



COUNTY OF RAPPAHANNOCK, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

COUNTY OF RAPPAHANNOCK, VIRGINIA

Board of Supervisors

Roger A. Welch, Chair

I. Christopher Parrish, Vice-Chair
John D. Lesinki

Ronald L. Frazier
Mike Biniek

County School Board

John Wesley Mills, Chair

Aline Johnson, Vice-Chair
Lucy (Pud) Mayer

Larry Grove
Chris Ubben

County Social Services

Deborah Fluornoy

Patricia Metcalfe

Susan Laing

County Library Board

Jay Brown, Chair

Stephen Slade
John W. McCarthy
Janet Davis
Kathleen Grove

Ruth Stolk
Nancy Ely Raphael
James Oyster
Chris Bird

Other Officials

Judge of the Circuit Court Jeffrey Parker
Clerk of the Circuit Court Margaret R. Ralph
Judge of the General District Court Gregory Ashwell
Judge of Juvenile & Domestic Relations District Court..... Jonathan Lynn
County Attorney Peter H. Luke
Commonwealth's Attorney..... Arthur L. Goff
Commissioner of the Revenue Sharon Dodson
Treasurer..... Debra Knick
Sheriff Connie C. Smith
Superintendent of Schools Donna Matthews
Director of Department of Social Services..... Beverly Dunford
Librarian Dave Shaffer
County Administrator John W. McCarthy

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-3
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5-6
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	7
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	9
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit 7 Statement of Fiduciary Net Position—Fiduciary Fund	11
Notes to Financial Statements	12-66
<u>Required Supplementary Information:</u>	
Exhibit 8 Budgetary Comparison Schedule—General Fund	67-72
Exhibit 9 Budgetary Comparison Schedule—Library Fund	73
Exhibit 10 Schedule of Components of and Changes in Net Pension Liability and Related Ratios—Primary Government	74
Exhibit 11 Schedule of Components of and Changes in Net Pension Liability and Related Ratios—Component Unit School Board (nonprofessional)	75
Exhibit 12 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	76
Exhibit 13 Schedule of Employer Contributions	77
Exhibit 14 Notes to Required Supplementary Information	78
Exhibit 15 Schedule of OPEB Funding Progress	79

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2015

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
<u>Other Supplementary Information:</u>	
Exhibit 16 Agency Fund—Statement of Changes in Assets and Liabilities	80
Discretely Presented Component Unit-School Board:	
Exhibit 17 Combining Balance Sheet	81
Exhibit 18 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	82
Exhibit 19 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	83
Exhibit 20 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	84
Exhibit 21 Budgetary Comparison Schedule—School Operating Fund	85
Discretely Presented Component Unit-Rappahannock County Recreational Facilities Authority:	
Exhibit 22 Statement of Net Position—Proprietary Fund	86
Exhibit 23 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	87
Exhibit 24 Statement of Cash Flows—Proprietary Fund	88
<u>Statistical Information:</u>	
Table 1 Government-wide Expenses by Function—Last Ten Fiscal Years	89-90
Table 2 Government-wide Revenues—Last Ten Fiscal Years	91-92
Table 3 General Governmental Revenues by Source—Last Ten Fiscal Years	93-94
Table 4 General Governmental Expenditures by Function—Last Ten Fiscal Years	95-96
Table 5 Assessed Value of Taxable Property—Last Ten Fiscal Years	97
Table 6 Property Tax Levies and Collections—Last Ten Fiscal Years	98
Table 7 Property Tax Rates—Last Ten Fiscal Years	99

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2015

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
<u>Statistical Information: (Continued)</u>	
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years	100
Table 9 Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures—Last Ten Fiscal Years	101
<u>Compliance:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102-103
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	104-105
Schedule of Expenditures of Federal Awards	106-107
Notes to Schedule of Expenditures of Federal Awards	108
Schedule of Findings and Questioned Costs	109

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rappahannock, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rappahannock, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 67-73 and 74-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rappahannock, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the County of Rappahannock, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Rappahannock, Virginia's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
February 2, 2016

This page intentionally left blank

Basic Financial Statements

Government-Wide Financial Statements

This page intentionally left blank

Statement of Net Position
At June 30, 2015

	Primary Government		
	Governmental Activities	School Board	Recreational Facilities Authority
Assets:			
Cash and cash equivalents	\$ 1,681,693	\$ 1,109,735	\$ 17,423
Investments	624,258	-	-
Receivables, net			
Due within one year	1,225,732	-	-
Due in more than one year	182,857	-	-
Prepaid items	2,225	141,280	-
Inventory	-	6,777	-
Due from component unit School Board	403,879	-	-
Due from other governments	529,813	283,304	-
Capital assets:			
Land and construction in progress	1,705,907	24,384	20,000
Other capital assets, net of accumulated depreciation	5,784,842	6,324,595	56,356
Capital assets, net	\$ 7,490,749	\$ 6,348,979	\$ 76,356
Total assets	\$ 12,141,206	\$ 7,890,075	\$ 93,779
Deferred Outflows of Resources:			
Pension contributions subsequent to the measurement date	\$ 348,829	\$ 862,635	\$ -
Liabilities:			
Accounts payable and accrued liabilities	\$ 312,072	\$ 1,099,776	\$ -
Due to primary government	-	403,879	-
Long-term liabilities:			
Due within one year	506,862	15,896	-
Due in more than one year	7,692,582	10,152,001	-
Total liabilities	\$ 8,511,516	\$ 11,671,552	\$ -
Deferred Inflows of Resources:			
Deferred revenue-property taxes	\$ 20,254	\$ -	\$ -
Items related to the measurement of the net pension liability	693,045	1,694,833	-
Total deferred inflows of resources	\$ 713,299	\$ 1,694,833	\$ -
Net Position:			
Net investment in capital assets	\$ 3,965,502	\$ 6,348,979	\$ 76,356
Unrestricted (deficit)	(700,282)	(10,962,654)	17,423
Total net position	\$ 3,265,220	\$ (4,613,675)	\$ 93,779

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Statement of Activities
 Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,505,816	\$ 13,700	\$ 168,019	\$ -
Judicial administration	527,648	47,042	330,976	-
Public safety	3,390,514	126,869	816,033	-
Public works	871,474	97,375	4,887	-
Health and welfare	2,659,547	-	1,252,789	-
Education	8,863,794	-	-	-
Parks, recreation and cultural	282,060	3,097	34,784	-
Community development	299,357	-	39,442	-
Interest on long-term debt	128,509	-	-	-
Total Primary Government	\$ 18,528,719	\$ 288,083	\$ 2,646,930	\$ -
Component Units				
Rappahannock County Public Schools	\$ 12,296,721	\$ 224,738	\$ 3,367,710	\$ -
Rappahannock County Recreational Facilities Authority	26,271	17,307	-	-
Total Component Units	\$ 12,322,992	\$ 242,045	\$ 3,367,710	\$ -

General Revenues

Taxes:

General property taxes, real and personal

Local sales and use taxes

Consumers' utility taxes

Taxes on recordation of wills

Meals and lodging taxes

Other

Payment from County of Rappahannock -- Education

Grants and contributions not restricted to specific programs

Unrestricted revenues from use of money and property

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Component Units		
Total Primary Government	School Board	Recreational Facilities Authority
\$ (1,324,097)	\$ -	\$ -
(149,630)	-	-
(2,447,612)	-	-
(769,212)	-	-
(1,406,758)	-	-
(8,863,794)	-	-
(244,179)	-	-
(259,915)	-	-
(128,509)	-	-
<u>\$ (15,593,706)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,704,273)	\$ -
<u>-</u>	<u>-</u>	<u>(8,964)</u>
<u>\$ -</u>	<u>\$ (8,704,273)</u>	<u>\$ (8,964)</u>
\$ 13,004,588	\$ -	\$ -
468,793	-	-
167,342	-	-
107,911	-	-
224,634	-	-
142,813	-	-
-	8,858,569	-
1,331,876	-	-
34,175	-	64
272,517	84,469	-
<u>\$ 15,754,649</u>	<u>\$ 8,943,038</u>	<u>\$ 64</u>
\$ 160,943	\$ 238,765	\$ (8,900)
<u>3,104,277</u>	<u>(4,852,440)</u>	<u>102,679</u>
<u>\$ 3,265,220</u>	<u>\$ (4,613,675)</u>	<u>\$ 93,779</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Balance Sheet
 Governmental Funds
 At June 30, 2015

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,498,357	\$ 24,313	\$ 159,023	\$ 1,681,693
Investments	-	624,258	-	624,258
Property taxes receivable, net	1,063,316	-	-	1,063,316
Accounts receivable	100,411	-	-	100,411
Notes receivable	244,862	-	-	244,862
Prepaid items	2,225	-	-	2,225
Due from component unit	403,879	-	-	403,879
Due from other governments	529,813	-	-	529,813
Total assets	\$ 3,842,863	\$ 648,571	\$ 159,023	\$ 4,650,457
Liabilities:				
Accounts payable and accrued liabilities	\$ 236,487	\$ -	\$ -	\$ 236,487
Unearned revenue	244,862	-	-	244,862
Total liabilities	\$ 481,349	\$ -	\$ -	\$ 481,349
Deferred Inflows of Resources:				
Unavailable revenues-property taxes	\$ 1,021,565	\$ -	\$ -	\$ 1,021,565
Fund Balance:				
Nonspendable:				
Prepaid items	\$ 2,225	\$ -	\$ -	\$ 2,225
Committed:				
Emergency medical transport	-	-	159,023	159,023
Library operations	-	648,571	-	648,571
Unassigned	2,337,724	-	-	2,337,724
Total fund balance	\$ 2,339,949	\$ 648,571	\$ 159,023	\$ 3,147,543
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,842,863	\$ 648,571	\$ 159,023	\$ 4,650,457

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2015

Total fund balances for governmental funds (Exhibit 3) \$ 3,147,543

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,705,907	
Buildings and improvements, net of depreciation		1,875,738	
Furniture, equipment, and vehicles net of depreciation		911,817	
School buildings, improvements and equipment, net of depreciation		<u>2,997,287</u>	
Total capital assets			7,490,749

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenues - property taxes	\$	1,001,311	
Note receivable - unearned revenue		244,862	
Items related to measurement of net pension liability		<u>(693,045)</u>	
Total			553,128

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 348,829

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable	\$	(75,585)	
General obligation bonds		(3,525,247)	
Compensated absences		(250,167)	
Net pension liability		(1,764,490)	
Net OPEB obligation		(489,000)	
Accrued landfill remediation costs		<u>(2,170,540)</u>	
Total			<u>(8,275,029)</u>

Total net position of governmental activities (Exhibits 1 and 2) \$ 3,265,220

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2015

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 13,027,716	\$ -	\$ -	\$ 13,027,716
Other local taxes	1,111,493	-	-	1,111,493
Permits, privilege fees and regulatory licenses	104,253	-	-	104,253
Fines and forfeitures	101,618	1,215	-	102,833
Use of money and property	29,725	4,450	-	34,175
Charges for services	79,115	1,882	-	80,997
Miscellaneous	60,801	6,605	213,135	280,541
Recovered costs	108,840	-	-	108,840
Intergovernmental:				
Revenue from the Commonwealth	3,297,064	34,784	-	3,331,848
Revenue from the Federal Government	646,958	-	-	646,958
Total revenues	\$ 18,567,583	\$ 48,936	\$ 213,135	\$ 18,829,654
Expenditures:				
Current:				
General government administration	\$ 1,419,351	\$ -	\$ -	\$ 1,419,351
Judicial administration	606,898	-	-	606,898
Public safety	3,351,453	-	-	3,351,453
Public works	999,438	-	-	999,438
Health and welfare	2,655,545	-	-	2,655,545
Education - local community college	5,225	-	-	5,225
Education - public school system	8,474,796	-	-	8,474,796
Parks, recreation and cultural	7,000	226,291	-	233,291
Community development	291,714	-	-	291,714
Capital projects	7,827	-	-	7,827
Debt service:				
Principal payments	444,102	-	-	444,102
Interest and fiscal charges	177,544	-	-	177,544
Total expenditures	\$ 18,440,893	\$ 226,291	\$ -	\$ 18,667,184
Excess (deficiency) of revenues over expenditures	\$ 126,690	\$ (177,355)	\$ 213,135	\$ 162,470
Other financing sources (uses):				
Transfers in	\$ 120,766	\$ 130,456	\$ -	\$ 251,222
Transfers out	(130,456)	-	(120,766)	(251,222)
Total other financing sources (uses)	\$ (9,690)	\$ 130,456	\$ (120,766)	\$ -
Net change in fund balance	\$ 117,000	\$ (46,899)	\$ 92,369	\$ 162,470
Fund balance, beginning of year, as restated	2,222,949	695,470	66,654	2,985,073
Fund balance, end of year	\$ 2,339,949	\$ 648,571	\$ 159,023	\$ 3,147,543

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds (Exhibit 5) \$ 162,470

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

Capital outlays	\$	(96,730)	
Change in joint assets related to school board		(383,773)	
Loss on disposal of assets		(8,024)	(488,527)

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

Property taxes	\$	(23,128)	
Change in deferred inflows related to the measurement of the net pension liability		(693,045)	(716,173)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.

Debt incurred:			
Accrued Landfill remediation costs	\$	(32,077)	
Repayments:			
General obligation school bonds		440,000	
Amortization of bond premium		41,008	448,931

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. This adjustment combines the net changes of the following:

Compensated absences	\$	(11,827)	
Net pension liability		763,618	
Net OPEB obligation		(69,000)	
Deferred outflows related to pension contributions subsequent to the measurement date		63,424	
Accrued interest on bonds and loans		8,027	754,242
Change in net position of governmental activities (Exhibit 2)			\$ <u>160,943</u>

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

Statement of Fiduciary Net Position - Fiduciary Fund
At June 30, 2015

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>31,886</u>
Total assets	\$ <u><u>31,886</u></u>
Liabilities:	
Amounts held for others	\$ <u>31,886</u>
Total liabilities	\$ <u><u>31,886</u></u>

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

This page intentionally left blank

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Rappahannock (the County), located in northwest Virginia and bordered by the counties of Fauquier, Culpeper, Madison, Page and Warren, was founded in 1833. The County has a population of 7,373 and land area of 267 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Rappahannock County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

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

A. Financial Reporting Entity

The accompanying financial statements present the primary government and its discretely presented component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize they are legally separate from the primary government.

Discretely Presented Component Units

The Rappahannock County School Board is responsible for elementary and secondary education within the County. School Board members are elected by the County voters. The School Board is fiscally dependent upon the County because the County's Board of Supervisors approves the School Board budget, provides substantial funding for operations and must approve any debt issuance. The Rappahannock County School Board does not prepare separate financial statements.

Rappahannock County Recreational Facilities Authority administers and maintains the Rappahannock County Recreation Center. The County's Board of Supervisors appoints the members of the Recreational Facilities Authority, and the County Administrator manages its operations. Because the County effectively controls the Authority, it has been presented as a component unit of the County. Recreational Facilities Authority does not prepare separate financial statements.

Recreational Facilities Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting.

Related Organization - The County's Board of Supervisors appoints the board members of the Rappahannock County Water and Sewer Authority; however, the County's accountability for the organization does not extend beyond making board appointments. The Water and Sewer Authority operates the Sperryville area water and sewer systems.

The Water and Sewer Authority is not included in the reporting entity. A copy of its financial statements can be obtained from the County Administrator's office.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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.

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

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

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*. 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, 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 revenue of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide financial statements. The County does not report any private purpose trust funds.

The following is a brief description of the specific funds used by the County in fiscal year 2015.

1. Governmental Funds: The County has the following major funds for financial reporting purposes.
 - a. General Fund: The General Fund is the general operating fund for the County. This fund accounts for and reports all revenues and expenditures of the County which are not accounted for and reported in the other funds. The General Fund also includes the activities for E-911, the law library and landfill operations. The General Fund is considered a major fund for reporting purposes.

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

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

- b. Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service. Special revenue funds consist of the Library Fund, which is considered a major fund, and the Emergency Medical Transport Fund, which is considered a nonmajor fund.

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of the Special Welfare Fund.

The County has no Trust Funds.

3. Component Units:

- a. Rappahannock County School Board: Rappahannock County School Board has the following major funds for financial reporting purposes:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Rappahannock and State and Federal grants.

School Cafeteria Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

- b. Rappahannock Recreational Facilities Authority: Rappahannock Recreational Facilities Authority consists of only one fund, which is an enterprise fund.

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

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

D. Budgets and Budgetary Accounting: (Continued)

The budgets are integrated into the accounting system and the budgetary data, as presented in the financial statements for all major funds with annual budgets, comparing the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. Public hearings are required to amend the budget if amendments exceed 1% of the original adopted budget or \$500,000 whichever is less.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The component unit School Board funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2015, as adopted, appropriated and legally amended.
9. The expenditures budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. If budget amendments exceed 1% of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There was no budget amendment during the year that exceeded the 1% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

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

E. Cash and Cash Equivalents

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

Investments for the government, as well as for its component units, are reported at fair value.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$237,395 at June 30, 2015 and is comprised solely of property taxes.

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists of expendable items held for consumption and is recorded as an expenditure when used (consumption method).

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.

H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. Capital assets of the Rappahannock County Recreational Facilities Authority are reported as assets in the Authority's Statement of Net Position and in the government-wide financial statements, to the extent the Authority's threshold of \$5,000 is met. The County and component unit School Board do not have any infrastructure in their capital assets since roads, streets, bridges and similar assets within their boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture, equipment and vehicles	5 to 10 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment purchases are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

J. Compensated Absences

The County and component unit School Board incur liabilities related to compensated absences (annual and sick leave benefits) when vested. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Long-Term Obligations

The County reports long-term debt at face value. The face value of the debt is believed to approximate fair value.

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

M. Fund Equity:

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

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

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

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses.

N. Net Position

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

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

O. Net Position Flow Assumption

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

P. 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's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AA-	Unrated
Taxable Municipal Bonds	\$ 26,222	\$ -
Closed End Mutual Fund	-	14,850
Open End Mutual Fund	-	414,929
Common Equity	-	168,257
Total	<u>\$ 26,222</u>	<u>\$ 598,036</u>

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	1-5 Years	6-10 Years
Taxable Municipal Bonds	\$ 26,222	\$ -	\$ 26,222
Total	<u>\$ 26,222</u>	<u>\$ -</u>	<u>\$ 26,222</u>

NOTE 3—PROPERTY TAXES:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 4—RECEIVABLES:

Receivables at June 30, 2015 consist of the following:

	Primary Government <u>General Fund</u>
Property taxes	\$ 1,300,711
Utility taxes	15,659
Clerk of the circuit court	11,931
Meals taxes	64,324
Other	<u>8,497</u>
Subtotal	\$ 1,401,122
Allowance for uncollectibles	<u>(237,395)</u>
Net accounts receivable	\$ 1,163,727
Notes receivable	<u>244,862</u>
Total receivables	<u><u>\$ 1,408,589</u></u>
Reconciliation to Exhibit 1:	
Receivables, net	
Due within one year	\$ 1,225,732
Due in more than one year	<u>182,857</u>
Total receivables	<u><u>\$ 1,408,589</u></u>

On March 9, 2005, the County entered into an agreement to sell property for \$520,000. The County received a promissory note for this sale. During the year ended June 30, 2010, the original buyer defaulted on the note and negotiated a settlement to sell the property with the County receiving a new promissory note. On September 1, 2010, the property was sold to Aileen of Rappahannock, LLC. The note under this sale was to accrue simple interest at 4.0% annually, and did so through June 30, 2012. Semi-annual repayment installments of principal and interest in the amount of \$23,525 commenced on March 1, 2011 and continued through the first day of each successive September and March until the note was restructured. On March 5, 2012, the note was restructured and will bear interest at 6% and shall be paid quarterly in the amount of \$11,818, amortized over 3.5 years beginning on July 1, 2012 and thereafter on the first day of each successive October, January, April and July until October 1, 2015, at which time all outstanding principal and interest is due.

Annual requirements to amortize the note receivable and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 244,862	\$ 6,474
Total	<u>\$ 244,862</u>	<u>\$ 6,474</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Governmental Activities</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>School Board</u>
Rappahannock Water and Sewer Authority	\$ 9,016	\$ -
Commonwealth of Virginia:		
Local sales tax	84,610	192,035
Communications sales and use tax	56,773	-
Comprehensive services act	174,638	-
Public assistance	25,783	-
Shared expenses and grants	109,331	-
Other	15,744	-
Federal government:		
Public assistance	53,918	-
Federal pass-through school funds	-	91,269
	<u>\$ 529,813</u>	<u>\$ 283,304</u>

NOTE 6—INTERFUND ACTIVITY:

Transfers To/From Other Funds:	
Transfer to the General Fund to support operations	\$ 120,766
Transfer to the Library Fund to support operations	130,456
	<u>\$ 251,222</u>
Component Unit - School Board:	
Transfers To/From Other Funds:	
Transfer to the School Cafeteria Fund for food service	\$ 16,200

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2015.

Governmental Activities:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 1,705,907	\$ -	\$ -	\$ 1,705,907
Construction in progress	-	87,573	(87,573)	-
Total capital assets not being depreciated	<u>\$ 1,705,907</u>	<u>\$ 87,573</u>	<u>\$ (87,573)</u>	<u>\$ 1,705,907</u>
Other capital assets:				
Buildings and improvements	\$ 3,545,286	\$ 87,573	\$ -	\$ 3,632,859
School buildings, improvements and equipment *	3,805,000	-	(440,000)	3,365,000
Furniture, equipment and vehicles	<u>2,139,225</u>	<u>106,617</u>	<u>-</u>	<u>2,245,842</u>
Total other capital assets	<u>\$ 9,489,511</u>	<u>\$ 194,190</u>	<u>\$ (440,000)</u>	<u>\$ 9,243,701</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,636,688	\$ 120,433	\$ -	\$ 1,757,121
School buildings, improvements and equipment *	423,940	103,125	(159,352)	367,713
Furniture, equipment and vehicles	<u>1,163,538</u>	<u>170,487</u>	<u>-</u>	<u>1,334,025</u>
Total accumulated depreciation	<u>\$ 3,224,166</u>	<u>\$ 394,045</u>	<u>\$ (159,352)</u>	<u>\$ 3,458,859</u>
Other capital assets, net	<u>\$ 6,265,345</u>	<u>\$ (199,855)</u>	<u>\$ (280,648)</u>	<u>\$ 5,784,842</u>
Net capital assets	<u>\$ 7,971,252</u>	<u>\$ (112,282)</u>	<u>\$ (368,221)</u>	<u>\$ 7,490,749</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 91,643		
Judicial administration		3,811		
Public safety		123,256		
Public works		16,625		
Education		103,125		
Parks, recreation and cultural		<u>55,585</u>		
Total depreciation expense		<u>\$ 394,045</u>		

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Construction in progress	\$ 31,033	\$ 188,925	\$ (195,574)	\$ 24,384
Other capital assets:				
Buildings and improvements	\$ 14,130,321	\$ 10,698	\$ -	\$ 14,141,019
School buildings, improvements and equipment allocated to County *	(3,805,000)	-	440,000	(3,365,000)
Furniture, equipment and vehicles	1,810,123	251,872	-	2,061,995
Total other capital assets	\$ 12,135,444	\$ 262,570	\$ 440,000	\$ 12,838,014
Accumulated depreciation:				
Buildings and improvements	\$ 5,322,540	\$ 352,445	\$ -	\$ 5,674,985
School buildings, improvements and equipment allocated to County *	(423,940)	(103,125)	159,352	(367,713)
Furniture, equipment and vehicles	1,075,650	130,497	-	1,206,147
Total accumulated depreciation	\$ 5,974,250	\$ 379,817	\$ 159,352	\$ 6,513,419
Other capital assets, net	\$ 6,161,194	\$ (117,247)	\$ 280,648	\$ 6,324,595
Net capital assets	\$ 6,192,227	\$ 71,678	\$ 85,074	\$ 6,348,979
Depreciation expense allocated to education		\$ 379,817		

*School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Reconciliation of primary government net investment in capital assets:

Net capital assets	\$ 7,490,749
Long-term debt applicable to capital assets at June 30, 2015	(3,525,247)
Net investment in capital assets	\$ 3,965,502

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit Recreational Services Authority

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Other capital assets:				
Building and improvements	\$ 141,605	\$ 15,210	\$ -	\$ 156,815
Equipment	11,533	-	-	11,533
Total other capital assets	\$ 153,138	\$ 15,210	\$ -	\$ 168,348
Accumulated depreciation:				
Building and improvements	\$ 99,645	\$ 6,304	\$ -	\$ 105,949
Equipment	5,291	752	-	6,043
Total accumulated depreciation	\$ 104,936	\$ 7,056	\$ -	\$ 111,992
Other capital assets, net	\$ 48,202	\$ 8,154	\$ -	\$ 56,356
Net capital assets	\$ 68,202	\$ 8,154	\$ -	\$ 76,356

NOTE 8—LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government:

The following is a summary of long-term obligations for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2015	Current Portion
General obligation bonds	\$ 3,805,000	\$ -	\$ (440,000)	\$ 3,365,000	\$ 445,000
Unamortized bond premiums	201,255	-	(41,008)	160,247	36,845
Compensated absences	238,340	11,827	-	250,167	25,017
Net pension liability	2,528,108	1,221,500	(1,985,118)	1,764,490	-
Net OPEB obligation	420,000	69,000	-	489,000	-
Accrued landfill remediation costs	2,138,463	32,077	-	2,170,540	-
	<u>\$ 9,331,166</u>	<u>\$ 1,334,404</u>	<u>\$ (2,466,126)</u>	<u>\$ 8,199,444</u>	<u>\$ 506,862</u>
Total					

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

Year Ending June 30,	Principal	Interest
2016	\$ 445,000	\$ 156,371
2017	455,000	133,731
2018	460,000	110,586
2019	465,000	87,189
2020	320,000	67,364
2021	330,000	52,036
2022	335,000	37,013
2023	185,000	21,275
2024	185,000	12,765
2025	185,000	4,255
Total	<u>\$ 3,365,000</u>	<u>\$ 682,585</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<u>General Obligation School Bonds:</u>		
\$1,215,000, Series 2011B, issued November 9, 2011, Virginia Public School Authority Bonds, due in annual installments ranging from \$90,000 to \$150,000 through July 2021, interest rates ranging from 2.05% to 5.05%	\$ 915,000	\$ 110,000
\$3,720,000, Series 2004, issued November 10, 2004, Virginia Public School Authority Bonds, due in annual installments ranging from \$185,000 to \$190,000 through July 2025, interest rates ranging from 4.10% to 5.60%	1,850,000	185,000
\$3,000,000, Series 1998B, issued November 19, 1998, Virginia Public School Authority Bonds, due in annual installments of \$150,000 through July 2019, interest at rates from 3.60% to 5.10%	600,000	150,000
Unamortized bond premiums	<u>160,247</u>	<u>36,845</u>
Total general obligation school bonds	\$ <u>3,525,247</u>	\$ <u>481,845</u>
Net pension liability	\$ <u>1,764,490</u>	<u>-</u>
Net OPEB obligation	\$ <u>489,000</u>	<u>-</u>
Accrued landill remediation costs	\$ <u>2,170,540</u>	<u>-</u>
Compensated Absences	\$ <u>250,167</u>	<u>25,017</u>
Total long-term obligations	<u>\$ 8,199,444</u>	<u>\$ 506,862</u>

Federal Arbitrage Regulations:

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit School Board:

The following is a summary of long-term obligations for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2015	Current Portion
Compensated absences	\$ 176,609	\$ -	\$ (17,654)	\$ 158,955	\$ 15,896
Net pension liability	11,242,128	928,916	(2,630,102)	9,540,942	-
Net OPEB obligation	388,000	108,000	(28,000)	468,000	-
Total	<u>\$ 11,806,737</u>	<u>\$ 1,036,916</u>	<u>\$ (2,675,756)</u>	<u>\$ 10,167,897</u>	<u>\$ 15,896</u>

NOTE 9—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the County and its component unit School Board have accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay accrued vacation and compensatory time upon termination. In general, any compensatory and vacation time earned is limited to a maximum of 30 days. School Board and Social Services employees are also paid accrued vacation upon termination, although the amount able to be earned is not capped. Social Services employees are also paid unused sick leave upon termination; such pay is limited to the lesser of 25% of the unused balance or \$2,500.

Because the timing of the settlement of the liability for compensated absences is not estimable, the amount of vacation and sick pay not currently payable by the governmental funds is recorded as a current liability in the government-wide financial statements.

The balances at June 30, 2015 are:

	Beginning Balance	Increase (Decrease)	Ending Balance
Primary Government:			
Governmental activities	\$ 238,340	\$ 11,827	\$ 250,167
Component Unit School Board	\$ 176,609	\$ (17,654)	\$ 158,955

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN:

Plan Description

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

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

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

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	28	24
Inactive members:		
Vested inactive members	4	6
Non-vested inactive members	14	8
Inactive members active elsewhere in VRS	32	5
Total inactive members	50	19
Active members	60	33
Total covered employees	138	76

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2015 was 12.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$348,829 and \$285,405 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 10.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$66,683 and \$74,895 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 12,250,063	\$ 9,721,955	\$ 2,528,108
Changes for the year:			
Service cost	\$ 370,323	\$ -	\$ 370,323
Interest	842,948	-	842,948
Contributions - employer	-	285,405	(285,405)
Contributions - employee	-	152,309	(152,309)
Net investment income	-	1,547,322	(1,547,322)
Benefit payments, including refunds of employee contributions	(415,886)	(415,886)	-
Administrative expenses	-	(8,229)	8,229
Other changes	-	82	(82)
Net changes	\$ 797,385	\$ 1,561,003	\$ (763,618)
Balances at June 30, 2014	\$ 13,047,448	\$ 11,282,958	\$ 1,764,490

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 2,535,119	\$ 2,022,991	\$ 512,128
Changes for the year:			
Service cost	\$ 66,946	\$ -	\$ 66,946
Interest	172,252	-	172,252
Contributions - employer	-	74,895	(74,895)
Contributions - employee	-	34,236	(34,236)
Net investment income	-	314,954	(314,954)
Benefit payments, including refunds of employee contributions	(148,739)	(148,739)	-
Administrative expenses	-	(1,718)	1,718
Other changes	-	17	(17)
Net changes	\$ 90,459	\$ 273,645	\$ (183,186)
Balances at June 30, 2014	\$ 2,625,578	\$ 2,296,636	\$ 328,942

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability	3,506,703	1,764,490	317,837
Component Unit School Board (nonprofessional)			
Net Pension Liability	604,859	328,942	94,185

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$214,832 and \$31,542, respectively. At June 30, 2015, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 693,045	\$ -	\$ 139,833
Employer contributions subsequent to the measurement date	348,829	-	66,683	-
Total	\$ -	\$ -	\$ -	\$ -

\$348,829 and \$66,683 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2016	\$ (173,261)	\$ (34,958)
2017	(173,261)	(34,958)
2018	(173,261)	(34,958)
2019	(173,262)	(34,959)
Thereafter	-	-

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$795,952 and \$651,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$9,212,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .07623% as compared to .07789% at June 30, 2013.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2015, the school division recognized pension expense of \$688,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,367,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	188,000
Employer contributions subsequent to the measurement date	<u>795,952</u>	<u>-</u>
Total	<u>\$ 795,952</u>	<u>\$ 1,555,000</u>

\$795,952 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (383,000)
2017	(383,000)
2018	(383,000)
2019	(383,000)
Thereafter	(23,000)

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

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

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 13,527,000	\$ 9,212,000	\$ 5,660,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 11—UNAVAILABLE/DEFERRED/UNEARNED REVENUE:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Unavailable/deferred revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,001,311
Prepaid property taxes representing collections received for property taxes that are applicable to the subsequent budget year.	<u>20,254</u>	<u>20,254</u>
Total unavailable/deferred revenue	\$ <u>20,254</u>	\$ <u>1,021,565</u>
Unearned revenue:		
Unearned revenue representing notes receivable for which asset recognition criteria has not been met. The note receivable is not available for the funding of current expenditures.	\$ -	\$ <u>244,862</u>

NOTE 12—COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

Federal programs in which the County participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Lease Commitments:

The County leases office space from various lessors. The future minimum amounts due for operating leases with terms exceeding one year are as follows:

	<u>Fiscal Year</u>	
2016	\$	30,000
2017		<u>5,000</u>
Total	\$	<u><u>35,000</u></u>

Rent expenditures totaled \$67,486 for fiscal year 2015.

NOTE 13—LITIGATION:

At June 30, 2015, there are matters of litigation pending against the County. Counsel is of the opinion that no claim for damages will be awarded.

NOTE 14—SURETY BONDS:

Virginia Department of Risk Management & Surety:		
Margaret R. Ralph, Clerk of the Circuit Court	\$	365,000
Debra Knick, Treasurer		300,000
Beverly S. Atkins, Commissioner of the Revenue		3,000
Connie Smith, Sheriff		30,000
Above constitutional officers' employees - blanket bond		50,000
Melbry Paratore, Clerk of the School Board		10,000
Donna Matthews, Superintendent		10,000
United States Fidelity and Guaranty Company - Surety:		
All Department of Social Services Employees - blanket bond		100,000
Peter H. Luke - Surety:		
S. Bryant Lee, Supervisor		1,000
Roger A. Welch, Supervisor		1,000
Cathy W. Frazier - Surety:		
Ronald L. Frazier, Supervisor		1,000
Lisa Welsted - Surety:		
Mike Biniek, Supervisor		1,000
I. Christopher Parrish, Supervisor		1,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 15—RISK MANAGEMENT:

The primary government and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims and natural disasters.

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide for insurance coverages for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$3,000,000.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values and liability coverages are \$20,000,000 and \$2,000,000, respectively.

Unemployment Insurance:

The County and School Board are responsible for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance:

The County and School Board have contracted with a private carrier for health insurance coverages.

Other:

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years.

NOTE 16—ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,170,540 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill was closed in December 2007.

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 17—INTERGOVERNMENTAL AGREEMENTS:

In July 2007, the County entered into a Solid Waste Service Agreement with the County of Culpeper ("Culpeper") that permits the County to use Culpeper's transfer station for refuse disposal at an established rate per ton. In fiscal year 2015, the County paid Culpeper \$288,896 in connection with the agreement.

In November 2008, the County entered into a Shared Use of Public-Safety System Facilities Agreement with Culpeper so that the County can share the use of public safety radio equipment and infrastructure located in Culpeper. As part of the agreement, the County was required to purchase certain equipment and modify the existing communication tower. In addition, the agreement stipulates that the County will annually reimburse Culpeper for 7% of costs for maintenance of the system.

In March 2009, the County entered into an Agreement for Shared Use of Public Safety Radio System with the County of Fauquier ("Fauquier"). The agreement permits the County to utilize Fauquier's 800 MHz radio system network, which is interconnected with similar facilities in Culpeper. The term of the agreement is five years with a renewal option for an additional five years. Under the terms of the agreement, the County is required to pay a stipulated fee for each radio owned by the County and connected to Fauquier's radio network.

NOTE 18—RELATED PARTY TRANSACTIONS:

The County pays the payroll for the Water and Sewer Authority, which then reimburses the County for the costs. The County recorded \$107,948 of such reimbursements in fiscal year 2015.

NOTE 19—DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not subject to claims from the County's general creditors.

NOTE 20—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:

County:

Plan Description

The County has a single-employer health insurance post retirement benefit plan. Retirees can continue the same medical coverage they had (including family coverage) as active employees. The plan provides a 50 percent subsidy for life for Sheriffs enrolled in the LEOS plan who retire with 25 or more years of service. At age 65, they participate in an Advantage 65 dental vision plan offered by the State of Virginia. Sherriff's dependents only receive access to health insurance. General employees can purchase health insurance at published rates if they retire under the VRS general employees plan. Reduced retirement under the VRS plan is at the earlier of age 50 with 10 years of service or age 55 with 5 years of service.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 20—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County: (Continued)

Funding Policy

These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of July 1, 2012 to determine Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution (ARC)	\$ 68,000
Interest on OPEB obligation	13,000
Adjustment to ARC	(12,000)
Annual OPEB cost	<u>69,000</u>
Contributions made	-
Increase (decrease) in net OPEB obligation	<u>69,000</u>
Net OPEB obligation - beginning of year	420,000
Net OPEB obligation - end of year	<u><u>\$ 489,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 69,000	0%	\$ 489,000
June 30, 2014	67,000	0%	420,000
June 30, 2013	67,000	0%	353,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 20—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County: (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$828,000. The covered payroll (annual payroll of active employees covered by the plan) was \$530,983 and the ratio of the UAAL to the covered payroll was 155.94 percent.

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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 member to that point.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments. We also assumed an annual healthcare cost trend rate of 8.0% initially, gradually decreasing over time. By 2030 the rate of increase is 5.7%, and by 2050, 5.0%. The rates include a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

Discretely Presented Component Unit-School Board:

Plan Description

The plan provides 50% of the single subscriber premium for employees who retire with either (1) unreduced retirement benefit from the Virginia Retirement System (VRS), or (2) the sum of years of service plus age equals 90 or more.

The eligibility requirements for an unreduced retirement benefit from VRS are:

- (a) Age 65 with 5 years of service, or
- (b) Age 50 with 30 years of service.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 20—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

Discretely Presented Component Unit-School Board: (Continued)

Plan Description: (Continued)

Employees who are eligible for disability retirement under VRS are also eligible for the Rappahannock County Public Schools retiree medical plan. There is no post age 65 coverage except through COBRA. Spouses and family members are allowed in the plan until they reach age 65 but the retiree must pay the full cost of the additional coverage.

Funding Policy

These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of July 1, 2013 to determine Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ratio to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation

The Rappahannock County Public Schools' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Rappahannock County Public Schools annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Rappahannock County Public Schools net OPEB obligation.

Annual required contribution (ARC)	\$	108,000
Interest on OPEB obligation		14,000
Adjustment to ARC		(14,000)
Annual OPEB cost		<u>108,000</u>
Contributions made		<u>(28,000)</u>
Increase (decrease) in net OPEB obligation		80,000
Net OPEB obligation - beginning of year		388,000
Net OPEB obligation - end of year	\$	<u><u>468,000</u></u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 20—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

Discretely Presented Component Unit-School Board: (Continued)

Annual OPEB Cost and Net OPEB Obligation: (Continued)

The Rappahannock County Public Schools (RCPS) annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2015, 2014, and 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 108,000	26%	\$ 468,000
June 30, 2014	102,000	25%	388,000
June 30, 2013	95,000	24%	311,000

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$1,094,000. The covered payroll (annual payroll of active employees covered by the plan) was \$558,689 and the ratio of the UAAL to the covered payroll was 195.82 percent.

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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 member to that point.

In the July 1, 2013, most recent actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments. We also assumed an annual healthcare cost trend rate of 7.5% initially, gradually decreasing over time. By 2030 the rate of increase is 5.70%, and by 2050, 5.00%. The ultimate trend rate is 4.20%. The rates include a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 21—HEALTH INSURANCE CREDIT PROGRAM:

A. Plan Description

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

An employee of the County and Component Unit School Board, who retires under VRS with at least 15 years of total creditable service and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

B. Funding Policy

As a participating local political subdivision, the County and Component Unit School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and Component Unit School Board non-professional employees contribution rates for the fiscal year ended 2015 were .03% and 0.53% of annual covered payroll, respectively.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, is based on the annual required contribution (ARC). The County and Component Unit School Board are required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 21—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)

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

For 2015, the County and Component Unit School Board non-professional employees' contributions of \$188 and \$6,070, respectively, were equal to the ARC and OPEB cost. The County and the Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
County	June 30, 2013	\$ 580	100%	\$ -
	June 30, 2014	123	100%	-
	June 30, 2015	188	100%	-
School Board Non Professional Employees	June 30, 2013	\$ 4,314	100%	\$ -
	June 30, 2014	4,793	100%	-
	June 30, 2015	6,070	100%	-

D. Funded Status and Funding Progress

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

	County	School Board Non Professional Employees
Actuarial accrued liability (AAL)	\$ 20,492	\$ 73,811
Actuarial value of plan assets	\$ 29,393	\$ 40,141
Unfunded actuarial accrued liability (UAAL)	\$ (8,901)	\$ 33,670
Funded ratio (actuarial value of plan assets/AAL)	143.44%	54.38%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 640,540	\$ 604,159
UAAL as a percentage of covered payroll	-1.39%	5.57%

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

NOTE 21—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress: (Continued)

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 20-29 years.

F. Professional Employees - Discretely Presented Component Unit School Board

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$52,537, \$62,303, and \$54,566, respectively and equaled the required contributions for each year.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2015 (Continued)

NOTE 22—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Governmental Funds		
	Emergency Medical Transport Fund Fund Balance	Governmental Activities Net Position	Component Unit School Board Net Position
June 30, 2014, as reported	\$ -	5,543,190	\$ 5,663,793
Implementation of GASB Statement No. 68	-	(2,242,703)	(10,516,233)
Prior year Emergency Medical Transport Fund balance	66,654	66,654	-
VRS net pension obligation (GASB 27)	-	157,136	-
Prior year adjustment to Net OPEB obligation	-	(420,000)	-
July 1, 2014, as restated	<u>\$ 66,654</u>	<u>3,104,277</u>	<u>\$ (4,852,440)</u>

NOTE 23—UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTE 23—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

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

This page intentionally left blank

Required Supplementary Information

This page intentionally left blank

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes:				
Real property taxes	\$ 10,815,000	\$ 10,815,000	\$ 10,788,852	\$ (26,148)
Real and personal public service corporation property taxes	250,000	250,000	363,019	113,019
Personal property taxes	1,906,000	1,906,000	1,617,283	(288,717)
Mobile home taxes	500	500	762	262
Penalties	90,000	90,000	131,755	41,755
Interest	100,000	100,000	126,045	26,045
Total property taxes	<u>\$ 13,161,500</u>	<u>\$ 13,161,500</u>	<u>\$ 13,027,716</u>	<u>\$ (133,784)</u>
Other local taxes:				
Local sales and use taxes	\$ 450,500	\$ 450,500	\$ 468,793	\$ 18,293
Consumers' utility taxes	162,000	162,000	167,342	5,342
Gross receipts tax	31,000	31,000	35,410	4,410
Motor vehicle licenses	-	-	4,195	4,195
Bank franchise taxes	77,090	77,090	71,681	(5,409)
Taxes on recordation of wills	111,200	111,200	107,911	(3,289)
Additional tax on deeds	27,600	27,600	31,527	3,927
Meals and lodging taxes	201,200	201,200	224,634	23,434
E-911 telephone tax	37,900	37,900	-	(37,900)
Total other local taxes	<u>\$ 1,098,490</u>	<u>\$ 1,098,490</u>	<u>\$ 1,111,493</u>	<u>\$ 13,003</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,400	\$ 6,400	\$ 8,403	\$ 2,003
Land use application fees	2,900	2,900	2,682	(218)
Building and related permits	80,000	80,000	84,779	4,779
Transfer fees	275	275	304	29
Other permits and fees	12,500	12,500	8,085	(4,415)
Total permits, privilege fees and regulatory licenses	<u>\$ 102,075</u>	<u>\$ 102,075</u>	<u>\$ 104,253</u>	<u>\$ 2,178</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 105,000	\$ 105,000	\$ 101,618	\$ (3,382)
Revenue from use of money and property:				
Revenue from use of money	\$ 75,051	\$ 75,051	\$ 25,063	\$ (49,988)
Revenue from use of property	9,120	9,120	4,662	(4,458)
Total revenue from use of money and property	<u>\$ 84,171</u>	<u>\$ 84,171</u>	<u>\$ 29,725</u>	<u>\$ (54,446)</u>

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Charges for services:				
Sheriff fees	\$ 12,500	\$ 12,500	\$ 7,992	\$ (4,508)
Charges for Commonwealth's Attorney	625	625	1,093	468
Charges for concealed weapons fees	3,200	3,200	4,190	990
Charges for law library	750	750	742	(8)
Charges for courthouse security fees	33,500	33,500	36,518	3,018
Charges for courthouse maintenance fees	7,600	7,600	7,331	(269)
Charges for county attorney fees	-	-	6,830	6,830
Charges for court appointed attorney fees	-	-	1,358	1,358
Other jail charges	-	-	1,778	1,778
DMV stop fees	-	-	960	960
Charges for inmate telephone system	-	-	1,673	1,673
Charges for landfill fees	17,000	17,000	8,650	(8,350)
Total charges for services	\$ 75,175	\$ 75,175	\$ 79,115	\$ 3,940
Miscellaneous:				
VPA refunds	-	-	18,338	18,338
Insurance recoveries	-	-	10,394	10,394
Miscellaneous	118,900	128,900	32,069	(96,831)
Total miscellaneous	\$ 118,900	\$ 128,900	\$ 60,801	\$ (68,099)
Recovered costs:				
Commonwealth jail costs	-	-	892	892
Water and sewer authority	65,000	65,000	107,948	42,948
Total recovered costs	\$ 65,000	\$ 65,000	\$ 108,840	\$ 43,840
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 100	\$ 100	\$ 75	\$ (25)
Spay/Neuter License Revenue	-	-	31	31
Communications sales and use tax	446,600	446,600	311,949	(134,651)
Motor vehicle carrier's tax	4,300	4,300	87	(4,213)
Personal property tax relief	945,168	945,168	945,168	-
Total noncategorical aid	\$ 1,396,168	\$ 1,396,168	\$ 1,257,310	\$ (138,858)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Intergovernmental (continued):				
Revenue from the Commonwealth (continued):				
Categorical aid:				
Shared Expenses:				
Commonwealth's attorney	\$ 154,500	\$ 154,500	\$ 158,545	\$ 4,045
Sheriff	416,065	416,065	552,375	136,310
Commissioner of the Revenue	69,000	69,000	71,119	2,119
Treasurer	65,000	65,000	66,989	1,989
Registrar/electoral board	32,000	32,000	29,911	(2,089)
Clerk of the Circuit Court	169,000	169,000	172,431	3,431
Total shared expenses	\$ 905,565	\$ 905,565	\$ 1,051,370	\$ 145,805
Welfare:				
Welfare administration and assistance	\$ 245,600	\$ 245,600	\$ 205,458	\$ (40,142)
Other categorical aid:				
Conservation and recreation	\$ -	\$ -	\$ 885	\$ 885
Emergency medical service	10,250	10,250	8,400	(1,850)
Wireless grant	110,000	110,000	41,586	(68,414)
Litter control	4,500	4,500	4,887	387
Juvenile Comm. Crime Control	13,000	13,000	9,673	(3,327)
Local law enforcement block grant	350	350	908	558
Farmland preservation program	100,000	100,000	-	(100,000)
Recordation taxes	41,289	41,289	39,442	(1,847)
Comprehensive services	590,000	590,000	503,938	(86,062)
Fire programs	37,000	37,000	22,931	(14,069)
Commission for the Arts	5,000	5,000	-	(5,000)
Emergency services	-	-	150,000	150,000
DMV - Animal friendly plates	-	-	276	276
Total other categorical aid	\$ 911,389	\$ 911,389	\$ 782,926	\$ (128,463)
Total categorical aid	\$ 2,062,554	\$ 2,062,554	\$ 2,039,754	\$ (22,800)
Total revenue from the Commonwealth	\$ 3,458,722	\$ 3,458,722	\$ 3,297,064	\$ (161,658)
Revenue from the Federal Government:				
Payments in lieu of taxes	\$ 78,200	\$ 78,200	\$ 74,566	\$ (3,634)
Categorical aid:				
Welfare:				
Administration and public assistance	\$ 440,000	\$ 440,000	\$ 543,393	\$ 103,393

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Intergovernmental (continued):				
Revenue from the Federal Government (continued):				
Other categorical aid:				
Law enforcement grants	\$ 11,000	\$ 11,000	\$ 4,092	\$ (6,908)
Asset forfeiture	4,000	4,000	24,907	20,907
Total other categorical aid	\$ 15,000	\$ 15,000	\$ 28,999	\$ 13,999
Total categorical aid	\$ 455,000	\$ 455,000	\$ 572,392	\$ 117,392
Total revenue from the Federal Government	\$ 533,200	\$ 533,200	\$ 646,958	\$ 113,758
Total revenues	\$ 18,802,233	\$ 18,812,233	\$ 18,567,583	\$ (244,650)
Expenditures:				
Current:				
General government administration:				
Board of supervisors	\$ 215,302	\$ 225,302	\$ 178,590	\$ 46,712
County administrator	358,854	358,854	352,745	6,109
Legal services	106,015	106,015	105,911	104
Independent auditor	45,500	45,500	53,450	(7,950)
Commissioner of the Revenue	279,393	279,393	268,993	10,400
Board of assessors	57,500	57,500	55,826	1,674
Treasurer	294,725	294,725	259,230	35,495
Land use administration	15,590	15,590	15,905	(315)
Electoral board and officials	54,800	54,800	22,797	32,003
Registrar	111,303	111,303	105,904	5,399
Total general government administration	\$ 1,538,982	\$ 1,548,982	\$ 1,419,351	\$ 129,631
Judicial administration:				
Circuit court	\$ 14,650	\$ 14,650	\$ 11,134	\$ 3,516
General district court	27,240	27,240	6,355	20,885
Commissioner of accounts	1,345	1,345	1,170	175
Magistrates	-	-	203	(203)
Juvenile probation service unit	72,074	72,074	45,015	27,059
Clerk of the circuit court	308,656	308,656	272,912	35,744
Law library	600	600	-	600
Commonwealth attorney	274,021	274,021	270,109	3,912
Total judicial administration	\$ 698,586	\$ 698,586	\$ 606,898	\$ 91,688

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Public safety:				
Sheriff	\$ 1,570,357	\$ 1,579,132	\$ 1,631,081	\$ (51,949)
Contributions to fire departments and rescue squads	750,325	750,325	675,615	74,710
Forest fire extinction	8,708	8,708	8,707	1
Jail	401,650	401,650	358,351	43,299
Building inspector	113,644	113,644	124,924	(11,280)
Animal control	68,750	68,750	68,465	285
Medical examiner	900	900	40	860
Emergency services	173,655	341,485	327,647	13,838
E-911	269,094	269,094	156,623	112,471
Total public safety	\$ 3,357,083	\$ 3,533,688	\$ 3,351,453	\$ 182,235
Public works:				
Landfill	\$ 801,531	\$ 801,531	\$ 657,048	\$ 144,483
General properties	473,095	473,095	342,245	130,850
Aileen property	5,550	5,550	145	5,405
Total public works	\$ 1,280,176	\$ 1,280,176	\$ 999,438	\$ 280,738
Health and welfare:				
Health department	\$ 153,828	\$ 153,828	\$ 137,643	\$ 16,185
Rappahannock-Rapidan Community Services Board	53,830	53,830	53,830	-
Public assistance and administration	956,399	956,399	1,212,896	(256,497)
Comprehensive Services Act	975,000	975,000	1,251,176	(276,176)
Total health and welfare	\$ 2,139,057	\$ 2,139,057	\$ 2,655,545	\$ (516,488)
Education:				
Community college	\$ 5,225	\$ 5,225	\$ 5,225	-
Appropriation to public school system	9,089,098	9,099,620	8,474,796	624,824
Total education	\$ 9,094,323	\$ 9,104,845	\$ 8,480,021	\$ 624,824
Parks, recreation and cultural:				
Park authority and others	\$ 18,500	\$ 18,500	\$ 7,000	\$ 11,500
Total parks, recreation and cultural	\$ 18,500	\$ 18,500	\$ 7,000	\$ 11,500

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Community development:				
Planning commission	\$ 34,800	\$ 34,800	\$ 14,558	\$ 20,242
Board of zoning appeals	6,450	6,450	1,053	5,397
Soil and water conservation district	21,406	21,406	21,301	105
VPI Extension Service	99,017	99,017	96,723	2,294
Public utility services	65,000	65,000	108,996	(43,996)
Farmland preservation program	112,000	112,000	-	112,000
Water quality improvement program	10,000	10,000	-	10,000
Tourism promotion	54,500	64,500	49,083	15,417
Total community development	<u>\$ 403,173</u>	<u>\$ 413,173</u>	<u>\$ 291,714</u>	<u>\$ 121,459</u>
Capital projects:				
Scrabble School project	\$ 12,700	\$ 12,700	\$ 7,827	\$ 4,873
School & Facility renovation	168,000	168,000	-	168,000
Total capital projects	<u>\$ 180,700</u>	<u>\$ 180,700</u>	<u>\$ 7,827</u>	<u>\$ 172,873</u>
Debt service:				
Principal	\$ 444,102	\$ 444,102	\$ 444,102	-
Interest and fiscal charges	177,544	177,544	177,544	-
Total debt service	<u>\$ 621,646</u>	<u>\$ 621,646</u>	<u>\$ 621,646</u>	<u>\$ -</u>
Total expenditures	<u>\$ 19,332,226</u>	<u>\$ 19,539,353</u>	<u>\$ 18,440,893</u>	<u>\$ 1,098,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (529,993)</u>	<u>\$ (727,120)</u>	<u>\$ 126,690</u>	<u>\$ 853,810</u>
Other financing sources (uses):				
Transfers in	\$ 300,000	\$ 300,000	\$ 120,766	\$ (179,234)
Transfers out	(130,456)	(130,456)	(130,456)	-
Total other financing sources (uses)	<u>\$ 169,544</u>	<u>\$ 169,544</u>	<u>\$ (9,690)</u>	<u>\$ (179,234)</u>
Net change in fund balance	\$ (360,449)	\$ (557,576)	\$ 117,000	\$ 674,576
Fund balance, beginning of year	<u>360,449</u>	<u>557,576</u>	<u>2,222,949</u>	<u>1,665,373</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,339,949</u>	<u>\$ 2,339,949</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Budgetary Comparison Schedule
 Library Fund
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Fines and forfeitures	\$ 1,000	\$ 1,000	\$ 1,215	\$ 215
Use of money and property	42,673	42,673	4,450	(38,223)
Charges for services	2,100	2,100	1,882	(218)
Miscellaneous	1,500	1,500	6,605	5,105
Intergovernmental:				
Revenue from the Commonwealth	<u>32,899</u>	<u>32,899</u>	<u>34,784</u>	<u>1,885</u>
Total revenues	<u>\$ 80,172</u>	<u>\$ 80,172</u>	<u>\$ 48,936</u>	<u>\$ (31,236)</u>
Expenditures:				
Parks, Recreation and Cultural:				
Library administration	<u>\$ 212,389</u>	<u>\$ 212,389</u>	<u>\$ 226,291</u>	<u>\$ (13,902)</u>
Total expenditures	<u>\$ 212,389</u>	<u>\$ 212,389</u>	<u>\$ 226,291</u>	<u>\$ (13,902)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (132,217)</u>	<u>\$ (132,217)</u>	<u>\$ (177,355)</u>	<u>\$ (45,138)</u>
Other financing sources (uses):				
Transfers in	<u>\$ 122,967</u>	<u>\$ 122,967</u>	<u>\$ 130,456</u>	<u>\$ 7,489</u>
Net change in fund balance	\$ (9,250)	\$ (9,250)	\$ (46,899)	\$ (37,649)
Fund balance, beginning of year	<u>9,250</u>	<u>9,250</u>	<u>695,470</u>	<u>686,220</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 648,571</u>	<u>\$ 648,571</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 370,323
Interest	842,948
Benefit payments, including refunds of employee contributions	(415,886)
Net change in total pension liability	<u>\$ 797,385</u>
Total pension liability - beginning	<u>12,250,063</u>
Total pension liability - ending (a)	<u><u>\$ 13,047,448</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 285,405
Contributions - employee	152,309
Net investment income	1,547,322
Benefit payments, including refunds of employee contributions	(415,886)
Administrative expense	(8,229)
Other	82
Net change in plan fiduciary net position	<u>\$ 1,561,003</u>
Plan fiduciary net position - beginning	<u>9,721,955</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,282,958</u></u>
 County's net pension liability - ending (a) - (b)	 \$ 1,764,490
 Plan fiduciary net position as a percentage of the total pension liability	 86.48%
 Covered-employee payroll	 \$ 3,006,863
 County's net pension liability as a percentage of covered-employee payroll	 58.68%

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

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 66,946
Interest	172,252
Benefit payments, including refunds of employee contributions	(148,739)
Net change in total pension liability	<u>\$ 90,459</u>
Total pension liability - beginning	<u>2,535,119</u>
Total pension liability - ending (a)	<u><u>\$ 2,625,578</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 74,895
Contributions - employee	34,236
Net investment income	314,954
Benefit payments, including refunds of employee contributions	(148,739)
Administrative expense	(1,718)
Other	17
Net change in plan fiduciary net position	<u>\$ 273,645</u>
Plan fiduciary net position - beginning	<u>2,022,991</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,296,636</u></u>
 School Division's net pension liability - ending (a) - (b)	 \$ 328,942
 Plan fiduciary net position as a percentage of the total pension liability	 87.47%
 Covered-employee payroll	 \$ 643,424
 School Division's net pension liability as a percentage of covered-employee payroll	 51.12%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Year Ended June 30, 2015*

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.08%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,212,000
Employer's Covered-Employee Payroll	5,612,922
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	164.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

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

Schedule of Employer Contributions
 Year Ended June 30, 2015

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
Primary Government					
2015	\$ 348,829	\$ 348,829	\$ -	\$ 2,811,671	12%
Component Unit School Board (nonprofessional)					
2015	\$ 66,683	\$ 66,683	\$ -	\$ 572,670	12%
Component Unit School Board (professional)					
2015	\$ 795,952	\$ 795,952	\$ -	\$ 4,956,344	16%

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

Notes to Required Supplementary Information
Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Schedule of OPEB Funding Progress
As of June 30, 2015

PRIMARY GOVERNMENT:

County OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2013	\$ -	\$ 828,000	\$ 828,000	0.00%	\$ 530,983	155.94%

County Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
County:						
June 30, 2012	\$ 24,443	\$ 20,130	\$ (4,313)	121.43%	\$ 530,983	-0.81%
June 30, 2013	26,252	19,058	(7,194)	137.75%	656,589	-1.10%
June 30, 2014	29,393	20,492	(8,901)	143.44%	640,540	-1.39%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 1,157,000	\$ 1,157,000	0.00%	\$ 621,449	186.18%
July 1, 2012	-	1,022,000	1,022,000	0.00%	557,378	183.36%
July 1, 2013	-	1,094,000	1,094,000	0.00%	558,689	195.82%

School Board Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2012	\$ 31,845	\$ 80,110	\$ 48,265	39.75%	\$ 558,689	8.64%
June 30, 2013	35,540	75,242	39,702	47.23%	621,449	6.39%
June 30, 2014	40,141	73,811	33,670	54.38%	604,159	5.57%

This page intentionally left blank

Other Supplementary Information

This page intentionally left blank

Agency Fund
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 27,134	\$ 7,553	\$ 2,801	\$ 31,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for others	\$ 27,134	\$ 7,553	\$ 2,801	\$ 31,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

This page intentionally left blank

Discretely Presented Component Unit-School Board

This page intentionally left blank

Discretely Presented Component Unit School Board
 Combining Balance Sheet
 At June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,045,668	\$ 64,067	\$ 1,109,735
Prepaid items	141,280	-	141,280
Inventory	-	6,777	6,777
Due from other governments	283,304	-	283,304
	<u>1,470,252</u>	<u>70,844</u>	<u>1,541,096</u>
Total assets	\$ <u>1,470,252</u>	\$ <u>70,844</u>	\$ <u>1,541,096</u>
Liabilities:			
Accounts payable	\$ 20,756	\$ -	\$ 20,756
Accrued liabilities	1,045,617	33,403	1,079,020
Due to primary government	403,879	-	403,879
	<u>1,470,252</u>	<u>33,403</u>	<u>1,503,655</u>
Total liabilities	\$ <u>1,470,252</u>	\$ <u>33,403</u>	\$ <u>1,503,655</u>
Fund Balance:			
Nonspendable:			
Prepaid items	\$ 141,280	\$ -	\$ 141,280
Inventory	-	6,777	6,777
Assigned:			
School food operations	-	30,664	30,664
Unassigned	(141,280)	-	(141,280)
	<u>-</u>	<u>37,441</u>	<u>37,441</u>
Total fund balance	\$ <u>-</u>	\$ <u>37,441</u>	\$ <u>37,441</u>
Total liabilities and fund balance	\$ <u>1,470,252</u>	\$ <u>70,844</u>	\$ <u>1,541,096</u>

Discretely Presented Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2015

Total fund balances for governmental funds (Exhibit 13) \$ 37,441

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Construction in progress	\$	24,384	
Buildings and improvements, net of depreciation		8,466,034	
Furniture, equipment and vehicles, net of depreciation		855,848	
School Board capital assets in primary government, net of depreciation		<u>(2,997,287)</u>	
 Total capital assets			 6,348,979

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 862,635

Liabilities applicable to the School Board's governmental activities which are not due and/or payable in the current period are not reported as fund liabilities. Balances of such liabilities affecting net position are as follows:

Compensated absences	\$	(158,955)	
Net pension liability		(9,540,942)	
Deferred inflows of resources related to net pension liability		(1,694,833)	
Net OPEB obligation		<u>(468,000)</u>	
 Total			 <u>(11,862,730)</u>

Total net position of governmental activities (Exhibit 1) \$ (4,613,675)

Discretely Presented Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2015

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 12,435	\$ 212,303	\$ 224,738
Miscellaneous	75,639	8,830	84,469
Recovered costs	30,423	-	30,423
Intergovernmental:			
Contribution from primary government	8,474,796	-	8,474,796
Revenue from the Commonwealth	2,747,282	10,053	2,757,335
Revenue from the Federal Government	417,282	193,093	610,375
Total revenues	\$ 11,757,857	\$ 424,279	\$ 12,182,136
Expenditures:			
Current:			
Education:			
Instruction	\$ 8,206,942	\$ -	\$ 8,206,942
Administration, attendance and health	801,881	-	801,881
Transportation	1,211,042	-	1,211,042
Operation and maintenance	1,214,550	-	1,214,550
School food services	13,054	439,213	452,267
Technology	294,188	-	294,188
Total expenditures	\$ 11,741,657	\$ 439,213	\$ 12,180,870
Excess (deficiency) of revenues over (under) expenditures	\$ 16,200	\$ (14,934)	\$ 1,266
Other financing sources (uses):			
Transfers in	\$ -	\$ 16,200	\$ 16,200
Transfers out	(16,200)	-	(16,200)
Total other financing sources (uses)	\$ (16,200)	\$ 16,200	\$ -
Net change in fund balance	\$ -	\$ 1,266	\$ 1,266
Fund balance, beginning of year	-	36,175	36,175
Fund balance, end of year	\$ -	\$ 37,441	\$ 37,441

Discretely Presented Component Unit School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2015

Net change in fund balances - total governmental funds (Exhibit 15) \$ 1,266

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (227,021)

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires an adjustment to convert the revenues to the accrual basis.

Change in deferred inflows related to the measurement of the net pension liability (1,694,833)

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship decreased the transfers to the School Board. 383,773

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment consists of the following:

Compensated absences	\$	17,654	
Net pension liability		1,701,186	
Deferred outflows of resources related to pension contributions subsequent to the measurement date		136,740	
Net OPEB obligation		(80,000)	
		<u> </u>	
Total			<u>1,775,580</u>
Change in net position of governmental activities (Exhibit 2)	\$		<u><u>238,765</u></u>

Discretely Presented Component Unit School Board
 School Operating Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ 12,435	\$ 12,435
Miscellaneous	33,916	33,916	75,639	41,723
Recovered costs	-	-	30,423	30,423
Intergovernmental:				
Appropriation from primary government	8,476,849	8,476,849	8,474,796	(2,053)
Revenue from the Commonwealth	2,732,769	2,732,769	2,747,282	14,513
Revenue from the Federal Government	547,700	547,700	417,282	(130,418)
Total revenues	\$ 11,791,234	\$ 11,791,234	\$ 11,757,857	\$ (33,377)
Expenditures:				
Current:				
Education:				
Instruction	\$ 8,485,938	\$ 8,485,938	\$ 8,206,942	\$ 278,996
Administration, attendance and health	775,686	775,686	801,881	(26,195)
Transportation	1,098,318	1,098,318	1,211,042	(112,724)
Operation and maintenance	971,775	971,775	1,214,550	(242,775)
School food services	156,404	156,404	13,054	143,350
Technology	303,113	303,113	294,188	8,925
Total expenditures	\$ 11,791,234	\$ 11,791,234	\$ 11,741,657	\$ 49,577
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 16,200	\$ 16,200
Other financing sources (uses):				
Transfers out	\$ -	\$ -	\$ (16,200)	\$ (16,200)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

This page intentionally left blank

Discretely Presented Component Unit

Rappahannock County Recreational Facilities Authority

This page intentionally left blank

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Net Position
 June 30, 2015

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ <u>17,423</u>
Capital Assets:	
Land	\$ 20,000
Other capital assets, net of accumulated depreciation	56,356
Total capital assets, net	\$ <u>76,356</u>
Total assets	\$ <u>93,779</u>
Net Position:	
Investment in capital assets	\$ 76,356
Unrestricted	<u>17,423</u>
Total net position	\$ <u><u>93,779</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2015

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Operating Revenues:	
Fodderstack race fees	\$ 9,175
Fodderstack race donations	4,950
Pavilion fees	1,700
Other income	1,482
	<u>17,307</u>
Total operating revenues	\$ 17,307
Operating Expenses:	
Advertising	\$ 344
Awards	1,745
Maintenance	1,329
Office	3,999
Petty Cash	300
P.O. box rental	48
Race expense	157
Race management	1,780
Refund/Reimbursement	1,192
Repairs	7,313
Septic charges	840
Utilities	168
Depreciation	7,056
	<u>26,271</u>
Total operating expenses	\$ 26,271
Operating income (loss)	\$ (8,964)
Nonoperating Revenues:	
Interest income	\$ 64
Change in net position	\$ (8,900)
Net position, beginning of year	<u>102,679</u>
Net position, end of year	<u><u>93,779</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Cash Flows
 Year Ended June 30, 2015

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 17,307
Payments for services	<u>(19,215)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,908)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	<u>\$ (15,210)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 64</u>
Net Increase (decrease) in cash and cash equivalents	<u>\$ (17,054)</u>
Cash and cash equivalents at beginning of year	<u>34,477</u>
Cash and cash equivalents at end of year	<u>\$ 17,423</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (8,964)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	<u>7,056</u>
Net cash provided by (used for) operating activities	<u>\$ (1,908)</u>

This page intentionally left blank

Statistical Information

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2006	\$ 900,224	\$ 521,553	\$ 1,869,797	\$ 1,315,134	\$ 1,445,417
2007	1,830,994	511,111	2,889,260	909,018	1,573,437
2008	1,046,992	591,957	2,836,270	1,470,899	1,825,423
2009	1,033,528	613,997	3,020,094	995,784	1,742,545
2010	1,210,317	547,850	2,946,938	1,036,017	1,784,898
2011	1,132,198	532,309	2,953,428	877,034	1,854,208
2012	1,235,264	558,072	2,950,804	1,115,716	2,344,788
2013	1,361,240	601,707	3,088,825	1,031,817	2,279,247
2014	1,381,064	586,282	3,411,317	1,135,337	2,547,019
2015	1,505,816	527,648	3,390,514	871,474	2,659,547

Table 1

<u>Education</u>	<u>Parks, Recreation, and Culture</u>	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Total</u>
\$ 7,629,521	\$ 225,558	\$ 205,087	\$ 267,527	\$ 14,379,818
7,592,542	228,443	270,722	248,210	16,053,737
8,225,502	238,922	305,234	225,831	16,767,030
8,391,601	241,583	639,789	203,690	16,882,611
8,071,433	244,550	325,359	197,662	16,365,024
8,343,786	246,421	378,414	181,458	16,499,256
8,361,271	245,355	350,201	175,717	17,337,188
8,736,409	197,208	355,186	189,180	17,840,819
8,784,501	279,077	292,962	147,749	18,565,308
8,863,794	282,060	299,357	128,509	18,528,719

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2006	\$ 308,467	\$ 2,324,731	\$ -
2007	339,289	2,334,218	-
2008	276,758	2,558,265	-
2009	284,187	2,599,023	904,871
2010	358,573	2,471,657	-
2011	305,254	2,530,340	-
2012	254,420	2,718,381	-
2013	310,947	2,321,513	-
2014	327,003	2,719,264	-
2015	288,083	2,646,930	-

Table 2

General Revenues						
General Property Taxes	Other Local Taxes	Non- Categorical Aid	Revenues from the Use of Money & Property	Miscel- laneous	Gain on Sale of Capital Assets	Total
\$ 8,913,921	\$ 1,604,026	\$ 1,055,482	\$ 220,283	\$ 244,720	-	\$ 14,671,630
10,886,332	1,580,303	1,041,329	356,280	455,436	-	16,993,187
11,143,774	1,549,361	996,131	159,274	378,239	-	17,061,802
11,710,846	1,464,226	945,020	34,864	101,921	-	18,044,958
11,161,961	1,060,099	1,329,829	138,021	236,906	-	16,757,046
10,480,557	1,164,317	1,302,957	143,521	169,700	-	16,096,646
10,962,185	1,164,224	1,293,720	55,917	146,985	-	16,595,832
11,365,907	1,185,740	1,307,651	129,661	183,118	25,190	16,829,727
11,985,197	1,229,959	1,379,154	147,877	190,080	-	17,978,534
13,004,588	1,111,493	1,331,876	34,175	272,017	-	18,689,162

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property
2006	\$ 8,922,135	\$ 1,604,026	104,884	35,203	220,283
2007	10,769,333	1,580,303	109,037	51,786	356,280
2008	11,117,838	1,549,361	85,455	62,669	159,274
2009	11,515,100	1,464,226	74,647	110,551	34,864
2010	11,103,838	1,060,099	159,247	96,766	138,021
2011	10,648,993	1,164,317	87,254	81,982	143,521
2012	10,723,645	1,164,224	78,126	77,856	55,917
2013	11,278,834	1,185,740	87,645	118,542	258,099
2014	11,886,764	1,229,959	82,130	127,152	147,877
2015	13,027,716	1,111,493	104,253	102,833	34,175

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

Table 3

	Charges for Services	Miscel- laneous	Recovered Costs	Intergovern- mental	Total
\$	500,171	\$ 306,576	\$ 155,701	\$ 7,068,091	\$ 18,917,070
	511,556	673,253	151,862	7,169,214	21,372,624
	457,042	578,031	144,501	7,055,659	21,209,830
	396,767	656,165	197,281	7,076,660	21,526,261
	382,811	346,560	201,817	6,682,045	20,171,204
	392,672	342,929	106,596	7,147,330	20,115,594
	323,158	308,735	101,570	7,339,176	20,172,407
	320,617	258,406	125,811	6,991,120	20,624,814
	330,884	221,010	92,475	7,508,393	21,626,644
	305,735	365,010	139,263	7,321,609	22,512,087

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2006	\$ 861,878	\$ 519,428	\$ 2,330,775	\$ 1,298,423	\$ 1,439,241
2007	973,963	509,861	2,845,226	941,178	1,571,805
2008	1,038,743	580,762	2,917,462	1,141,193	1,833,125
2009	1,007,173	622,691	3,552,041	1,759,004	1,734,396
2010	1,191,617	545,066	3,046,524	1,149,842	1,701,457
2011	1,095,574	531,059	2,978,876	1,136,225	1,853,253
2012	1,356,389	588,490	2,973,839	1,186,956	2,337,480
2013	1,639,923	598,833	3,100,556	1,058,449	2,242,118
2014	1,349,020	583,408	3,377,540	1,130,404	2,515,634
2015	1,419,351	606,898	3,351,453	999,438	2,655,545

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes capital projects

(3) Excludes appropriation to School Board from General Fund

Table 4

	(2)(3) Education	(2) Recreation and Cultural	Community Development	Capital Projects	Debt Service	Total
\$	10,589,127	\$ 203,058	\$ 205,087	\$ 3,036,686	\$ 829,571	\$ 21,313,274
	11,214,843	205,943	270,722	853,263	766,866	20,153,670
	11,701,595	523,193	305,234	25,558	738,345	20,805,210
	11,443,784	612,863	639,789	590,991	709,557	22,672,289
	11,069,818	194,747	325,359	3,912	628,064	19,856,406
	11,663,497	196,618	378,414	19,989	599,059	20,452,564
	11,749,102	195,551	344,492	1,173,103	798,665	22,704,067
	11,809,224	211,161	344,465	220,656	664,849	21,890,234
	12,026,150	223,917	288,441	4,521	1,961,913	23,460,948
	12,186,095	233,291	291,714	7,827	621,646	22,373,258

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	Total
2006	\$ 875,497,928	\$ 59,300,910	\$ 38,220	\$ 18,594,932	\$ 953,431,990
2007	1,532,668,500	64,060,764	42,350	23,487,235	1,620,258,849
2008	1,559,835,500	64,527,171	98,320	22,028,458	1,646,489,449
2009	1,586,404,700	66,839,796	139,820	19,199,054	1,672,583,370
2010	1,603,162,900	56,473,495	86,120	21,541,208	1,681,263,723
2011	1,507,518,500	58,442,724	122,470	22,594,963	1,588,678,657
2012	1,517,846,600	58,770,324	122,470	29,025,579	1,605,764,973
2013	1,528,986,700	59,148,765	122,170	51,441,940	1,639,699,575
2014	1,536,218,200	58,909,294	122,470	51,478,437	1,646,728,401
2015	1,550,225,900	59,047,835	122,470	52,611,509	1,662,007,714

(1) 100% fair market value

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy	(1) (2) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2006	\$ 9,915,142	\$ 9,638,617	97%	\$ 178,242	\$ 9,816,859	99%	\$ 98,283	1%
2007	11,743,900	11,486,661	98%	174,852	11,661,513	98%	180,670	2%
2008	12,079,538	11,774,838	97%	199,114	11,973,952	98%	286,256	2%
2009	12,483,174	11,980,903	96%	366,179	12,347,082	97%	422,348	3%
2010	11,643,333	11,253,240	97%	254,208	11,507,448	95%	558,233	5%
2011	11,154,802	10,779,847	97%	230,705	11,010,552	94%	702,483	6%
2012	11,229,476	10,878,984	97%	162,481	11,041,465	93%	946,618	8%
2013	11,754,808	11,377,307	97%	-	11,377,307	90%	992,752	8%
2014	11,796,833	11,332,726	96%	554,038	11,886,764	93%	1,058,154	9%
2015	12,679,789	12,285,035	97%	742,681	13,027,716	95%	1,063,316	8%

(1) Exclusive of penalties and interest.

(2) Includes personal property tax reimbursements from the Commonwealth

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Public Utility
2006	\$ 0.76	\$ 4.00	\$ 0.76	0.76
2007	0.54	4.00	0.54	0.54
2008	0.59	4.20	0.59	0.59
2009	0.55	4.00	0.55	0.55
2010	0.53	4.00	0.53	0.53
2011	0.53	4.00	0.53	0.53
2012	0.53	4.00	0.53	0.53
2013	0.57	4.00	0.57	0.57
2014	0.61	4.25	0.61	0.61
2015	0.65	4.25	0.65	0.65

(1) Per \$100 of assessed value, including fire levy

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

Fiscal Year	Population (1)	Assessed Value (2)	Bonded Debt (3)	Ratio of General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2006	7,271	\$ 953,431,990	\$ 5,998,000	1%	\$ 825
2007	7,203	1,620,258,849	5,517,000	0%	766
2008	7,203	1,646,489,449	5,041,000	0%	700
2009	7,203	1,672,583,370	4,570,000	0%	634
2010	7,035	1,681,263,723	4,195,000	0%	596
2011	7,373	1,588,678,657	3,830,000	0%	519
2012	7,373	1,605,764,973	4,690,000	0%	636
2013	7,373	1,639,699,575	4,255,000	0%	577
2014	7,373	1,646,728,401	3,805,000	0%	516
2015	7,373	1,662,007,714	3,365,000	0%	456

(1) US Census Bureau

(2) From Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.
Excludes compensated absences, revenue bonds and landfill obligations.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (2)</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2006	\$ 486,000	\$ 343,571	\$ 829,571	\$ 21,313,274	4%
2007	481,000	285,866	766,866	20,153,670	4%
2008	476,000	262,345	738,345	20,805,210	4%
2009	471,000	238,557	709,557	22,672,289	3%
2010	400,623	227,441	628,064	19,856,406	3%
2011	389,439	209,620	599,059	20,452,564	3%
2012	599,938	198,727	798,665	22,704,067	4%
2013	487,992	198,727	686,719	21,890,234	3%
2014	494,521	196,270	690,791	23,460,948	3%
2015	444,102	177,544	621,646	22,373,258	3%

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes all general obligation debt. Does not include revenue bonds.

Compliance

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

The Honorable Members of the Board of Supervisors County of Rappahannock, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Rappahannock, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise County of Rappahannock, Virginia's basic financial statements, and have issued our report thereon dated February 2, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farver, Cox Associates

Charlottesville, Virginia

February 2, 2016

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

The Honorable Members of the Board of Supervisors County of Rappahannock, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Rappahannock, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Rappahannock, Virginia's major federal programs for the year ended June 30, 2015. County of Rappahannock, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Rappahannock, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Rappahannock, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Rappahannock, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the County of Rappahannock, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Rappahannock, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Rappahannock, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
February 2, 2016

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass - through payments:			
Child Nutrition Cluster:			
State Department of Agriculture:			
National School Lunch Proram - Food Distribution	10.555	2015IN109941	\$ 20,685
Department of Education:			
National School Lunch Program	10.555	2015IN109941	125,450
Total National School Lunch Program			\$ 146,135
School Breakfast Program	10.553	2015IN109941	46,957
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010114/0010115	118,535
Total Department of Agriculture			\$ 311,627
Department of Health and Human Services:			
Pass - through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950114/0950115	\$ 12,491
Temporary Assistance for Needy Families (TANF)	93.558	0400114/0400115	64,636
Refugee and Entrant Assistance -- State Administered Programs	93.566	0500114/0500115	155
Low-Income Home Energy Assistance	93.568	0600414/0600415	6,145
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114/0760115	10,223
Chafee Education and Training Vouchers Program (ETV)	93.599	9160114	778
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114/0900115	541
Foster Care - Title IV-E	93.658	1100114/1100115	99,972
Adoption Assistance	93.659	1120114/1120115	18,180
Social Services Block Grant	93.667	1000114/1000115	70,828
Chafee Foster Care Independence Program	93.674	9150114/9150115	1,845
Children's Health Insurance Program	93.767	0540114/0540115	3,912
Medical Assistance Program	93.778	1200114/1200115	135,153
Total Department of Health and Human Services			\$ 424,859

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation: Pass - through payments: Department of Motor Vehicles: State and Community Highway Safety	20.600	60507-54184	\$ <u>4,092</u>
Department of Education: Pass - through payments: Department of Education: Career and Technical Education -- Basic Grants to States	84.048	V048A130046 V048A140046	\$ 15,900
Advanced Placement Program	84.330	S330B130008	301
Improving Teacher Quality State Grants	84.367	S367A130044 S367A140044	43,578
Title I Grants to Local Educational Agencies	84.010	S010A130046 S010A140046	137,300
Special Education Cluster (IDEA): Special Education -- Grants to States	84.027	H027A120107 H027A130107 H027A140107	215,627
Special Education -- Preschool Grants	84.173	H173A120112 H173A130112	4,576
Total Department of Education			\$ <u>417,282</u>
Total expenditures of federal awards			\$ <u><u>1,157,860</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Rappahannock, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of operations of the County of Rappahannock, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Rappahannock, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Distribution

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ <u>622,051</u>
Component Unit School Board:	
School Operating Fund	\$ 417,282
School Cafeteria Fund	<u>193,093</u>
Total Component Unit School Board	\$ <u>610,375</u>
Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards	\$ <u>(74,566)</u>
Total federal expenditures per basic financial statements	\$ <u><u>1,157,860</u></u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,157,860</u></u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? No
 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? No
 Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a)
 of Circular A-133? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555 10.561	Child Nutrition Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
84.027/84.173 93.778	Special Education Cluster (IDEA) Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Federal Award Findings and Questioned Costs

None