<u>\$ 4,244,569</u>	<u>\$ 4,729,515</u>	<u>\$ 484,946</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,446</u>	<u>\$ 119,446</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,446</u>	<u>\$ 119,446</u>
<u>-</u>	<u>-</u>	<u>1,880,073</u>	<u>1,880,073</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,999,519</u>	<u>\$ 1,999,519</u>

Statement of Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 June 30, 2017

	<u>School Endowments</u>
ASSETS	
Cash and cash equivalents	\$ 167,318
Total assets	<u>\$ 167,318</u>
NET POSITION	
Restricted for:	
JW Riley Endowment Fund	\$ 78,003
Unrestricted	<u>89,315</u>
Total net position	<u>\$ 167,318</u>

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

	<u>School Endowments</u>
ADDITIONS	
Contributions:	
Private donations	\$ <u>1,878</u>
Total contributions	\$ <u>1,878</u>
Investment earnings:	
Interest	\$ <u>588</u>
Total additions	\$ <u>2,466</u>
Change in net position	\$ 2,466
Net position - beginning	<u>164,852</u>
Net position - ending	<u><u>\$ 167,318</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 June 30, 2017

	<u>Head Start Fund</u>	<u>Governor's School Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 401,663	\$ 401,663
Receivables (net of allowance for uncollectibles):			
Accounts receivable	10,520	-	10,520
Due from primary government	15	-	15
Due from other governmental units	347,197	-	347,197
Total assets	<u>\$ 357,732</u>	<u>\$ 401,663</u>	<u>\$ 759,395</u>
LIABILITIES			
Reconciled overdraft	\$ 209,193	\$ -	\$ 209,193
Accounts payable	82,884	42,585	125,469
Accrued liabilities	65,655	42,052	107,707
Due to primary government	-	317,026	317,026
Total liabilities	<u>\$ 357,732</u>	<u>\$ 401,663</u>	<u>\$ 759,395</u>

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	<u>Head Start Fund</u>	<u>Governor's School Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ -	\$ 844,739	\$ 844,739
Miscellaneous	10,520	5,796	16,316
Intergovernmental revenues:			
Local government	-	5,712	5,712
Commonwealth	-	621,505	621,505
Federal	3,432,026	-	3,432,026
Total revenues	<u>\$ 3,442,546</u>	<u>\$ 1,477,752</u>	<u>\$ 4,920,298</u>
EXPENDITURES			
Current:			
Education	\$ 3,441,583	\$ 1,477,752	\$ 4,919,335
Contribution to primary government	963	-	963
Total expenditures	<u>\$ 3,442,546</u>	<u>\$ 1,477,752</u>	<u>\$ 4,920,298</u>
Deficiency of revenues under expenditures	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Augusta, Virginia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	Head Start Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	10,520	10,520
Intergovernmental revenues:				
Local government	-	-	-	-
Commonwealth	-	-	-	-
Federal	3,000,743	3,473,337	3,432,026	(41,311)
Total revenues	<u>\$ 3,000,743</u>	<u>\$ 3,473,337</u>	<u>\$ 3,442,546</u>	<u>\$ (30,791)</u>
EXPENDITURES				
Current:				
Education	\$ 3,000,743	\$ 3,473,367	\$ 3,441,583	\$ (31,784)
Contribution to primary government	-	-	963	963
Total expenditures	<u>\$ 3,000,743</u>	<u>\$ 3,473,367</u>	<u>\$ 3,442,546</u>	<u>\$ (30,821)</u>
Deficiency of revenues under expenditures	\$ -	\$ (30)	\$ -	\$ 30
Net change in fund balances	\$ -	\$ (30)	\$ -	\$ 30
Fund balances - beginning	-	30	-	(30)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 32

Governor's School Fund			
Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
Original	Final		
\$ 919,106	\$ 909,771	\$ 844,739	\$ (65,032)
2,800	2,800	5,796	2,996
-	-	5,712	5,712
673,846	621,505	621,505	-
-	-	-	-
<u>\$ 1,595,752</u>	<u>\$ 1,534,076</u>	<u>\$ 1,477,752</u>	<u>\$ (56,324)</u>
\$ 1,595,752	\$ 1,554,076	\$ 1,477,752	\$ (76,324)
-	-	-	-
<u>\$ 1,595,752</u>	<u>\$ 1,554,076</u>	<u>\$ 1,477,752</u>	<u>\$ (76,324)</u>
\$ -	\$ (20,000)	\$ -	\$ 20,000
\$ -	\$ (20,000)	\$ -	\$ 20,000
-	-	-	-
<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ 20,000</u>

Comparative Schedules by Source

Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets:		
Land	\$ 1,573,501	\$ 1,573,501
Buildings	146,715,096	138,757,264
Machinery and equipment	24,861,481	24,202,178
Construction in progress	<u>38,412,850</u>	<u>11,476,586</u>
Total governmental funds capital assets	<u>\$ 211,562,928</u>	<u>\$ 176,009,529</u>
Investments in governmental funds capital assets by source:		
Special revenue funds	<u>\$ 211,562,928</u>	<u>\$ 176,009,529</u>
Total governmental funds capital assets	<u>\$ 211,562,928</u>	<u>\$ 176,009,529</u>

Schedule by Function and Activity

Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board

June 30, 2017

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Education:					
Schools	\$ 1,573,501	\$ 146,715,096	\$ 24,861,481	\$ 38,412,850	\$ 211,562,928
Total governmental funds capital assets	<u>\$ 1,573,501</u>	<u>\$ 146,715,096</u>	<u>\$ 24,861,481</u>	<u>\$ 38,412,850</u>	<u>\$ 211,562,928</u>

Schedule of Changes By Function and Activity

Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2017

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Governmental Funds Capital Assets June 30, 2017</u>
Education:					
Schools	\$ 176,009,529	\$ 33,191,281	\$ (2,059,762)	\$ 4,421,880	\$ 211,562,928
Total governmental funds capital assets	<u>\$ 176,009,529</u>	<u>\$ 33,191,281</u>	<u>\$ (2,059,762)</u>	<u>\$ 4,421,880</u>	<u>\$ 211,562,928</u>

Statement of Changes in Net Position - Agency Fund
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>School Activity Funds</u>				
Assets:				
Cash and temporary investments	\$ 1,939,571	\$ 3,824,965	\$ 4,047,317	\$ 1,717,219
Total assets	<u>\$ 1,939,571</u>	<u>\$ 3,824,965</u>	<u>\$ 4,047,317</u>	<u>\$ 1,717,219</u>
Liabilities:				
Amounts held for others	\$ 1,939,571	\$ 3,824,965	\$ 4,047,317	\$ 1,717,219
Total liabilities	<u>\$ 1,939,571</u>	<u>\$ 3,824,965</u>	<u>\$ 4,047,317</u>	<u>\$ 1,717,219</u>

SUPPORTING SCHEDULES

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property tax	\$ 39,103,500	\$ 38,868,000	\$ 39,694,531	\$ 826,531
Real and personal public service corporation tax	1,970,400	2,682,000	2,687,804	5,804
Personal property tax	10,864,000	11,042,000	11,065,955	23,955
Mobile home tax	167,000	174,000	165,521	(8,479)
Machinery and tools tax	3,637,000	3,662,000	3,661,929	(71)
Penalties	335,000	345,000	410,364	65,364
Interest	315,000	320,000	428,292	108,292
Total general property taxes	<u>\$ 56,391,900</u>	<u>\$ 57,093,000</u>	<u>\$ 58,114,396</u>	<u>\$ 1,021,396</u>
Other local taxes:				
Local sales and use tax	\$ 5,100,000	\$ 5,400,000	\$ 5,542,113	\$ 142,113
Consumers' utility tax	1,750,000	1,775,000	1,786,347	11,347
Business license tax	3,400,000	3,450,000	3,625,435	175,435
Utility license tax	280,000	280,000	273,136	(6,864)
Bank stock tax	239,000	265,000	305,575	40,575
Tax on recordation and wills	700,000	735,000	786,061	51,061
Hotel and motel room tax	580,000	660,000	674,525	14,525
Restaurant food tax	2,420,952	2,472,409	2,544,440	72,031
Interest on local tax	55,000	55,000	67,294	12,294
Total other local taxes	<u>\$ 14,524,952</u>	<u>\$ 15,092,409</u>	<u>\$ 15,604,926</u>	<u>\$ 512,517</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 55,000	\$ 57,000	\$ 58,398	\$ 1,398
Land use application fees	29,000	28,000	27,722	(278)
Transfer fees	2,000	2,000	2,192	192
Cellular tower fees	9,800	9,800	8,500	(1,300)
Permits and other licenses	512,600	518,600	548,766	30,166
Total permits, privilege fees, and regulatory licenses	<u>\$ 608,400</u>	<u>\$ 615,400</u>	<u>\$ 645,578</u>	<u>\$ 30,178</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 200,500	\$ 161,000	\$ 195,236	\$ 34,236
Dog violation fines	20,000	23,000	19,548	(3,452)
Total fines and forfeitures	<u>\$ 220,500</u>	<u>\$ 184,000</u>	<u>\$ 214,784</u>	<u>\$ 30,784</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 222,600	\$ 277,600	\$ 209,242	\$ (68,358)
Revenue from use of property	368,000	370,000	383,142	13,142
Total revenue from use of money and property	<u>\$ 590,600</u>	<u>\$ 647,600</u>	<u>\$ 592,384</u>	<u>\$ (55,216)</u>
Charges for services:				
Excess fees of clerk	\$ 23,800	\$ 22,000	\$ 22,549	\$ 549
Charges for law enforcement and traffic control	7,600	6,600	5,803	(797)
Charges for courthouse maintenance	65,000	65,000	57,493	(7,507)
Treasurer's collection fees	93,000	88,000	95,110	7,110
Concealed weapons permits	40,000	40,000	38,570	(1,430)
Courthouse fees	162,000	160,000	146,045	(13,955)
Charges for Commonwealth's Attorney	7,000	7,000	6,506	(494)
Miscellaneous jail and inmate fees	8,000	9,000	8,661	(339)
Charges for sanitation and waste removal	1,200,000	1,200,000	1,242,564	42,564
Charges for parks and recreation	433,000	379,000	354,776	(24,224)
Charges for after school programs	335,000	355,000	358,850	3,850
Charges for day care	92,000	96,500	101,387	4,887
Charges for library	13,300	13,300	9,554	(3,746)
EMS transport service	1,200,000	1,300,000	1,364,128	64,128
Total charges for services	<u>\$ 3,679,700</u>	<u>\$ 3,741,400</u>	<u>\$ 3,811,996</u>	<u>\$ 70,596</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 147,000	\$ 308,000	\$ 307,924	\$ (76)
Repayment of loans from fire companies	150,000	150,000	147,690	(2,310)
Seized funds	-	600	800	200
Total miscellaneous revenue	<u>\$ 297,000</u>	<u>\$ 458,600</u>	<u>\$ 456,414</u>	<u>\$ (2,186)</u>
Recovered costs:				
Fiscal agent fees-MRRJA	\$ 101,000	\$ 101,000	\$ 101,849	\$ 849
Juvenile and domestic relations court costs	12,200	10,120	10,112	(8)
Other	33,500	65,380	49,091	(16,289)
Total recovered costs	<u>\$ 146,700</u>	<u>\$ 176,500</u>	<u>\$ 161,052</u>	<u>\$ (15,448)</u>
Total revenue from local sources	<u>\$ 76,459,752</u>	<u>\$ 78,008,909</u>	<u>\$ 79,601,530</u>	<u>\$ 1,592,621</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 86,000	\$ 95,000	\$ 104,318	\$ 9,318
Mobile home titling tax	115,000	84,000	107,426	23,426
Communications sales and use tax	2,450,000	2,380,000	2,359,295	(20,705)
Timber sales	1,200	1,215	4,119	2,904
Motor vehicle rental tax	70,000	70,000	59,892	(10,108)
State recordation tax	200,000	185,000	192,741	7,741
Personal property tax relief funds	4,296,000	4,296,000	4,295,993	(7)
Total noncategorical aid	<u>\$ 7,218,200</u>	<u>\$ 7,111,215</u>	<u>\$ 7,123,784</u>	<u>\$ 12,569</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	\$ 606,200	\$ 570,100	\$ 567,351	\$ (2,749)
Sheriff	2,845,100	2,759,100	2,756,107	(2,993)
Commissioner of revenue	215,100	213,800	213,246	(554)
Treasurer	165,400	162,100	160,605	(1,495)
Registrar/electoral board	46,900	46,500	46,976	476
Clerk of the Circuit Court	446,400	442,000	449,163	7,163
Total shared expenses	<u>\$ 4,325,100</u>	<u>\$ 4,193,600</u>	<u>\$ 4,193,448</u>	<u>\$ (152)</u>
Other categorical aid:				
Emergency medical services	\$ 80,000	\$ 80,000	\$ 83,126	\$ 3,126
Department of health - fire instructional grant	5,000	600	-	(600)
Department of behavioral health-transfer detention order	41,400	41,400	37,822	(3,578)
Litter control grant	18,000	17,500	17,426	(74)
Library grant	162,000	161,200	160,920	(280)
Grant for restoration of records	21,000	24,100	36,908	12,808
Victim-witness grant	96,300	96,300	143,373	47,073
Performing arts grant	5,000	5,000	5,000	-
Firemans' insurance fund	233,000	236,000	236,333	333
Technology trust fund	40,000	40,000	40,017	17
Seized funds	10,000	40,000	35,631	(4,369)
E-911 wireless funding	150,000	152,000	158,728	6,728
Spay and neuter funds	2,000	2,000	2,042	42
Total other categorical aid	<u>\$ 863,700</u>	<u>\$ 896,100</u>	<u>\$ 957,326</u>	<u>\$ 61,226</u>
Total categorical aid	<u>\$ 5,188,800</u>	<u>\$ 5,089,700</u>	<u>\$ 5,150,774</u>	<u>\$ 61,074</u>
Total revenue from the Commonwealth	<u>\$ 12,407,000</u>	<u>\$ 12,200,915</u>	<u>\$ 12,274,558</u>	<u>\$ 73,643</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental Revenues: (Continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 333,000	\$ 343,000	\$ 373,380	\$ 30,380
Categorical aid:				
DMV ground transportation safety grant	\$ 33,000	\$ 25,000	\$ 37,506	\$ 12,506
Domestic violence grant	31,020	31,020	31,332	312
Sane grant	15,200	15,200	15,988	788
DEQ royalty grant	1,000	1,000	11	(989)
Justice assistance grant	5,000	12,600	11,780	(820)
Homeland security grant	1,076,100	1,062,000	1,029,792	(32,208)
Total categorical aid	<u>\$ 1,161,320</u>	<u>\$ 1,146,820</u>	<u>\$ 1,126,409</u>	<u>\$ (20,411)</u>
Total revenue from the federal government	<u>\$ 1,494,320</u>	<u>\$ 1,489,820</u>	<u>\$ 1,499,789</u>	<u>\$ 9,969</u>
Total intergovernmental revenues	<u>\$ 13,901,320</u>	<u>\$ 13,690,735</u>	<u>\$ 13,774,347</u>	<u>\$ 83,612</u>
Total General Fund	<u>\$ 90,361,072</u>	<u>\$ 91,699,644</u>	<u>\$ 93,375,877</u>	<u>\$ 1,676,233</u>
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Charges for services:				
Public assistance and welfare administration	\$ 161,508	\$ 161,508	\$ 158,177	\$ (3,331)
Recovered costs:				
City of Staunton, Virginia	\$ 659,595	\$ 659,595	\$ 659,595	\$ -
City of Waynesboro, Virginia	641,946	641,946	641,946	-
Total recovered costs	<u>\$ 1,301,541</u>	<u>\$ 1,301,541</u>	<u>\$ 1,301,541</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 1,463,049</u>	<u>\$ 1,463,049</u>	<u>\$ 1,459,718</u>	<u>\$ (3,331)</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,917,331	\$ 2,917,331	\$ 2,927,589	\$ 10,258
Children's Services Act program	2,618,000	3,165,000	2,976,488	(188,512)
Total categorical aid	<u>\$ 5,535,331</u>	<u>\$ 6,082,331</u>	<u>\$ 5,904,077</u>	<u>\$ (178,254)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 6,485,132	\$ 6,485,132	\$ 6,351,391	\$ (133,741)
Children's Services Act program	-	-	174,082	174,082
Total categorical aid	<u>\$ 6,485,132</u>	<u>\$ 6,485,132</u>	<u>\$ 6,525,473</u>	<u>\$ 40,341</u>
Total revenue from the federal government	<u>\$ 6,485,132</u>	<u>\$ 6,485,132</u>	<u>\$ 6,525,473</u>	<u>\$ 40,341</u>
Total intergovernmental revenues	<u>\$ 12,020,463</u>	<u>\$ 12,567,463</u>	<u>\$ 12,429,550</u>	<u>\$ (137,913)</u>
Total Virginia Public Assistance Fund	<u>\$ 13,483,512</u>	<u>\$ 14,030,512</u>	<u>\$ 13,889,268</u>	<u>\$ (141,244)</u>
Debt Service Funds:				
County Debt Service Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ 40,805	\$ 40,000	\$ 39,109	\$ (891)
Total charges for services	<u>\$ 40,805</u>	<u>\$ 40,000</u>	<u>\$ 39,109</u>	<u>\$ (891)</u>
Total revenue from local sources	<u>\$ 40,805</u>	<u>\$ 40,000</u>	<u>\$ 39,109</u>	<u>\$ (891)</u>
Total Debt Service Fund	<u>\$ 40,805</u>	<u>\$ 40,000</u>	<u>\$ 39,109</u>	<u>\$ (891)</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Other local taxes:				
Restaurant food tax	\$ 9,048	\$ 9,048	\$ 9,048	\$ -
Total other local taxes	<u>\$ 9,048</u>	<u>\$ 9,048</u>	<u>\$ 9,048</u>	<u>\$ -</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 16,350	\$ 15,780	\$ 15,777	\$ (3)
Revenue from the use of property	2,000	3,000	2,906	(94)
Total revenue from use of money and property	<u>\$ 18,350</u>	<u>\$ 18,780</u>	<u>\$ 18,683</u>	<u>\$ (97)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 200	\$ 30,500	\$ 114,004	\$ 83,504
Total miscellaneous revenue	<u>\$ 200</u>	<u>\$ 30,500</u>	<u>\$ 114,004</u>	<u>\$ 83,504</u>
Recovered costs:				
Other recovered costs	\$ 973,186	\$ 1,013,186	\$ 971,056	\$ (42,130)
Total recovered costs	<u>\$ 973,186</u>	<u>\$ 1,013,186</u>	<u>\$ 971,056</u>	<u>\$ (42,130)</u>
Total revenue from local sources	<u>\$ 1,000,784</u>	<u>\$ 1,071,514</u>	<u>\$ 1,112,791</u>	<u>\$ 41,277</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of conservation grant	\$ 1,075,000	\$ 825,000	\$ -	\$ (825,000)
Economic Development Grant			400,000	400,000
Hazardous Material Grant	10,000	10,000	787	(9,213)
Rescue squad assistance fund grant	-	24,000	37,874	13,874
Reimbursement Department of Transportation	-	100,000	442,248	342,248
E-911 wireless grant	66,200	66,200	46,030	(20,170)
Virginia Business Ready	-	5,000	5,000	-
Dept.of Housing and Community Development (Broadband)	53,600	-	-	-
Total categorical aid	<u>\$ 1,204,800</u>	<u>\$ 1,030,200</u>	<u>\$ 931,939</u>	<u>\$ (98,261)</u>
Revenue from the federal government:				
Categorical aid:				
Hazardous material grant	\$ -	\$ 1,400	\$ -	\$ (1,400)
Emergency planning grant	-	14,900	14,882	(18)
Watershed grant	-	157,000	-	(157,000)
Transportation enhancement	500,000	33,000	44,827	11,827
Total categorical aid	<u>\$ 500,000</u>	<u>\$ 206,300</u>	<u>\$ 59,709</u>	<u>\$ (146,591)</u>
Total intergovernmental revenues	<u>\$ 1,704,800</u>	<u>\$ 1,236,500</u>	<u>\$ 991,648</u>	<u>\$ (244,852)</u>
Total County Capital Improvements Fund	<u>\$ 2,705,584</u>	<u>\$ 2,308,014</u>	<u>\$ 2,104,439</u>	<u>\$ (203,575)</u>
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 55,042	\$ 68,444	\$ 108,348	\$ 39,904
Total revenue from use of money and property	<u>\$ 55,042</u>	<u>\$ 68,444</u>	<u>\$ 108,348</u>	<u>\$ 39,904</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 14,364	\$ 451,052	\$ 1,054,514	\$ 603,462
Total miscellaneous revenue	<u>\$ 14,364</u>	<u>\$ 451,052</u>	<u>\$ 1,054,514</u>	<u>\$ 603,462</u>
Total revenue from local sources	<u>\$ 69,406</u>	<u>\$ 519,496</u>	<u>\$ 1,162,862</u>	<u>\$ 643,366</u>
Total School Capital Improvements Fund	<u>\$ 69,406</u>	<u>\$ 519,496</u>	<u>\$ 1,162,862</u>	<u>\$ 643,366</u>
Total Primary Government	<u>\$ 106,660,379</u>	<u>\$ 108,597,666</u>	<u>\$ 110,571,555</u>	<u>\$ 1,973,889</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
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	\$ 34,016	\$ 36,620	\$ 50,391	\$ 13,771
Total revenue from use of money and property	<u>\$ 34,016</u>	<u>\$ 36,620</u>	<u>\$ 50,391</u>	<u>\$ 13,771</u>
Charges for services:				
Charges for education	\$ 337,602	\$ 338,227	\$ 301,149	\$ (37,078)
Tuition and payments from other divisions	275,845	295,655	280,056	(15,599)
Total charges for services	<u>\$ 613,447</u>	<u>\$ 633,882</u>	<u>\$ 581,205</u>	<u>\$ (52,677)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 1,129,191	\$ 1,214,780	\$ 1,050,320	\$ (164,460)
Total revenue from local sources	<u>\$ 1,776,654</u>	<u>\$ 1,885,282</u>	<u>\$ 1,681,916</u>	<u>\$ (203,366)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Augusta, Virginia	\$ 40,201,766	\$ 40,201,766	\$ 40,068,878	\$ (132,888)
Total revenues from local governments	<u>\$ 40,201,766</u>	<u>\$ 40,201,766</u>	<u>\$ 40,068,878</u>	<u>\$ (132,888)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 11,897,797	\$ 11,693,942	\$ 11,542,265	\$ (151,677)
Basic school aid	28,724,973	28,919,527	28,953,566	34,039
Regular foster care	85,200	96,024	82,440	(13,584)
Adult secondary education	90,132	90,132	70,558	(19,574)
Gifted and talented	310,370	310,899	310,630	(269)
Remedial education	960,792	969,591	968,811	(780)
Special education	1,008,701	1,010,423	1,009,548	(875)
Textbook payment	709,841	711,052	710,437	(615)
Standards of learning-project graduation	28,904	24,030	24,030	-
Vocational standards of quality payments	1,015,167	1,016,900	1,016,019	(881)
Vocational adult education	20,342	21,398	20,977	(421)
Social security fringe benefits	1,622,974	1,625,744	1,624,336	(1,408)
Retirement fringe benefits	3,349,405	3,355,121	3,352,216	(2,905)
Group life insurance instructional	109,923	110,110	110,015	(95)
Compensation supplement	415,495	-	-	-
Early reading intervention	137,785	158,983	158,983	-
Supplemental Lottery	338,949	340,435	340,140	(295)
Homebound education	16,564	15,309	15,309	-
Regional program tuition	891,967	973,029	873,900	(99,129)
Vocational education - equipment	28,853	28,853	57,256	28,403
Vocational occupational preparedness	174,980	174,980	154,269	(20,711)
Mentor teacher program	5,873	7,161	7,161	-
Special education - foster children	43,085	35,718	49,302	13,584
At risk payments	574,057	574,984	574,428	(556)
Virtual Virginia administrative	-	-	3,108	3,108
Primary class size	1,077,089	1,071,763	1,071,763	-
Technology	570,000	570,000	570,000	-
Standards of learning algebra readiness	108,751	111,101	111,101	-
At risk four-year olds	648,145	648,145	648,145	-
English as a second language	99,923	86,908	86,908	-
Other state funds	125,760	208,180	185,767	(22,413)
Total categorical aid	<u>\$ 55,191,797</u>	<u>\$ 54,960,442</u>	<u>\$ 54,703,388</u>	<u>\$ (257,054)</u>
Total revenue from the Commonwealth	<u>\$ 55,191,797</u>	<u>\$ 54,960,442</u>	<u>\$ 54,703,388</u>	<u>\$ (257,054)</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 156,372	\$ 146,173	\$ 34,054	\$ (112,119)
Title I	1,326,714	1,558,579	1,349,028	(209,551)
Title VI-B, special education flow-through	2,531,278	2,382,923	2,214,720	(168,203)
Vocational education	126,823	127,541	127,541	-
Title VI-B, special education pre-school	68,200	67,393	61,708	(5,685)
Language acquisition	34,129	34,129	35,962	1,833
Title II Part A	294,456	270,577	267,371	(3,206)
Advanced placement	-	1,064	1,064	-
ITCV grant	65,991	75,728	75,728	-
Total categorical aid	<u>\$ 4,603,963</u>	<u>\$ 4,664,107</u>	<u>\$ 4,167,176</u>	<u>\$ (496,931)</u>
Total intergovernmental revenue	<u>\$ 99,997,526</u>	<u>\$ 99,826,315</u>	<u>\$ 98,939,442</u>	<u>\$ (886,873)</u>
Total School Operating Fund	<u>\$ 101,774,180</u>	<u>\$ 101,711,597</u>	<u>\$ 100,621,358</u>	<u>\$ (1,090,239)</u>
School Cafeteria Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,000	\$ 5,134	\$ 5,324	\$ 190
Total revenue from use of money and property	<u>\$ 4,000</u>	<u>\$ 5,134</u>	<u>\$ 5,324</u>	<u>\$ 190</u>
Charges for services:				
Cafeteria sales	\$ 1,852,300	\$ 1,713,028	\$ 1,690,735	\$ (22,293)
Total charges for services	<u>\$ 1,852,300</u>	<u>\$ 1,713,028</u>	<u>\$ 1,690,735</u>	<u>\$ (22,293)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 2,500	\$ 2,500
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total revenue from local sources	<u>\$ 1,856,300</u>	<u>\$ 1,718,162</u>	<u>\$ 1,698,559</u>	<u>\$ (19,603)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 80,000	\$ 74,407	\$ 109,646	\$ 35,239
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 2,515,000	\$ 2,452,000	\$ 2,700,474	\$ 248,474
USDA donated food	-	-	340,282	340,282
Total categorical aid	<u>\$ 2,515,000</u>	<u>\$ 2,452,000</u>	<u>\$ 3,040,756</u>	<u>\$ 588,756</u>
Total revenue from the federal government	<u>\$ 2,515,000</u>	<u>\$ 2,452,000</u>	<u>\$ 3,040,756</u>	<u>\$ 588,756</u>
Total intergovernmental revenue	<u>\$ 2,595,000</u>	<u>\$ 2,526,407</u>	<u>\$ 3,150,402</u>	<u>\$ 623,995</u>
Total School Cafeteria Fund	<u>\$ 4,451,300</u>	<u>\$ 4,244,569</u>	<u>\$ 4,848,961</u>	<u>\$ 604,392</u>

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

Entity, Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Discretely Presented Component Unit - School Board: (Continued)				
Head Start Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 10,520	\$ 10,520
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,520</u>	<u>\$ 10,520</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,520</u>	<u>\$ 10,520</u>
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Head Start grant	\$ 3,000,743	\$ 3,473,337	\$ 3,432,026	\$ (41,311)
Total categorical aid	<u>\$ 3,000,743</u>	<u>\$ 3,473,337</u>	<u>\$ 3,432,026</u>	<u>\$ (41,311)</u>
Total revenue from the federal government	<u>\$ 3,000,743</u>	<u>\$ 3,473,337</u>	<u>\$ 3,432,026</u>	<u>\$ (41,311)</u>
Total intergovernmental revenue	<u>\$ 3,000,743</u>	<u>\$ 3,473,337</u>	<u>\$ 3,442,546</u>	<u>\$ (41,311)</u>
Total Head Start Fund	<u>\$ 3,000,743</u>	<u>\$ 3,473,337</u>	<u>\$ 3,442,546</u>	<u>\$ (30,791)</u>
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ 919,106	\$ 909,771	\$ 844,739	\$ (65,032)
Total charges for services	<u>\$ 919,106</u>	<u>\$ 909,771</u>	<u>\$ 844,739</u>	<u>\$ (65,032)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 2,800	\$ 2,800	\$ 5,796	\$ 2,996
Total miscellaneous revenue	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 5,796</u>	<u>\$ 2,996</u>
Total revenue from local sources	<u>\$ 921,906</u>	<u>\$ 912,571</u>	<u>\$ 850,535</u>	<u>\$ (62,036)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Augusta, Virginia	\$ -	\$ -	\$ 5,712	\$ 5,712
Total revenues from local governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,712</u>	<u>\$ 5,712</u>
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	\$ 647,846	\$ 595,505	\$ 595,505	\$ -
Technology funds	26,000	26,000	26,000	-
Total categorical aid	<u>\$ 673,846</u>	<u>\$ 621,505</u>	<u>\$ 621,505</u>	<u>\$ -</u>
Total revenue from the Commonwealth	<u>\$ 673,846</u>	<u>\$ 621,505</u>	<u>\$ 621,505</u>	<u>\$ -</u>
Total intergovernmental revenue	<u>\$ 673,846</u>	<u>\$ 621,505</u>	<u>\$ 627,217</u>	<u>\$ 5,712</u>
Total Governor's School Fund	<u>\$ 1,595,752</u>	<u>\$ 1,534,076</u>	<u>\$ 1,477,752</u>	<u>\$ (56,324)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 110,821,975</u>	<u>\$ 110,963,579</u>	<u>\$ 110,390,617</u>	<u>\$ (572,962)</u>

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 162,580	\$ 170,273	\$ 152,553	\$ (17,720)
General and financial administration:				
County administrator	\$ 704,970	\$ 712,440	\$ 695,255	\$ (17,185)
Personnel	263,775	266,312	246,360	(19,952)
Legal services	308,820	334,805	474,008	139,203
Commissioner of revenue	864,300	857,950	840,380	(17,570)
Treasurer	524,255	523,665	518,848	(4,817)
Central accounting	338,820	374,850	362,761	(12,089)
Management information systems	688,275	718,595	711,361	(7,234)
Other general and financial administration	1,064,429	791,915	785,039	(6,876)
Total general and financial administration	<u>\$ 4,757,644</u>	<u>\$ 4,580,532</u>	<u>\$ 4,634,012</u>	<u>\$ 53,480</u>
Board of elections:				
Electoral board and officials	\$ 288,100	\$ 284,680	\$ 289,136	\$ 4,456
Total board of elections	<u>\$ 288,100</u>	<u>\$ 284,680</u>	<u>\$ 289,136</u>	<u>\$ 4,456</u>
Total general government administration	<u>\$ 5,208,324</u>	<u>\$ 5,035,485</u>	<u>\$ 5,075,701</u>	<u>\$ 40,216</u>
Judicial administration:				
Courts:				
Circuit court	\$ 138,280	\$ 165,223	\$ 158,156	\$ (7,067)
General district court	7,700	10,300	9,917	(383)
Special magistrates	3,755	3,765	3,125	(640)
Clerk of the circuit court	840,780	872,790	849,628	(23,162)
Total courts	<u>\$ 990,515</u>	<u>\$ 1,052,078</u>	<u>\$ 1,020,826</u>	<u>\$ (31,252)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,042,840	\$ 1,021,005	\$ 1,009,682	\$ (11,323)
Total commonwealth's attorney	<u>\$ 1,042,840</u>	<u>\$ 1,021,005</u>	<u>\$ 1,009,682</u>	<u>\$ (11,323)</u>
Total judicial administration	<u>\$ 2,033,355</u>	<u>\$ 2,073,083</u>	<u>\$ 2,030,508</u>	<u>\$ (42,575)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 6,262,975	\$ 6,250,218	\$ 6,238,685	\$ (11,533)
Emergency operations center	1,791,845	1,777,800	1,711,449	(66,351)
Total law enforcement and traffic control	<u>\$ 8,054,820</u>	<u>\$ 8,028,018</u>	<u>\$ 7,950,134</u>	<u>\$ (77,884)</u>
Fire and rescue services:				
Fire department	\$ 7,302,571	\$ 7,168,921	\$ 6,889,501	\$ (279,420)
Volunteer emergency operations	2,063,380	2,069,880	1,734,305	(335,575)
Fire training center	386,054	381,544	333,468	(48,076)
Fire revolving fund disbursements	405,000	605,000	50,110	(554,890)
EMS transport service	653,100	585,100	558,251	(26,849)
Total fire and rescue services	<u>\$ 10,810,105</u>	<u>\$ 10,810,445</u>	<u>\$ 9,565,635</u>	<u>\$ (1,244,810)</u>
Correction and detention:				
Probation and detention	\$ 2,053,233	\$ 2,051,323	\$ 2,047,059	\$ (4,264)
Total correction and detention	<u>\$ 2,053,233</u>	<u>\$ 2,051,323</u>	<u>\$ 2,047,059</u>	<u>\$ (4,264)</u>

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 396,395	\$ 393,965	\$ 391,169	\$ (2,796)
Total inspections	<u>\$ 396,395</u>	<u>\$ 393,965</u>	<u>\$ 391,169</u>	<u>\$ (2,796)</u>
Other protection:				
Animal control	\$ 410,770	\$ 434,150	\$ 394,623	\$ (39,527)
Drug enforcement funds	35,850	58,000	44,834	(13,166)
Total other protection	<u>\$ 446,620</u>	<u>\$ 492,150</u>	<u>\$ 439,457</u>	<u>\$ (52,693)</u>
Total public safety	<u>\$ 21,761,173</u>	<u>\$ 21,775,901</u>	<u>\$ 20,393,454</u>	<u>\$ (1,382,447)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 16,000	\$ 16,000	\$ 13,023	\$ (2,977)
Streetlights	116,000	118,000	117,374	(626)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 132,000</u>	<u>\$ 134,000</u>	<u>\$ 130,397</u>	<u>\$ (3,603)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,083,325	\$ 2,087,162	\$ 2,066,574	\$ (20,588)
Recycling program	150,500	146,500	141,960	(4,540)
Total sanitation and waste removal	<u>\$ 2,233,825</u>	<u>\$ 2,233,662</u>	<u>\$ 2,208,534</u>	<u>\$ (25,128)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,384,475	\$ 1,357,330	\$ 1,347,532	\$ (9,798)
Total maintenance of general buildings and grounds	<u>\$ 1,384,475</u>	<u>\$ 1,357,330</u>	<u>\$ 1,347,532</u>	<u>\$ (9,798)</u>
Total public works	<u>\$ 3,750,300</u>	<u>\$ 3,724,992</u>	<u>\$ 3,686,463</u>	<u>\$ (38,529)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 534,080	\$ 531,936	\$ 531,936	\$ -
Total health	<u>\$ 534,080</u>	<u>\$ 531,936</u>	<u>\$ 531,936</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 177,100	\$ 177,100	\$ 177,100	\$ -
Total mental health and mental retardation	<u>\$ 177,100</u>	<u>\$ 177,100</u>	<u>\$ 177,100</u>	<u>\$ -</u>
Welfare:				
Valley Education Alliance	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Valley Program for the Aging	31,250	31,250	31,250	-
Coordinated Area Transportation Services	73,228	75,399	75,399	-
Community Centers	10,000	10,000	10,000	-
Verona Food Pantry	39,540	39,540	39,540	-
Lions Sight and Hearing/Oak Grove Theatre	3,349	3,349	3,349	-
CAPSAW	52,100	52,100	52,100	-
Craigs ville personal property	28,603	30,960	30,961	1
Miscellaneous	6,629	6,629	(3,037)	(9,666)
Tax relief for the elderly	328,000	322,000	319,640	(2,360)
Total welfare	<u>\$ 573,699</u>	<u>\$ 572,227</u>	<u>\$ 560,202</u>	<u>\$ (12,025)</u>
Total health and welfare	<u>\$ 1,284,879</u>	<u>\$ 1,281,263</u>	<u>\$ 1,269,238</u>	<u>\$ (12,025)</u>

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Blue Ridge Community College	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Contribution to County School Board	40,201,766	40,201,766	40,073,627	(128,139)
Total education	<u>\$ 40,206,766</u>	<u>\$ 40,206,766</u>	<u>\$ 40,078,627</u>	<u>\$ (128,139)</u>
Parks, recreation and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,632,390	\$ 1,611,495	\$ 1,515,607	\$ (95,888)
Total parks and recreation	<u>\$ 1,632,390</u>	<u>\$ 1,611,495</u>	<u>\$ 1,515,607</u>	<u>\$ (95,888)</u>
Cultural enrichment:				
Fine Arts Grant	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total cultural enrichment	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Library:				
Contribution to county library	\$ 1,203,684	\$ 1,212,441	\$ 1,186,205	\$ (26,236)
Churchville library	117,395	128,910	122,529	(6,381)
Total library	<u>\$ 1,321,079</u>	<u>\$ 1,341,351</u>	<u>\$ 1,308,734</u>	<u>\$ (32,617)</u>
Total parks, recreation and cultural	<u>\$ 2,963,469</u>	<u>\$ 2,962,846</u>	<u>\$ 2,834,341</u>	<u>\$ (128,505)</u>
Community development:				
Planning and community development:				
Community development	\$ 1,015,368	\$ 959,766	\$ 895,373	\$ (64,393)
Tourism development	89,134	133,930	133,822	(108)
Economic development	295,885	298,115	291,347	(6,768)
Contribution to Economic Development Authority	142,000	303,000	302,965	(35)
Total planning and community development	<u>\$ 1,542,387</u>	<u>\$ 1,694,811</u>	<u>\$ 1,623,507</u>	<u>\$ (71,304)</u>
Environmental management:				
Contribution to soil and water district	\$ 82,325	\$ 82,323	\$ 83,436	\$ 1,113
Total environmental management	<u>\$ 82,325</u>	<u>\$ 82,323</u>	<u>\$ 83,436</u>	<u>\$ 1,113</u>
Cooperative extension program:				
Extension office	\$ 115,729	\$ 115,730	\$ 101,203	\$ (14,527)
Agricultural development	3,000	3,000	-	(3,000)
Total cooperative extension program	<u>\$ 118,729</u>	<u>\$ 118,730</u>	<u>\$ 101,203</u>	<u>\$ (17,527)</u>
Total community development	<u>\$ 1,743,441</u>	<u>\$ 1,895,864</u>	<u>\$ 1,808,146</u>	<u>\$ (87,718)</u>
Nondepartmental:				
Shenandoah Valley Regional Airport	\$ 134,081	\$ 134,080	\$ 134,080	\$ -
Contingencies	50,000	90,000	75,151	(14,849)
Total nondepartmental	<u>\$ 184,081</u>	<u>\$ 224,080</u>	<u>\$ 209,231</u>	<u>\$ (14,849)</u>
Total General Fund	<u>\$ 79,135,788</u>	<u>\$ 79,180,280</u>	<u>\$ 77,385,709</u>	<u>\$ (1,794,571)</u>

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Primary Government: (Continued)				
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 8,719,397	\$ 8,994,397	\$ 8,830,519	\$ (163,878)
Public assistance	3,271,000	2,996,000	2,901,089	(94,911)
Comprehensive services	4,200,000	4,950,000	4,862,869	(87,131)
Total welfare and social services	<u>\$ 16,190,397</u>	<u>\$ 16,940,397</u>	<u>\$ 16,594,477</u>	<u>\$ (345,920)</u>
Total health and welfare	<u>\$ 16,190,397</u>	<u>\$ 16,940,397</u>	<u>\$ 16,594,477</u>	<u>\$ (345,920)</u>
Total Virginia Public Assistance Fund	<u>\$ 16,190,397</u>	<u>\$ 16,940,397</u>	<u>\$ 16,594,477</u>	<u>\$ (345,920)</u>
Debt Service Funds:				
County Debt Service:				
Debt service:				
Principal retirement	\$ 487,676	\$ 487,676	\$ 487,676	\$ -
Interest and other fiscal charges	249,122	249,122	249,122	-
Total County Debt Service	<u>\$ 736,798</u>	<u>\$ 736,798</u>	<u>\$ 736,798</u>	<u>\$ -</u>
School Debt Service:				
Debt service:				
Principal retirement	\$ 4,421,880	\$ 4,421,880	\$ 4,421,880	\$ -
Interest and other fiscal charges	1,748,797	2,479,973	2,474,726	(5,247)
Total School Debt Service	<u>\$ 6,170,677</u>	<u>\$ 6,901,853</u>	<u>\$ 6,896,606</u>	<u>\$ (5,247)</u>
Total Debt Service Funds	<u>\$ 6,907,475</u>	<u>\$ 7,638,651</u>	<u>\$ 7,633,404</u>	<u>\$ (5,247)</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects:				
Landfill	\$ 126,932	\$ 318,340	\$ 435,039	\$ 116,699
County schools	1,093,224	905,265	-	(905,265)
Road construction	500,000	133,000	916,311	783,311
Programs	2,048,709	2,236,109	833,440	(1,402,669)
Equipment replacement	365,262	2,137,110	3,888,307	1,751,197
Building renovations and construction	861,460	901,460	420,676	(480,784)
Economic development	129,950	440,780	(58,538)	(499,318)
Community contributions	9,248	359,048	83,738	(275,310)
Total capital projects	<u>\$ 5,134,785</u>	<u>\$ 7,431,112</u>	<u>\$ 6,518,973</u>	<u>\$ (912,139)</u>
Total Capital Improvements Fund	<u>\$ 5,134,785</u>	<u>\$ 7,431,112</u>	<u>\$ 6,518,973</u>	<u>\$ (912,139)</u>
School Capital Improvements Fund:				
Capital projects:				
Transportation	\$ -	\$ 252,885	\$ 252,885	\$ -
Equipment/Technology	-	396,654	180,236	(216,418)
Other school projects	500,000	848,239	887,029	38,790
Building renovations	26,511,201	30,723,214	29,594,191	(1,129,023)
Total capital projects	<u>\$ 27,011,201</u>	<u>\$ 32,220,992</u>	<u>\$ 30,914,341</u>	<u>\$ (1,306,651)</u>
Debt Service:				
Interest and other fiscal charges	\$ -	\$ 31,439	\$ 31,439	\$ -
Total debt service	<u>\$ -</u>	<u>\$ 31,439</u>	<u>\$ 31,439</u>	<u>\$ -</u>
Total School Capital Improvements Fund	<u>\$ 27,011,201</u>	<u>\$ 32,252,431</u>	<u>\$ 30,945,780</u>	<u>\$ (1,306,651)</u>
Total Primary Government	<u>\$ 134,379,646</u>	<u>\$ 143,442,871</u>	<u>\$ 139,078,343</u>	<u>\$ (4,364,528)</u>

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Over (Under)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 211,692	\$ 234,818	\$ 225,685	\$ (9,133)
Executive administration services	591,691	648,514	656,617	8,103
Personnel	311,684	325,174	331,720	6,546
Fiscal services	579,945	615,255	642,824	27,569
Data processing services	481,081	501,453	498,020	(3,433)
Total administration of schools	<u>\$ 2,176,093</u>	<u>\$ 2,325,214</u>	<u>\$ 2,354,866</u>	<u>\$ 29,652</u>
Instruction costs:				
Elementary and secondary schools	\$ 65,807,832	\$ 66,152,051	\$ 65,653,433	\$ (498,618)
Guidance services	2,889,937	2,891,688	2,851,255	(40,433)
Social worker services	546,775	544,385	544,569	184
Other instructional costs	1,804,735	1,899,347	1,876,781	(22,566)
Media services	1,983,773	1,953,027	1,945,107	(7,920)
Technology services	3,247,894	3,219,410	2,996,563	(222,847)
Office of the principal	6,607,354	6,547,035	6,542,599	(4,436)
Total instruction costs	<u>\$ 82,888,300</u>	<u>\$ 83,206,943</u>	<u>\$ 82,410,307</u>	<u>\$ (796,636)</u>
Operating costs:				
Attendance and health services	\$ 1,498,399	\$ 1,548,008	\$ 1,516,016	\$ (31,992)
Pupil transportation	5,901,825	5,831,669	6,105,439	273,770
Operation and maintenance of school plant	9,309,563	8,799,763	8,234,730	(565,033)
Total operating costs	<u>\$ 16,709,787</u>	<u>\$ 16,179,440</u>	<u>\$ 15,856,185</u>	<u>\$ (323,255)</u>
Total education	<u>\$ 101,774,180</u>	<u>\$ 101,711,597</u>	<u>\$ 100,621,358</u>	<u>\$ (1,090,239)</u>
Total School Operating Fund	<u>\$ 101,774,180</u>	<u>\$ 101,711,597</u>	<u>\$ 100,621,358</u>	<u>\$ (1,090,239)</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 4,451,300	\$ 4,244,569	\$ 4,729,515	\$ 484,946
Total Cafeteria Fund	<u>\$ 4,451,300</u>	<u>\$ 4,244,569</u>	<u>\$ 4,729,515</u>	<u>\$ 484,946</u>
Head Start Fund:				
Education:				
Instruction	\$ 2,347,196	\$ 2,737,117	\$ 2,747,332	\$ 10,215
Administration, attendance, and health	518,698	602,464	541,782	(60,682)
Transportation services	84,209	95,129	103,080	7,951
Operations and maintenance services	50,640	38,657	49,389	10,732
Contribution to primary government	-	-	963	963
Total education	<u>\$ 3,000,743</u>	<u>\$ 3,473,367</u>	<u>\$ 3,442,546</u>	<u>\$ (30,821)</u>
Total Head Start Fund	<u>\$ 3,000,743</u>	<u>\$ 3,473,367</u>	<u>\$ 3,442,546</u>	<u>\$ (30,821)</u>

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

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
Governor's School Fund:				
Education:				
Instruction	\$ 1,474,550	\$ 1,470,376	\$ 1,447,278	\$ (23,098)
Operations and maintenance services	121,202	83,700	30,474	(53,226)
Total education	<u>\$ 1,595,752</u>	<u>\$ 1,554,076</u>	<u>\$ 1,477,752</u>	<u>\$ (76,324)</u>
 Total Governor's School Fund	 <u>\$ 1,595,752</u>	 <u>\$ 1,554,076</u>	 <u>\$ 1,477,752</u>	 <u>\$ (76,324)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 110,821,975</u>	 <u>\$ 110,983,609</u>	 <u>\$ 110,271,171</u>	 <u>\$ (712,438)</u>

STATISTICAL SECTION

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COUNTY OF AUGUSTA, VIRGINIA

Statistical Section Table of Contents

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	7 - 10
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	11 - 12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	13 - 14
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	15 - 17

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

COUNTY OF AUGUSTA, VIRGINIA

Net Position/Assets ⁽¹⁾ by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Primary government:				
Governmental activities:				
Net investment in capital assets	\$ 11,932,321	\$ 11,284,834	\$ 13,116,731	\$ 6,505,638
Restricted	1,332,428	1,135,867	1,496,794	1,442,518
Unrestricted	<u>54,562,777</u>	<u>54,560,726</u>	<u>52,255,565</u>	<u>58,132,662</u>
Total primary government, governmental activities net assets	<u>\$ 67,827,526</u>	<u>\$ 66,981,427</u>	<u>\$ 66,869,090</u>	<u>\$ 66,080,818</u>
Total primary government, governmental activities net position				
Component unit: ⁽²⁾				
Component unit - School Board:				
Net investment in capital assets	\$ 63,146,689	\$ 65,374,681	\$ 67,937,017	\$ 70,147,502
Unrestricted (deficit)	<u>(80,333)</u>	<u>(1,220,695)</u>	<u>(1,329,711)</u>	<u>(1,930,375)</u>
Total component unit net assets	<u>\$ 63,066,356</u>	<u>\$ 64,153,986</u>	<u>\$ 66,607,306</u>	<u>\$ 68,217,127</u>
Total component unit net position				
Reporting entity:				
Net investment in capital assets	\$ 75,079,010	\$ 76,659,515	\$ 81,053,748	\$ 76,653,140
Restricted	1,332,428	1,135,867	1,496,794	1,442,518
Unrestricted	<u>54,482,444</u>	<u>53,340,031</u>	<u>50,925,854</u>	<u>56,202,287</u>
Total reporting entity net assets	<u>\$ 130,893,882</u>	<u>\$ 131,135,413</u>	<u>\$ 133,476,396</u>	<u>\$ 134,297,945</u>
Total reporting entity net position				

⁽¹⁾ This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

⁽²⁾ Component unit net position/assets are included in the table due to public schools being significant portions of the County operations. In Virginia, the County issues debt to finance the construction of facilities for the component unit because the component unit does not have borrowing or taxing authority.

⁽³⁾ At June 30, 2014, net position was restated for the implementation of GASB Statement No. 68, which reduced net position by \$13,744,283 for the primary government and \$96,743,465 for the component unit - School Board.

Table 1

June 30,						
2012	2013	2014	2015	2016	2017	
\$ 14,050,950	\$ 6,243,063	\$ 14,785,963	\$ 16,731,529	\$ 14,697,452	\$ (28,355,363)	
1,700,541	1,803,491	4,534,029	3,933,728	26,675,632	8,456,531	
<u>46,866,214</u>	<u>43,862,461</u>	<u>41,015,719</u>	<u>25,271,482</u>	<u>4,559,615</u>	<u>39,611,252</u>	
<u>\$ 62,617,705</u>						
	<u>\$ 51,909,015</u>	<u>\$ 60,335,711</u>	<u>\$ 45,936,739</u>	<u>\$ 45,932,699</u>	<u>\$ 19,712,420</u>	
\$ 73,689,709	\$ 79,495,252	\$ 73,843,782	\$ 75,857,589	\$ 88,522,897	\$ 118,060,129	
<u>(1,771,091)</u>	<u>(2,760,786)</u>	<u>(3,294,961)</u>	<u>(98,567,183)</u>	<u>(96,659,726)</u>	<u>(96,428,666)</u>	
<u>\$ 71,918,618</u>						
	<u>\$ 76,734,466</u>	<u>\$ 70,548,821</u>	<u>\$ (22,709,594)</u>	<u>\$ (8,136,829)</u>	<u>\$ 21,631,463</u>	
\$ 87,740,659	\$ 85,738,315	\$ 88,629,745	\$ 92,589,118	\$ 103,220,349	\$ 89,704,766	
1,700,541	1,803,491	4,534,029	3,933,728	26,675,632	8,456,531	
<u>45,095,123</u>	<u>41,101,675</u>	<u>37,720,758</u>	<u>(73,295,701)</u>	<u>(92,100,111)</u>	<u>(56,817,414)</u>	
<u>\$ 134,536,323</u>						
	<u>\$ 128,643,481</u>	<u>\$ 130,884,532</u>	<u>\$ 23,227,145</u>	<u>\$ 37,795,870</u>	<u>\$ 41,343,883</u>	

(3)

COUNTY OF AUGUSTA, VIRGINIA

Changes in Net Position/Assets ⁽²⁾
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Primary government:				
Expenses:				
Governmental activities:				
General government	\$ 5,509,093	\$ 5,065,770	\$ 4,184,974	\$ 4,692,239
Judicial administration	1,851,046	1,842,573	1,757,348	1,708,402
Public safety	15,262,308	15,832,972	15,364,669	15,980,626
Public works	5,696,530	7,711,226	4,314,949	3,612,340
Health and welfare	12,994,411	11,340,693	13,092,468	12,853,535
Education	42,733,092	39,022,157	37,563,872	39,017,924
Parks, recreation and cultural	3,291,280	3,604,760	3,029,700	3,488,980
Community development	2,213,214	1,944,793	1,777,548	1,575,691
Interest on long-term debt	3,353,767	3,445,502	3,058,358	2,771,393
Total primary government expenses	<u>\$ 92,904,741</u>	<u>\$ 89,810,446</u>	<u>\$ 84,143,886</u>	<u>\$ 85,701,130</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 744,154	\$ 662,395	\$ 570,568	\$ 666,334
Judicial administration	433,807	371,909	299,426	298,686
Public safety	226,257	237,223	405,743	879,276
Public works	1,332,972	1,111,324	1,149,190	987,779
Health and welfare	326,113	361,690	382,719	352,321
Parks, recreation and cultural	654,110	722,807	749,885	722,413
Operating grants and contributions	15,423,055	15,777,283	15,052,450	15,042,625
Capital grants and contributions	2,769,821	3,241,550	197,886	432,880
Total primary government program revenues	<u>\$ 21,910,289</u>	<u>\$ 22,486,181</u>	<u>\$ 18,807,867</u>	<u>\$ 19,382,314</u>
Total primary government net expense ⁽¹⁾	<u>\$ (70,994,452)</u>	<u>\$ (67,324,265)</u>	<u>\$ (65,336,019)</u>	<u>\$ (66,318,816)</u>
General Revenues and Other Changes in Net Position/Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 41,016,853	\$ 43,396,769	\$ 42,723,198	\$ 44,520,421
Local sales and use taxes	5,016,195	4,477,956	4,384,864	4,493,294
Motor vehicle licenses taxes	1,798,392	55,167	-	-
Consumer utility taxes	4,532,958	4,278,675	1,678,592	1,693,984
Business licenses taxes	3,142,260	3,141,510	2,655,872	3,034,935
Restaurant food taxes	2,294,098	2,250,640	2,169,738	2,169,324
Other local taxes	1,871,161	1,656,024	1,638,634	1,594,562
Unrestricted grants and contributions	5,012,362	4,905,684	7,256,687	7,218,860
Unrestricted revenues from use of money and property	2,817,589	1,822,584	883,653	773,458
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	1,948,943	493,157	1,832,444	31,706
Total primary government	<u>\$ 69,450,811</u>	<u>\$ 66,478,166</u>	<u>\$ 65,223,682</u>	<u>\$ 65,530,544</u>
Change in net assets				
Governmental activities	<u>\$ (1,543,641)</u>	<u>\$ (846,099)</u>	<u>\$ (112,337)</u>	<u>\$ (788,272)</u>
Total primary government	<u>\$ (1,543,641)</u>	<u>\$ (846,099)</u>	<u>\$ (112,337)</u>	<u>\$ (788,272)</u>
Change in net position				
Governmental activities				
Total primary government				

Table 2
Page 1

June 30,						
2012	2013	2014	2015	2016	2017	
\$ 5,596,300	\$ 6,214,685	\$ 5,826,866	\$ 5,872,140	\$ 5,499,180	\$ 6,377,127	
1,679,718	1,763,311	1,772,021	1,716,540	1,865,010	1,995,424	
16,383,625	20,223,736	19,778,068	18,716,024	12,567,986	21,392,046	
4,913,232	9,779,172	11,849,900	6,880,503	7,230,620	5,305,146	
13,531,460	13,600,850	14,576,794	14,725,715	14,668,197	16,469,416	
39,414,225	44,657,620	36,151,010	45,818,355	57,310,966	75,383,817	
3,686,421	2,908,027	2,613,593	2,771,476	2,821,846	2,858,721	
1,987,718	3,607,318	2,703,540	2,878,735	1,750,061	1,797,866	
2,506,373	2,575,695	2,314,911	2,137,087	1,869,342	3,246,063	
<u>\$ 89,699,072</u>	<u>\$ 105,330,414</u>	<u>\$ 97,586,703</u>	<u>\$ 101,516,575</u>	<u>\$ 105,583,208</u>	<u>\$ 134,825,626</u>	
\$ 566,517	\$ 612,266	\$ 621,178	\$ 854,701	\$ 647,440	\$ 740,688	
238,266	238,047	218,470	222,118	207,767	232,593	
831,899	1,180,338	1,497,982	1,502,939	1,430,692	1,631,946	
947,668	947,251	1,092,513	1,065,703	1,093,681	1,281,673	
388,108	329,763	153,074	142,772	181,556	158,177	
791,546	816,405	752,909	772,613	843,530	824,567	
15,109,815	16,026,250	17,285,378	16,701,623	16,661,521	18,706,733	
1,319,142	5,723,148	7,429,523	3,084,267	3,994,031	2,296,245	
<u>\$ 20,192,961</u>	<u>\$ 25,873,468</u>	<u>\$ 29,051,027</u>	<u>\$ 24,346,736</u>	<u>\$ 25,060,218</u>	<u>\$ 25,872,622</u>	
<u>\$ (69,506,111)</u>	<u>\$ (79,456,946)</u>	<u>\$ (68,535,676)</u>	<u>\$ (77,169,839)</u>	<u>\$ (80,522,990)</u>	<u>\$ (108,953,004)</u>	
\$ 44,920,894	\$ 46,893,968	\$ 51,900,224	\$ 53,585,755	\$ 56,937,887	\$ 58,296,837	
4,532,643	4,823,327	4,803,575	4,984,203	5,422,965	5,542,113	
-	-	-	-	-	-	
1,684,948	1,714,242	1,724,037	1,749,332	1,781,431	1,786,347	
3,241,549	3,183,170	3,488,169	3,734,050	3,526,206	3,625,435	
2,193,920	2,246,096	2,081,118	2,320,903	2,419,683	2,544,440	
1,557,871	1,629,127	1,853,526	1,856,653	1,964,970	2,106,591	
7,152,277	7,373,603	7,578,602	7,446,327	7,510,753	7,497,164	
594,536	509,635	537,628	567,927	634,230	592,384	
-	375,088	-	-	-	285,000	
164,360	-	818,655	270,000	320,825	456,414	
<u>\$ 66,042,998</u>	<u>\$ 68,748,256</u>	<u>\$ 74,785,534</u>	<u>\$ 76,515,150</u>	<u>\$ 80,518,950</u>	<u>\$ 82,732,725</u>	
<u>\$ (3,463,113)</u>						
<u>\$ (3,463,113)</u>						
	<u>\$ (10,708,690)</u>	<u>\$ 6,249,858</u>	<u>\$ (654,689)</u>	<u>\$ (4,040)</u>	<u>\$ (26,220,279)</u>	
	<u>\$ (10,708,690)</u>	<u>\$ 6,249,858</u>	<u>\$ (654,689)</u>	<u>\$ (4,040)</u>	<u>\$ (26,220,279)</u>	

COUNTY OF AUGUSTA, VIRGINIA

Changes in Net Position/Assets ⁽²⁾
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Component unit: ⁽³⁾				
Expenses:				
School Board	\$ 105,239,965	\$ 111,389,217	\$ 106,765,743	\$ 101,812,342
Total component unit expenses	<u>\$ 105,239,965</u>	<u>\$ 111,389,217</u>	<u>\$ 106,765,743</u>	<u>\$ 101,812,342</u>
Program revenues:				
Charges for services	\$ 3,987,435	\$ 4,309,758	\$ 3,969,259	\$ 3,903,726
Operating grants and contributions	66,916,249	70,181,095	67,489,090	62,292,979
Capital grants and contributions	797,446	578,532	813,450	-
Total component unit program revenues	<u>\$ 71,701,130</u>	<u>\$ 75,069,385</u>	<u>\$ 72,271,799</u>	<u>\$ 66,196,705</u>
 Total component unit net expense ⁽¹⁾	 <u>\$ (33,538,835)</u>	 <u>\$ (36,319,832)</u>	 <u>\$ (34,493,944)</u>	 <u>\$ (35,615,637)</u>
General revenues and other changes in net position/assets				
Unrestricted grants and contributions	\$ 41,033,071	\$ 36,381,838	\$ 35,963,285	\$ 36,461,858
Unrestricted revenues from use of money and property	115,541	77,666	50,872	52,957
Miscellaneous	1,171,091	947,958	933,107	710,643
Total component unit	<u>\$ 42,319,703</u>	<u>\$ 37,407,462</u>	<u>\$ 36,947,264</u>	<u>\$ 37,225,458</u>
Change in net assets				
Total component unit	<u>\$ 8,780,868</u>	<u>\$ 1,087,630</u>	<u>\$ 2,453,320</u>	<u>\$ 1,609,821</u>
Change in net position				
Total component unit				
Total reporting entity change in net assets	<u><u>\$ 7,237,227</u></u>	<u><u>\$ 241,531</u></u>	<u><u>\$ 2,340,983</u></u>	<u><u>\$ 821,549</u></u>
Total reporting entity change in net position				

⁽¹⁾ Net (expense) revenues is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses

⁽²⁾ This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

⁽³⁾ The component unit, School Board, was included in this table due to their significance to the County.

June 30,					
2012	2013	2014	2015	2016	2017
\$ 99,494,039	\$ 101,705,922	\$ 110,663,364	\$ 106,500,888	\$ 96,031,665	\$ 83,895,486
\$ 99,494,039	\$ 101,705,922	\$ 110,663,364	\$ 106,500,888	\$ 96,031,665	\$ 83,895,486
\$ 3,625,413	\$ 4,216,248	\$ 3,272,742	\$ 3,257,108	\$ 3,367,635	\$ 3,116,679
62,352,796	63,796,761	60,559,006	63,399,705	64,139,916	66,074,497
-	-	-	449,479	46,509	-
\$ 65,978,209	\$ 68,013,009	\$ 63,831,748	\$ 67,106,292	\$ 67,554,060	\$ 69,191,176
\$ (33,515,830)	\$ (33,692,913)	\$ (46,831,616)	\$ (39,394,596)	\$ (28,477,605)	\$ (14,704,310)
\$ 36,339,862	\$ 38,164,900	\$ 40,795,739	\$ 41,844,914	\$ 42,430,723	\$ 43,347,751
45,453	43,931	35,294	34,841	54,183	55,715
832,006	299,927	607,376	999,891	565,464	1,069,136
\$ 37,217,321	\$ 38,508,758	\$ 41,438,409	\$ 42,879,646	\$ 43,050,370	\$ 44,472,602
\$ 3,701,491					
	\$ 4,815,845	\$ (5,393,207)	\$ 3,485,050	\$ 14,572,765	\$ 29,768,292
\$ 238,378					
	\$ (5,892,845)	\$ 856,651	\$ 2,830,361	\$ 14,568,725	\$ 3,548,013

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax ⁽¹⁾	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
2017	\$ 58,296,837	\$ 5,542,113	\$ 1,786,347	\$ -	\$ 3,625,435	2,544,440	\$ 2,106,591	\$ 73,901,763
2016	56,937,887	5,422,965	1,781,431	-	3,526,206	2,419,683	1,964,970	72,053,142
2015	53,585,755	4,984,203	1,749,332	-	3,734,050	2,320,903	1,856,653	68,230,896
2014	51,900,224	4,803,575	1,724,037	-	3,488,169	2,081,118	1,853,526	65,850,649
2013	46,893,968	4,823,327	1,714,242	-	3,183,170	2,246,096	1,629,127	60,489,930
2012	44,920,894	4,532,643	1,684,948	-	3,241,549	2,193,920	1,557,871	58,131,825
2011	44,520,421	4,493,294	1,693,984	-	3,034,935	2,169,324	1,594,562	57,506,520
2010	42,723,198	4,384,864	1,678,592	-	2,655,872	2,169,738	1,638,634	55,250,898
2009	43,396,769	4,477,956	4,278,675	55,167	3,141,510	2,250,640	1,656,024	59,256,741
2008	41,016,853	5,016,195	4,532,958	1,798,392	3,142,260	2,294,098	1,871,161	59,671,917

⁽¹⁾ In Fiscal Year 2009 Motor Vehicle License Tax was eliminated. To compensate for the decal elimination, the Personal Property Tax rate for vehicles was increased.

⁽²⁾ In Fiscal Year 2010 Consumer Utility Tax was reduced by the amount of State Communication Taxes received. This amount is now presented as part of Revenue from the Commonwealth, Noncategorical Aid.

COUNTY OF AUGUSTA, VIRGINIA

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

	Fiscal Year			
	2008	2009	2010	2011 ⁽¹⁾
General Fund				
Reserved	\$ 1,332,428	\$ 1,135,867	\$ 1,631,079	\$ -
Unreserved	17,289,242	13,363,450	12,201,976	-
Nonspendable	-	-	-	5,000
Restricted	-	-	-	1,442,518
Committed	-	-	-	645,660
Assigned	-	-	-	631,426
Unassigned	-	-	-	13,416,628
Total General Fund	<u>\$ 18,621,670</u>	<u>\$ 14,499,317</u>	<u>\$ 13,833,055</u>	<u>\$ 16,141,232</u>
All other governmental funds				
Reserved	\$ 34,894,572	\$ 35,887,286	\$ 35,477,239	\$ -
Unreserved, reported in:				
Capital projects funds	581,874	650,341	644,894	-
Debt services funds	(500)	(500)	-	-
Restricted	-	-	-	6,572,262
Committed	-	-	-	10,250,894
Assigned	-	-	-	20,820,221
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 35,475,946</u>	<u>\$ 36,537,127</u>	<u>\$ 36,122,133</u>	<u>\$ 37,643,377</u>
Total fund balances	<u><u>\$ 54,097,616</u></u>	<u><u>\$ 51,036,444</u></u>	<u><u>\$ 49,955,188</u></u>	<u><u>\$ 53,784,609</u></u>

⁽¹⁾ Effective in Fiscal Year 2011, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, changed the reporting requirements of fund balance. The new requirements are shown beginning with Fiscal Year 2011.

Table 4

June 30,						
2012	2013	2014	2015	2016	2017	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
143,157	91,255	41,721	154,477	106,493	93,961	
1,700,541	1,803,492	2,006,339	2,352,414	2,659,784	2,966,538	
407,722	747,920	691,504	1,116,221	1,249,070	1,171,649	
199,905	203,579	206,303	221,784	234,072	253,977	
<u>11,940,495</u>	<u>12,319,579</u>	<u>11,986,399</u>	<u>12,001,256</u>	<u>12,439,272</u>	<u>13,658,436</u>	
\$ <u>14,391,820</u>	\$ <u>15,165,825</u>	\$ <u>14,932,266</u>	\$ <u>15,846,152</u>	\$ <u>16,688,691</u>	\$ <u>18,144,561</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,374,308	4,929,034	2,244,271	455,329	19,457,305	5,489,993	
8,134,044	5,294,761	3,304,648	1,148,900	2,645,897	-	
22,294,342	21,750,133	24,831,423	25,357,733	25,219,223	27,326,844	
-	-	-	(318,771)	(757,966)	(397,747)	
\$ <u>35,802,694</u>	\$ <u>31,973,928</u>	\$ <u>30,380,342</u>	\$ <u>26,643,191</u>	\$ <u>46,564,459</u>	\$ <u>32,419,090</u>	
\$ <u>50,194,514</u>	\$ <u>47,139,753</u>	\$ <u>45,312,608</u>	\$ <u>42,489,343</u>	\$ <u>63,253,150</u>	\$ <u>50,563,651</u>	

COUNTY OF AUGUSTA, VIRGINIA

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
General property taxes	\$ 40,856,658	\$ 42,760,266	\$ 42,548,270	\$ 43,846,031
Other local taxes	18,655,064	15,859,972	15,144,841	15,590,286
Permits, privilege fees and regulatory licenses	697,717	590,168	503,698	570,514
Fines and forfeitures	195,626	206,887	237,312	268,311
Revenue from use of money and property	2,766,852	1,792,056	876,207	771,283
Charges for services	2,824,070	2,670,293	2,816,521	3,067,984
Miscellaneous	1,930,812	437,853	346,108	418,728
Recovered costs	848,945	841,161	952,433	1,138,069
Intergovernmental:				
Commonwealth	17,115,948	17,557,521	12,703,348	14,269,074
Federal	6,089,290	6,366,997	7,186,534	5,665,700
Total revenues	<u>\$ 91,980,982</u>	<u>\$ 89,083,174</u>	<u>\$ 83,315,272</u>	<u>\$ 85,605,980</u>
Expenditures				
General government administration	\$ 4,227,869	\$ 4,036,220	\$ 3,343,925	\$ 3,616,106
Judicial administration	1,885,147	1,789,570	1,699,758	1,684,155
Public safety	14,790,155	14,791,170	14,011,363	14,505,659
Public works	3,144,129	3,624,473	3,070,550	3,172,573
Health and welfare	13,686,090	14,605,119	13,843,889	13,822,278
Education	31,763,370	31,884,595	31,615,617	32,297,967
Parks, recreation and cultural	2,678,852	2,718,695	2,534,024	2,527,128
Community development	1,597,917	1,568,318	1,425,210	1,371,828
Nondepartmental	145,381	152,874	127,533	164,005
Capital projects	17,424,291	7,868,417	4,092,663	7,853,227
Debt service:				
Principal	4,921,853	5,400,528	5,332,496	5,327,893
Interest and other fiscal charges	3,446,208	3,704,367	3,299,500	3,019,293
Total expenditures	<u>\$ 99,711,262</u>	<u>\$ 92,144,346</u>	<u>\$ 84,396,528</u>	<u>\$ 89,362,112</u>
Deficiency of revenues under expenditures	<u>\$ (7,730,280)</u>	<u>\$ (3,061,172)</u>	<u>\$ (1,081,256)</u>	<u>\$ (3,756,132)</u>
Other financing sources (uses):				
Sale of land	\$ -	\$ -	\$ -	\$ -
Transfers in	20,031,363	16,999,833	15,170,842	13,694,038
Transfers out	(20,031,363)	(16,999,833)	(15,170,842)	(13,608,485)
Bonds issued	12,729,426	-	-	7,500,000
Premium on bonds issued	686,698	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources, net	<u>\$ 13,416,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,585,553</u>
Net change in fund balances	<u>\$ 5,685,844</u>	<u>\$ (3,061,172)</u>	<u>\$ (1,081,256)</u>	<u>\$ 3,829,421</u>
Debt service as a percentage of noncapital expenditures	<u>9.24%</u>	<u>10.16%</u>	<u>10.83%</u>	<u>9.73%</u>

Table 5

June 30,						
	2012	2013	2014	2015	2016	2017
\$	44,460,692	\$ 47,584,001	\$ 51,399,020	\$ 52,963,125	\$ 56,207,747	\$ 58,114,396
	15,787,363	16,174,522	13,976,359	14,671,097	15,140,297	15,613,974
	487,988	526,622	524,896	764,794	568,023	645,578
	209,963	239,453	208,086	206,125	149,052	214,784
	609,792	544,808	549,465	594,562	677,776	719,415
	3,066,053	3,357,995	3,603,144	3,589,927	3,644,104	4,009,282
	322,129	542,617	756,329	432,789	813,309	1,624,932
	1,267,077	1,476,825	1,489,783	2,430,905	2,493,669	2,433,649
	15,076,076	18,182,170	23,726,548	19,888,254	18,484,319	19,110,574
	5,870,864	8,265,021	8,035,610	7,128,583	9,164,401	8,084,971
\$	<u>87,157,997</u>	<u>\$ 96,894,034</u>	<u>\$ 104,269,240</u>	<u>\$ 102,670,161</u>	<u>\$ 107,342,697</u>	<u>\$ 110,571,555</u>
\$	4,075,387	\$ 4,625,805	\$ 4,342,595	\$ 4,673,312	\$ 4,638,398	\$ 5,075,701
	1,685,862	1,782,776	1,762,176	1,839,987	1,910,072	2,030,508
	15,098,509	17,314,645	18,043,770	18,173,128	19,178,655	20,393,454
	3,159,713	3,301,565	3,356,040	3,465,517	3,467,975	3,686,463
	14,531,194	14,728,109	15,703,648	16,389,266	16,378,953	17,863,715
	31,821,633	33,822,914	36,443,632	37,852,654	38,511,372	40,078,627
	2,684,847	2,637,783	2,585,384	2,685,441	2,798,340	2,834,341
	1,374,221	1,428,431	1,446,741	1,447,545	1,555,969	1,808,146
	222,620	204,272	137,489	144,535	169,899	209,231
	15,232,499	18,408,583	14,236,573	13,012,823	19,974,595	37,433,314
	5,802,775	5,739,880	5,874,929	5,554,182	5,766,351	4,909,556
	2,740,438	2,573,576	2,671,273	2,440,691	2,232,757	2,755,287
\$	<u>98,429,698</u>	<u>\$ 106,568,339</u>	<u>\$ 106,604,250</u>	<u>\$ 107,679,081</u>	<u>\$ 116,583,336</u>	<u>\$ 139,078,343</u>
\$	<u>(11,271,701)</u>	<u>\$ (9,674,305)</u>	<u>\$ (2,335,010)</u>	<u>\$ (5,008,920)</u>	<u>\$ (9,240,639)</u>	<u>\$ (28,506,788)</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 285,000
	16,250,701	13,458,170	16,621,651	17,538,558	20,160,743	15,898,012
	(16,250,701)	(13,458,170)	(16,621,651)	(17,538,558)	(20,160,743)	(15,898,012)
	6,600,000	5,526,185	691,882	2,185,655	27,622,785	14,285,000
	966,694	718,271	-	-	2,381,661	1,247,289
	-	375,088	-	-	-	-
\$	<u>7,566,694</u>	<u>\$ 6,619,544</u>	<u>\$ 691,882</u>	<u>\$ 2,185,655</u>	<u>\$ 30,004,446</u>	<u>\$ 15,817,289</u>
\$	<u>(3,705,007)</u>	<u>\$ (3,054,761)</u>	<u>\$ (1,643,128)</u>	<u>\$ (2,823,265)</u>	<u>\$ 20,763,807</u>	<u>\$ (12,689,499)</u>
	<u>9.70%</u>	<u>8.00%</u>	<u>8.24%</u>	<u>7.68%</u>	<u>6.99%</u>	<u>5.69%</u>

COUNTY OF AUGUSTA, VIRGINIA

Table 6

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax ⁽²⁾	Motor Vehicle License Tax ⁽¹⁾	Business License Tax	Restaurant Food Tax	Other Local Tax	Total
2017	\$ 58,114,396	\$ 5,542,113	\$ 1,786,347	\$ -	\$ 3,625,435	\$ 2,544,440	\$ 2,106,591	\$ 73,719,322
2016	56,207,747	5,422,965	1,781,431	-	3,526,206	2,444,725	1,964,970	71,348,044
2015	52,963,125	4,984,203	1,749,332	-	3,734,050	2,320,903	1,856,653	67,608,266
2014	51,399,030	4,803,575	1,724,037	-	3,488,169	2,081,118	1,853,526	65,349,455
2013	47,584,001	4,823,327	1,714,242	-	3,183,170	2,246,096	1,629,127	61,179,963
2012	44,460,692	4,532,643	1,684,948	-	3,241,549	2,193,920	1,557,871	57,671,623
2011	43,846,031	4,493,294	1,693,984	-	3,034,935	2,169,324	1,594,562	56,832,130
2010	42,548,270	4,384,864	1,678,592	-	2,655,872	2,169,738	1,638,634	55,075,970
2009	42,760,266	4,477,956	4,278,675	55,167	3,141,510	2,250,640	1,656,024	58,620,238
2008	40,856,658	5,016,195	4,532,958	1,798,392	3,142,260	2,294,098	1,871,161	59,511,722

⁽¹⁾ In Fiscal Year 2009 Motor Vehicle License Tax was eliminated. To compensate for the decal elimination, the Personal Property Tax rate for vehicles was increased.

⁽²⁾ In Fiscal Year 2010 Consumer Utility Tax was reduced by the amount of State Communication Taxes received. This amount is now presented as part of Revenue from the Commonwealth, Noncategorical Aid.

Property Tax Rates ⁽¹⁾
 Last Ten Calendar Years

Calendar Years	Property Tax Rates						Total Direct Rate
	Real Estate	Personal Property ⁽²⁾		Mobile Homes	Machinery and Tools		
		Vehicle	Other				
2017	\$ 0.58	\$ 2.50	\$ 2.00	\$ 0.58	\$ 2.00	\$	0.76
2016	0.58	2.50	2.00	0.58	2.00		0.76
2015	0.58	2.50	2.00	0.58	2.00		0.74
2014	0.56	2.50	1.90	0.56	1.90		0.70
2013	0.51	2.50	1.90	0.51	1.90		0.67
2012	0.48	2.25	1.90	0.48	1.90		0.63
2011	0.48	2.25	1.90	0.48	1.90		0.63
2010	0.48	2.25	1.90	0.48	1.90		0.63
2009	0.48	2.25	1.90	0.48	1.90		0.70
2008	0.58	1.90	1.90	0.58	1.90		0.73

⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Personal Property includes:

Vehicle - auto, motorcycle, campers, boats, airplanes, trailers

Other - business personal property, large trucks and trailers

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Business Type	Fiscal Year 2017			Fiscal Year 2008		
		2016 Assessed Valuation	Rank	% of Total Assessed Valuation	2007 Assessed Valuation	Rank	% of Total Assessed Valuation
Virginia Power	Public Utility	\$ 306,302,100	1	3.83%	\$ 71,042,330	2	1.18%
Hershey Foods Corporation	Food Manufacturer	111,063,170	2	1.39%	86,900,730	1	1.45%
McKee Baking Company	Food Manufacturer	69,275,240	3	0.87%	67,533,410	3	1.12%
Shenandoah Valley Electric	Public Utility	57,627,430	4	0.72%	33,215,870	5	0.55%
Target Corporation	Distribution Center	45,423,500	5	0.57%	43,933,770	4	0.73%
Hollister, Inc	Medical Supplies Mfg.	28,732,160	6	0.36%	13,246,680	8	0.22%
MeadWestvaco ⁽¹⁾	Paper Mfg. Warehouse	26,485,300	7	0.33%	-	-	-
Daikin	Industrial Air Cond. Equip.	25,079,960	8	0.31%	12,896,880	9	0.21%
Shamrock Foods Company ⁽²⁾	Food Manufacturer	23,902,220	9	0.30%	-	-	-
Denstock Goose Creek, LLC ⁽²⁾	Real Estate Mgmt Service	21,762,300	10	0.27%	-	-	-
Verizon	Public Utility	-	-	-	19,053,071	6	0.32%
Colonial Realty	Real Estate	-	-	-	16,509,800	7	0.27%
Nibco, Inc.	Copper Pipe Fittings	-	-	-	12,211,621	10	0.20%
		<u>\$ 715,653,380</u>		<u>8.95%</u>	<u>\$ 376,544,162</u>		<u>6.25%</u>

Source: Commissioner of Revenue

⁽¹⁾ New principal taxpayer in Fiscal Year 2009.

⁽²⁾ New principal taxpayer in Fiscal Year 2016

Property Tax Levies and Collections
Last Ten Calendar Years

Calendar Year	Total Tax Levy for the Calendar Year	Collected within the Calendar Year of the Levy ⁽¹⁾		Collections in Subsequent Calendar Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017 ⁽²⁾	\$ 39,566,310	\$ 19,149,256	48.40%	\$ -	\$ 19,149,256	48.40%
2016	39,237,356	18,855,700	48.06%	-	18,855,700	48.06%
2015	54,137,817	52,062,743	96.17%	- ⁽³⁾	52,062,743	96.17%
2014	50,824,584	49,510,805	97.42%	735,609	50,246,414	98.86%
2013	47,830,373	46,083,456	96.35%	819,270	46,902,726	98.06%
2012	44,774,638	43,464,667	97.07%	957,511	44,422,178	99.21%
2011	43,112,259	41,527,999	96.33%	1,035,280	42,563,279	98.73%
2010	42,384,976	41,069,985	96.90%	1,040,333	42,110,318	99.35%
2009	42,508,211	41,069,985	96.62%	990,614	42,060,599	98.95%
2008	42,260,206	40,234,384	95.21%	821,183	41,055,567	97.15%

Source: Commissioner of Revenue, County Treasurer's office

⁽¹⁾ Includes PPTRA collections from the Commonwealth of Virginia.

⁽²⁾ Taxes levied for the current calendar year include real estate taxes only; which are levied in May and due 50% in June and 50% in December. Personal property taxes are levied by September.

⁽³⁾ The calendar year levy is not considered delinquent and a subsequent year collection until July 1 of the following fiscal year.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Other Notes/ Bonds			
2017	\$ 86,828,357	\$ 7,597,052	\$ 94,425,409	3.15%	\$ 1,259
2016	75,885,169	8,163,572	84,048,741	2.93%	1,131
2015	51,139,403	8,715,094	59,854,497	2.09%	805
2014	56,548,128	6,890,001	63,438,129	2.23%	859
2013	62,543,941	6,244,457	68,788,398	2.47%	931
2012	68,402,704	-	68,402,704	2.51%	929
2011	66,757,671	-	66,757,671	2.59%	908
2010	64,704,450	-	64,704,450	2.63%	877
2009	70,155,832	-	70,155,832	2.93%	974
2008	75,680,807	-	75,680,807	3.13%	1,057

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the Schedule of Demographic and Economic Statistics - Table 13

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

Fiscal Year	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value ⁽²⁾	Net Bonded Debt per Capita ⁽¹⁾
2017	\$ 86,828,357	1.06%	\$ 1,158
2016	75,885,169	0.95%	1,021
2015	51,139,403	0.66%	688
2014	56,548,128	0.72%	766
2013	62,543,941	0.81%	846
2012	68,402,704	0.90%	929
2011	66,757,671	0.88%	908
2010	64,704,450	0.87%	877
2009	70,155,832	1.03%	974
2008	75,680,807	1.24%	1,057

⁽¹⁾ Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2017	74,997	\$ 40,000	53.34%	45-49	9,968	3.60%
2016	74,997	40,000	53.34%	50-54	10,106	3.50%
2015	74,314	40,000	53.83%	50-54	10,162	4.70%
2014	73,862	38,306	51.86%	50-54	10,325	4.70%
2013	73,912	36,764	49.74%	50-54	10,415	5.30%
2012	73,658	37,053	50.30%	50-54	10,405	5.90%
2011	73,549	35,021	47.62%	50-54	10,457	6.20%
2010	73,750	33,380	45.26%	45-49	10,515	6.60%
2009	72,020	33,271	46.20%	45-49	10,688	6.60%
2008	71,586	33,776	47.18%	45-49	10,716	3.60%

Source: Weldon Cooper Center, Virginia Employment Commission, Labor Market Information, and Annual School Report - prepared by the county

Data that is unavailable for a more recent year is noted as the prior year's amount.

COUNTY OF AUGUSTA, VIRGINIA

Table 14

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Augusta County School Board	1000+	1	4.07%	1000+	2	3.96%
Augusta Medical Center	1000+	2	4.07%	1000+	1	3.96%
McKee Foods Corporation	500-999	3	0.20%	500-999	3	3.96%
Hershey Chocolate of Virginia	500-999	4	2.04%	500-999	4	1.98%
Target Corp.	500-999	5	2.04%	500-999	5	1.98%
Hollister, Inc.	500-999	6	2.04%	250-499	7	0.99%
AAF McQuay, Inc.	250-499	7	2.04%	500-999	6	0.99%
County of Augusta	250-499	8	1.02%	250-499	10	0.99%
J.B. Hunt Transport	250-499	9	1.02%	-	-	-
Blue Ridge Community College	250-499	10	1.02%	250-499	9	0.99%
Augusta Correctional Center	-	-	-	250-499	8	0.99%
Totals-average	<u>7,875</u>		<u>19.56%</u>	<u>7,875</u>		<u>20.79%</u>
Total County Employment	<u>36,855</u>			<u>37,888</u>		

Source: Virginia Employment Commission, Labor Market Information (LMI)

COUNTY OF AUGUSTA, VIRGINIA

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

Function	Fiscal Year			
	2008	2009	2010	2011
General government	52	50	46	46
Judicial administration	22	26	26	26
Public safety				
Sheriffs department	81	76	74	74
Emergency communication center	20	19	18	19
Fire & rescue	44	48	47	51
Building inspections	9	7	7	6
Animal control	3	3	3	3
Public works				
General maintenance	18	18	17	17
Health and welfare				
Department of social services	120	121	129	129
Culture and recreation				
Parks and recreation	11	10	11	11
Library	16	17	15	15
Community development	13	12	12	12
Economic development	-	-	1	1
Totals	409	407	406	410

Source: Individual county departments

Table 15

June 30,						
2012	2013	2014	2015	2016	2017	
46	47	46	47	50	50	
26	23	23	23	26	27	
74	74	76	80	76	78	
19	18	18	18	18	18	
59	80	80	86	105	105	
6	6	6	6	6	6	
3	3	3	3	3	3	
17	17	17	19	27	31	
129	121	123	132	134	144	
10	10	10	11	10	10	
15	15	15	15	16	16	
12	10	10	10	11	11	
1	1	2	2	2	2	
<u>417</u>	<u>425</u>	<u>429</u>	<u>452</u>	<u>484</u>	<u>501</u>	

COUNTY OF AUGUSTA, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
Public safety				
Sheriffs department:				
Number of police personnel and officers	81	76	76	74
Physical arrests	3,692	3,421	2,203	1,935
Traffic violations	6,434	6,656	6,124	5,608
Parking violations	-	-	-	-
Fire and rescue:				
Number of calls answered	19,401	17,508	18,065	17,800
Number of volunteers ⁽¹⁾	1,001	1,003	1,006	802
Number of paid fire personnel and officers	43	48	47	51
Building inspections:				
Permits issued	1,117	868	791	763
Animal control:				
Number of calls answered	3,866	3,948	3,218	2,858
Public works				
General maintenance:				
Trucks/vehicles	7	7	7	7
Health and welfare				
Department of Social Services:				
Caseload	9,034	9,889	11,053	12,148
Culture and recreation				
Parks and recreation:				
After-school program participants	377	349	324	300
Community development				
Planning:				
Zoning permits issued	598	565	494	565
Component Unit - School Board				
Education:				
Number of teachers:				
Instruction	1,140	1,147	1,155	1,136
Other	478	483	485	481
Total	1,618	1,630	1,640	1,617
Average Daily Membership	10,716	10,688	10,515	10,457
Local expenditures per pupil ⁽²⁾	\$ 3,745	\$ 3,835	\$ 3,828	\$ 3,887

Source: Individual county departments

⁽¹⁾ All County funded stations

⁽²⁾ Includes debt service

Table 16

June 30,					
2012	2013	2014	2015	2016	2017
74	74	76	80	73	80
1,608	1,642	1,865	1,876	1,907	2,383
4,079	3,367	3,928	3,444	2,419	5,045
-	-	28	9	6	6
18,093	18,884	17,949	17,645	17,866	18,338
884	890	964	921	858	813
59	80	81	86	86	105
780	728	801	812	826	N/A
2,884	3,272	2,940	2,961	2,781	N/A
7	7	7	7	7	7
12,153	12,389	12,050	11,555	11,420	11,514
291	304	289	284	285	279
525	487	471	509	521	N/A
1,111	1,105	1,088	1,079	1,071	1,079
467	474	478	476	485	513
1,578	1,579	1,566	1,555	1,555	1,592
10,405	10,415	10,325	10,162	10,106	9,968
\$ 3,879	\$ 4,046	\$ 4,357	\$ 4,459	\$ 4,530	\$ 4,640

COUNTY OF AUGUSTA, VIRGINIA

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
General government				
Administration buildings	17	17	17	17
Vehicles	5	5	5	5
Public safety				
Sheriffs department:				
Number of stations	3	3	1	1
Patrol units	79	71	71	71
Other vehicles	10	10	9	11
Fire and rescue:				
Number of fire & rescue stations	16	16	16	17
Number of apparatus	169	172	177	166
Building inspections:				
Vehicles	6	6	5	5
Animal control:				
Vehicles	3	3	3	3
Mobile Command Units	1	1	1	1
Public works				
General maintenance:				
Trucks/vehicles	7	7	7	7
Compactor sites	10	10	10	10
Health and welfare				
Department of Social Services:				
Vehicles	24	26	27	27
Culture and recreation				
Parks and recreation:				
Community centers	6	6	6	6
Vehicles	8	8	13	13
Parks	4	4	5	5
Parks acreage	115	115	210	210
Swimming pools	1	1	2	2
Tennis courts ⁽¹⁾	18	18	18	18
Library:				
Vehicles	2	1	1	1
Community development				
Planning:				
Vehicles	7	7	4	4
Economic development:				
Vehicles	-	-	-	-
Component Unit - School Board				
Education:				
Number of schools:				
Elementary	12	12	12	12
Middle	4	4	4	4
High	5	5	5	5

Source: Individual county departments

⁽¹⁾ At high and middle schools.

Table 17

June 30,						
2012	2013	2014	2015	2016	2017	
17	17	17	17	17	17	17
5	5	5	5	5	5	5
1	1	1	1	1	1	1
71	72	75	75	74	75	75
11	17	14	13	15	10	10
17	17	17	17	17	17	17
155	159	169	169	170	176	176
4	3	4	4	4	4	4
3	3	3	3	3	3	3
1	1	1	1	1	1	1
7	7	7	7	7	7	7
10	10	10	10	10	10	10
27	28	28	28	29	28	28
6	6	6	6	6	6	6
14	15	15	14	12	12	12
5	5	5	5	5	5	5
210	210	210	210	210	210	210
2	2	2	2	2	2	2
18	18	18	18	18	18	18
1	1	1	1	1	1	1
4	4	4	4	4	4	4
-	-	1	1	1	1	1
12	12	11	11	11	11	11
4	4	4	4	4	4	4
5	5	5	5	5	5	5

COMPLIANCE SECTION

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

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture:				
Pass-Through Payments:				
Department of Agriculture:				
Child Nutrition Cluster:				
Commodity Distributions	10.555	Not Provided	\$ -	\$ 340,282
Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Not Provided	-	806,553
National School Lunch Program	10.555	Not Provided	-	1,893,921
Total Child Nutrition Cluster				<u>3,040,756</u>
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	Not Provided	-	34,054
Total Forest Service Schools and Roads Cluster				<u>34,054</u>
Department of Social Services:				
SNAP Cluster:				
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Provided	-	1,176,117
Total SNAP Cluster				<u>1,176,117</u>
Total Department of Agriculture - pass-through payments				<u>4,250,927</u>
Total Department of Agriculture				<u>4,250,927</u>
Department of the Interior:				
Direct payments:				
Bureau of Land Management:				
Payments in Lieu of Taxes	15.226	N/A	-	<u>373,380</u>
Department of Justice:				
Direct payments:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0501	-	<u>11,780</u>
Total Department of Justice - direct payments				<u>11,780</u>
Department of Justice:				
Pass-Through Payments:				
Department of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	16-L4704VA15	-	6,948
Violence Against Women Formula Grants	16.588	17-M4704VA16	-	9,040
Violence Against Women Formula Grants	16.588	16-R3161VA15	-	17,695
Violence Against Women Formula Grants	16.588	17-S3161VA16	-	13,637
Total Department of Justice - pass-through payments				<u>47,320</u>
Total Department of Justice				<u>59,100</u>
Department of Transportation:				
Pass-Through Payments:				
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	154AL-2016-56023-6223	-	10,037
Alcohol Open Container Requirements	20.607	154AL-2017-57080-6729	-	27,469
Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	EN08-007-123	-	44,827
Total Highway Planning and Construction Cluster				<u>44,827</u>
Total Department of Transportation - pass-through payments				<u>82,333</u>
Environmental Protection Agency:				
Pass-Through Payments:				
Department of Environmental Quality:				
DEQ Royalty Grants	66.U01	Not Provided	-	11
Total Department of Environmental Quality - pass-through payments				<u>11</u>

See Notes to Schedule of Expenditures of Federal Awards

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

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Education:				
Pass-Through Payments:				
Department of Education:				
Title I: Grants to Local Educational Agencies	84.010	Not Provided	\$ -	\$ 1,349,028
Special Education Cluster:				
Special Education - Grants to States	84.027	Not Provided	-	2,214,720
Special Education - Preschool Grants	84.173	Not Provided	-	61,708
Total Special Education Cluster				<u>2,276,428</u>
Career and Technology Education: Basic Grants to States	84.048	Not Provided	-	127,541
English Language Acquisition State Grants	84.365	Not Provided	-	35,962
Special Education - Grants for Infants and Families	84.181	Not Provided	-	75,728
Supporting Effective Instruction State Grant	84.367	Not Provided	-	267,371
Advanced Placement Program	84.330	Not Provided	-	1,064
Total Department of Education pass-through payments				<u>4,133,122</u>
Department of Health and Human Services:				
Direct Payments:				
Head Start	93.600	N/A	-	3,432,026
Total Dept. Health & Human Services - direct payments				<u>3,432,026</u>
Pass-Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	Not Provided	-	26,337
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	Not Provided	-	1,135,789
TANF Cluster Total				<u>1,135,789</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	Not Provided	-	4,844
Low Income Home Energy Assistance	93.568	Not Provided	-	110,566
Child Care and Development Cluster:				
Child Care and Development Block Grant	93.575	Not Provided	-	(3,782)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Provided	-	148,216
Child Care and Development Cluster Total				<u>144,434</u>
Chafee Education and Training Vouchers Program (ETV)	93.599	Not Provided	-	14,348
Adoption and Legal Guardianship Incentive Payments	93.603	Not Provided	-	4,999
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Provided	-	1,062
Foster Care - Title IV-E	93.658	Not Provided	-	765,524
Adoption Assistance	93.659	Not Provided	-	648,600
Social Services Block Grant	93.667	Not Provided	-	806,448
Chafee Foster Care Independence Program	93.674	Not Provided	-	14,615
Children's Health Insurance Program	93.767	Not Provided	-	51,326
Medicaid Cluster:				
Medical Assistance Program (Title XIX)	93.778	Not Provided	-	1,549,294
Medicaid Cluster Total				<u>1,549,294</u>
Total Dept. Health & Human Services - pass-through payments				<u>5,278,186</u>
Total Department Health and Human Services				<u>8,710,212</u>
U.S. Department of Homeland Security:				
Pass-Through Payments:				
Department of Emergency Management:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2014-FH-00225	-	1,029,792
Emergency Management Performance Grant	97.042	2015 EMPG	-	14,882
Total Department of Homeland Security - pass-through payments				<u>1,044,674</u>
Total Expenditures of Federal Awards				<u>\$ 18,653,759</u>

See Notes to Schedule of Expenditures of Federal Awards

COUNTY OF AUGUSTA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Note 1—Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Augusta, Virginia and Component Unit School Board (County) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of 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, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

Note 2—Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Note 3—Indirect Cost Rate:

The County has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4—Food Distribution:

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



**INDEPENDENT AUDITOR'S 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 Augusta, Virginia

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Augusta, Virginia (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

School Board's Response to Finding

The School Board's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

P. B. Marcus, CPA

Harrisonburg, Virginia
November 27, 2017



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Augusta, Virginia’s (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2017. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Board did not comply with the requirement regarding CFDA Number 84.027 and CFDA Number 84.173, Special Education Cluster, as described in finding number 2017-002 for Allowable Costs. Compliance with this requirement is necessary, in our opinion, for the School Board to meet the requirements applicable to this program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Number 84.027 and CFDA Number 84.173, Special Education Cluster, for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County 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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on this major federal program is qualified with respect to this matter.

The School Board's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a material weakness.

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.

School Board's Response to Finding

The School Board's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 27, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No
 Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes No
 Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for major programs:

- Qualified for Special Education Cluster:
 - 84.027 Special Education – Grants to States
 - 84.173 Special Education – Preschool Grants
- Unmodified for all other applicable compliance requirements of the Special Education Cluster and for all other major programs and applicable compliance requirements

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start Program
97.083	Staffing for Adequate Fire and Emergency Response
TANF Cluster:	
93.558	Temporary Assistance for Needy Families
Medicaid Cluster:	
93.778	Medical Assistance Program
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

Auditee qualified as low-risk auditee? Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2017-001: Material Weakness Due to Material Audit Adjustment

Criteria: The year-end financial statements obtained from the School Board to be audited should be final and free of material misstatement.

Condition/Context: Upon auditing the School Board's year end balances, one instance of a material adjustment was identified in the Schools Capital Improvements Fund due to improper deferral of revenue that should have been recognized. Unearned revenue remained on the School Board's records for a grant in which the expenditures were incurred prior to year-end.

Cause: Lack of review of unearned revenue and revenue balances for proper recognition at year-end.

Effect: The financial statements have been corrected to include the identified audit adjustment. The necessary entry was material to the financial statements, and was included as an adjustment in order to more accurately represent the School Board's financial position. Failure to record the material item noted above is a departure from Governmental Accounting Standards.

Recommendation: Unearned revenue and revenue balances at year-end should be evaluated to determine the proper fiscal year in which the revenue should be recognized, in order to ensure more accurate financial reporting.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-001.

Views of Responsible Officials: The school division submitted an e-Rate reimbursement request in the final quarter of fiscal year 2017 with the projected receipt of the reimbursement anticipated after July 1, 2017. Revenues were received prior to the end of the fiscal year. These revenues were budgeted for in FY 2017-2018 and thus were recorded on the balance sheet until the end of the fiscal year with the funds then being recorded as revenue in the first quarter of FY2018.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Material Weakness in Internal Control

2017-002: Allowable Costs

Information on the Federal Program: Special Education Cluster – CFDA Numbers 84.027 and 84.173; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Education.

Criteria and Condition: Code of Federal Regulations 2 CFR 200.430-8(i) – Standards for Documentation of Personnel Expenses – “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

A. Material Weakness in Internal Control (Continued)

2017-002: Allowable Costs (Continued)

Criteria and Condition: (Continued)

- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity
- (vii) Support the distribution of the employee's salary or wages amount specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award, an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity;
- (viii) Budget estimates (i.e. estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards."

The program has not complied with this requirement. Documentation of salaries and wages was not sufficient to support the percentage of employees' time charged to the grant, although other documentation was in place to support the employees' total salaries and wages.

Context: Semi-annual time certifications were not properly prepared for all teachers charged to the grant. Emails were sent to the teachers' supervisor asking him or her to confirm that the teacher provided services to students with disabilities during the first semester of the FY 2016-2017 school year. However, confirmations were only received for 4 of the 5 teachers tested. Furthermore, the confirmations were not received for the second semester of the FY 2016-2017 school year. The time certification method is an allowable method of documentation for employees working on a single Federal cost objective, however formal time certifications were not prepared.

Cause: Due diligence was not performed in documenting salaries and wages charged to the grant.

Effect: Noncompliance with regulations may result in reduced funding for these programs.

Questioned Costs: Undetermined

Recommendation: The Special Education Department should develop control procedures to ensure employees complete and sign certifications of time charged to federal programs after they have worked that time as required by program regulations.

Views of Responsible Officials: Administration acknowledges the lack of needed time certification responses from employees to substantiate the employees' time being charged to the grant.

COUNTY OF AUGUSTA, VIRGINIA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2017

Identifying Number: 2017-001 Material Weakness Due to Material Audit Adjustment

Finding:

Upon auditing the School Board's year end balances, one instance of a material adjustment was identified in the Schools Capital Improvements Fund due to improper deferral of revenue that should have been recognized. Unearned revenue remained on the School Board's records for a grant in which the expenditures were incurred prior to year-end.

Corrective Action Taken or Planned:

The school division will record and recognize the receipt of revenues in the proper fiscal year as they are received.

Identifying Number: 2017-002 Allowable Costs – Special Education Cluster

Finding:

Semi-annual time certifications were not properly prepared for all teachers charged to the grant. Emails were sent to the teachers' supervisor asking him or her to confirm that the teacher provided services to students with disabilities during the first semester of the FY 2016-2017 school year. However, confirmations were only received for 4 of the 5 teachers tested. Furthermore, the confirmations were not received for the second semester of the FY 2016-2017 school year. The time certification method is an allowable method of documentation for employees working on a single Federal cost objective, however formal time certifications were not prepared.

Corrective Action Taken or Planned:

The Special Education Department has now developed regularly scheduled time certification procedures to validate charging the grant for employees' salaries and fringe benefit costs.

COUNTY OF AUGUSTA, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2017

Identifying Number: 2016-001: Material Weakness Due to Material Audit Adjustments

Audit Finding:

Criteria: The year-end financial statements obtained from the School Board to be audited should be final and free of material misstatement.

Condition/Context: Upon auditing the School Board's year end balances, one instance of a material adjustment was identified in the Schools Capital Improvements Fund due to lack of recording certain expenditures as accounts payable at year end.

Cause: Lack of review of invoices paid subsequent to year end for proper year end cutoff.

Effect: The financial statements have been corrected to include the identified audit adjustment. The necessary entry was material to the financial statements, and was included as an adjustment in order to more accurately represent the School Board's financial position. Failure to record items noted above is a departure from Governmental Accounting Standards.

Recommendation: Expenditures made subsequent to year end should be evaluated to determine the proper fiscal year in which the expenditure should be recorded, in order to ensure more accurate financial reporting.

Corrective Action Taken:

The School Board undertook a project to upgrade the division's computer network infrastructure in the spring of 2016. The project crossed fiscal years. Several invoices relating to engineering services and equipment were dated, and were paid, after July 1, 2016. The actual acquisition of equipment and partial engineering services were rendered prior to July 1, 2016. Staff has since evaluated invoices related to capital projects to determine the proper fiscal year to record the acquisition of assets, or rendering of services, based upon the date of delivery and/or performance of services regardless of the date of invoice.