



COUNTY OF RAPPAHANNOCK, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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
Fran Krebsler
Janet Davis
Marcie Brandriff

Ruth Stolk
Nancy Ely Raphael
John Head

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 Deborah A. Keyser

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of
the Board of Supervisors
County of 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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 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 June 29, 2017, 2017, 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, Farver, Cox Associates
Charlottesville, Virginia
June 29, 2017

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Basic Financial Statements

Government-Wide Financial Statements

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Statement of Net Position
At June 30, 2016

	Primary Government		
	Governmental Activities	School Board	Recreational Facilities Authority
Assets:			
Cash and cash equivalents	\$ 2,570,000	\$ 1,186,198	\$ 22,724
Investments	610,986	-	-
Receivables, net			
Due within one year	1,271,913	-	-
Prepaid items	5,935	53,461	-
Inventory	-	15,921	-
Due from component unit School Board	273,329	-	-
Due from other governments	546,458	238,050	-
Capital assets:			
Land and construction in progress	1,705,907	24,384	20,000
Other capital assets, net of accumulated depreciation	5,195,288	6,862,581	49,300
Capital assets, net	\$ 6,901,195	\$ 6,886,965	\$ 69,300
Total assets	\$ 12,179,816	\$ 8,380,595	\$ 92,024
Deferred Outflows of Resources:			
Pension contributions subsequent to the measurement date	\$ 348,635	\$ 861,954	\$ -
Liabilities:			
Accounts payable and accrued liabilities	\$ 261,516	\$ 1,146,677	\$ -
Due to primary government	-	273,329	-
Unearned revenue	-	25,720	-
Long-term liabilities:			
Due within one year	509,378	94,680	-
Due in more than one year	7,429,580	10,609,368	-
Total liabilities	\$ 8,200,474	\$ 12,149,774	\$ -
Deferred Inflows of Resources:			
Deferred revenue-property taxes	\$ 32,047	\$ -	\$ -
Items related to the measurement of the net pension liability	350,745	1,112,313	-
Total deferred inflows of resources	\$ 382,792	\$ 1,112,313	\$ -
Net Position:			
Net investment in capital assets	\$ 3,857,793	\$ 6,662,484	\$ 69,300
Unrestricted (deficit)	87,392	(10,682,022)	22,724
Total net position	\$ 3,945,185	\$ (4,019,538)	\$ 92,024

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,547,808	\$ 15,610	\$ 175,192	\$ -
Judicial administration	586,007	37,598	335,738	-
Public safety	3,387,732	104,707	679,576	-
Public works	915,508	248,975	4,976	-
Health and welfare	2,652,016	-	1,388,274	-
Education	9,167,980	-	-	-
Parks, recreation and cultural	310,419	1,331	38,676	-
Community development	303,058	-	41,987	-
Interest on long-term debt	107,623	-	-	-
Total Primary Government	\$ 18,978,151	\$ 408,221	\$ 2,664,419	\$ -
Component Units				
Rappahannock County Public Schools	\$ 12,340,557	\$ 205,457	\$ 3,681,987	\$ -
Rappahannock County Recreational Facilities Authority	17,298	15,505	-	-
Total Component Units	\$ 12,357,855	\$ 220,962	\$ 3,681,987	\$ -

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

Motor vehicle license

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
\$ (1,357,006)	\$ -	\$ -
(212,671)	-	-
(2,603,449)	-	-
(661,557)	-	-
(1,263,742)	-	-
(9,167,980)	-	-
(270,412)	-	-
(261,071)	-	-
(107,623)	-	-
<u>\$ (15,905,511)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,453,113)	\$ -
-	-	(1,793)
<u>\$ -</u>	<u>\$ (8,453,113)</u>	<u>\$ (1,793)</u>
\$ 13,586,234	\$ -	\$ -
499,192	-	-
173,527	-	-
84,253	-	-
243,078	-	-
155,024	-	-
153,592	-	-
-	9,162,831	-
1,369,662	-	-
307,860	-	38
13,054	181,239	-
<u>\$ 16,585,476</u>	<u>\$ 9,344,070</u>	<u>\$ 38</u>
\$ 679,965	\$ 890,957	\$ (1,755)
3,265,220	(4,910,495)	93,779
<u>\$ 3,945,185</u>	<u>\$ (4,019,538)</u>	<u>\$ 92,024</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2016

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,438,230	\$ 79,282	\$ 52,488	\$ 2,570,000
Investments	-	610,986	-	610,986
Property taxes receivable, net	1,162,174	-	-	1,162,174
Accounts receivable	109,739	-	-	109,739
Notes receivable	-	-	-	-
Prepaid items	5,935	-	-	5,935
Due from other funds	83,959	-	-	83,959
Due from component unit	273,329	-	-	273,329
Due from other governments	546,458	-	-	546,458
Total assets	\$ 4,619,824	\$ 690,268	\$ 52,488	\$ 5,362,580
Liabilities:				
Accounts payable and accrued liabilities	\$ 194,028	\$ 2,279	\$ -	\$ 196,307
Due to other funds	-	83,959	-	83,959
Unearned revenue	-	-	-	-
Total liabilities	\$ 194,028	\$ 86,238	\$ -	\$ 280,266
Deferred Inflows of Resources:				
Unavailable revenues-property taxes	\$ 1,136,793	\$ -	\$ -	\$ 1,136,793
Fund Balance:				
Nonspendable:				
Prepaid items	\$ 5,935	\$ -	\$ -	\$ 5,935
Committed:				
Emergency medical transport	-	-	52,488	52,488
Library operations	-	604,030	-	604,030
Unassigned	3,283,068	-	-	3,283,068
Total fund balance	\$ 3,289,003	\$ 604,030	\$ 52,488	\$ 3,945,521
Total liabilities, deferred inflows of resources, and fund balance	\$ 4,619,824	\$ 690,268	\$ 52,488	\$ 5,362,580

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, 2016

Total fund balances for governmental funds (Exhibit 3) \$ 3,945,521

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		1,754,210	
Furniture, equipment, and vehicles net of depreciation		855,064	
School buildings, improvements and equipment, net of depreciation		<u>2,586,014</u>	
Total capital assets			6,901,195

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

Unavailable revenues - property taxes	\$	1,104,746	
Items related to measurement of net pension liability		<u>(350,745)</u>	
Total			754,001

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. 348,635

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	\$	(65,209)	
General obligation bonds		(3,043,402)	
Compensated absences		(221,964)	
Net pension liability		(1,965,517)	
Net OPEB obligation		(518,000)	
Accrued landfill remediation costs		<u>(2,190,075)</u>	
Total			<u>(8,004,167)</u>

Total net position of governmental activities (Exhibits 1 and 2) \$ 3,945,185

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, 2016

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 13,482,799	\$ -	\$ -	\$ 13,482,799
Other local taxes	1,308,666	-	-	1,308,666
Permits, privilege fees and regulatory licenses	272,759	-	-	272,759
Fines and forfeitures	69,133	1,315	-	70,448
Use of money and property	296,374	11,486	-	307,860
Charges for services	63,683	1,331	-	65,014
Miscellaneous	123,210	5,861	128,845	257,916
Recovered costs	115,361	-	-	115,361
Intergovernmental:				
Revenue from the Commonwealth	3,250,848	38,676	-	3,289,524
Revenue from the Federal Government	744,557	-	-	744,557
Total revenues	\$ 19,727,390	\$ 58,669	\$ 128,845	\$ 19,914,904
Expenditures:				
Current:				
General government administration	\$ 1,527,735	\$ -	\$ -	\$ 1,527,735
Judicial administration	602,513	-	-	602,513
Public safety	3,163,670	-	223,795	3,387,465
Public works	998,299	-	-	998,299
Health and welfare	2,674,751	-	-	2,674,751
Education - local community college	5,149	-	-	5,149
Education - public school system	8,751,558	-	-	8,751,558
Parks, recreation and cultural	24,665	240,354	-	265,019
Community development	295,316	-	-	295,316
Capital projects	9,277	-	-	9,277
Debt service:				
Principal payments	445,000	-	-	445,000
Interest and fiscal charges	154,844	-	-	154,844
Total expenditures	\$ 18,652,777	\$ 240,354	\$ 223,795	\$ 19,116,926
Excess (deficiency) of revenues over expenditures	\$ 1,074,613	\$ (181,685)	\$ (94,950)	\$ 797,978
Other financing sources (uses):				
Transfers in	\$ 11,585	\$ 137,144	\$ -	\$ 148,729
Transfers out	(137,144)	-	(11,585)	(148,729)
Total other financing sources (uses)	\$ (125,559)	\$ 137,144	\$ (11,585)	\$ -
Net change in fund balance	\$ 949,054	\$ (44,541)	\$ (106,535)	\$ 797,978
Fund balance, beginning of year	2,339,949	648,571	159,023	3,147,543
Fund balance, end of year	\$ 3,289,003	\$ 604,030	\$ 52,488	\$ 3,945,521

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, 2016

Net change in fund balances - total governmental funds (Exhibit 5) \$ 797,978

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	\$ 105,984	
Depreciation	(284,265)	
Change in joint assets related to school board	(411,273)	(589,554)

The net effect of various miscellaneous transactions involving capital assets is to increase net assets (244,862)

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

Property taxes	\$ 103,435	
Change in deferred outflows related to the measurement of the net pension liability	(194)	103,241

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	\$ (19,535)	
------------------------------------	-------------	--

Repayments:

General obligation school bonds	445,000	
Amortization of bond premium	36,845	462,310

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	\$ 28,203	
Net pension liability	(201,027)	
Net OPEB obligation	(29,000)	
Deferred inflows related to pension contributions subsequent to the measurement date	342,300	
Accrued interest on bonds and loans	10,376	150,852

Change in net position of governmental activities (Exhibit 2) \$ 679,965

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2016

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>48,220</u>
Total assets	\$ <u><u>48,220</u></u>
Liabilities:	
Amounts held for others	\$ <u>48,220</u>
Total liabilities	\$ <u><u>48,220</u></u>

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016

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 2016.

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 Funds consist of the Special Welfare Fund and the Sheriff 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, 2016, 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. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

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 \$183,087 at June 30, 2016 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

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

H. Capital Assets: (Continued)

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are recorded at acquisition value at the date of donation. 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.

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.

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

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.

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.

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

M. Fund Equity: (Continued)

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.

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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 the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

The County has no formal investment policy addressing the various risks related to investments.

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AA-	Unrated
Taxable Municipal Bonds	\$ 26,591	\$ -
Closed End Mutual Fund	-	15,097
Open End Mutual Fund	-	398,172
Common Equity	-	171,126
Total	<u>\$ 26,591</u>	<u>\$ 584,395</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Fair Value Measurements

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value Measurement Using</u>	
	<u>Balance June 30, 2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Taxable Municipal Bonds	\$ 26,591	\$ 26,591
Closed End Mutual Fund	15,097	15,097
Open End Mutual Fund	398,172	398,172
Common Equity	171,126	171,126
Total	<u>\$ 610,986</u>	<u>\$ 610,986</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2016, there is no portion of the County's portfolio, that exceed 5% of the total portfolio. At present the County does not have a policy related to custodial credit risk.

Interest Rate Risk

The County does not have a policy related to interest rate risk.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>
Taxable Municipal Bonds	\$ 26,591	\$ 26,591
Closed End Mutual Fund	15,097	15,097
Open End Mutual Fund	398,172	398,172
Common Equity	<u>171,126</u>	<u>171,126</u>
Total	<u>\$ 610,986</u>	<u>\$ 610,986</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, 2016 (Continued)

NOTE 4—RECEIVABLES:

Receivables at June 30, 2016 consist of the following:

	Primary Government <u>General Fund</u>
Property taxes	\$ 1,345,261
Utility taxes	13,945
Clerk of the circuit court	22,125
Meals taxes	63,013
Other	<u>10,656</u>
Subtotal	\$ 1,455,000
Allowance for uncollectibles	<u>(183,087)</u>
Total receivables	<u><u>\$ 1,271,913</u></u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Governmental Activities <u>General Fund</u>	Component Unit <u>School Board</u>
Rappahannock Water and Sewer Authority	\$ 9,977	\$ -
Commonwealth of Virginia:		
Local sales tax	87,802	183,645
Communications sales and use tax	54,822	-
Comprehensive services act	175,684	-
Public assistance	35,316	-
Shared expenses and grants	105,921	-
Other	14,560	-
Federal government:		
Public assistance	62,377	-
Federal pass-through school funds	-	54,405
	<u>\$ 546,459</u>	<u>\$ 238,050</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 6—INTERFUND ACTIVITY:

Primary Government:

Transfers To/From Other Funds:

Transfer to the General Fund to support operations	\$ 11,585
Transfer to the Library Fund to support operations	137,144
	<u>\$ 148,729</u>

Component Unit - School Board:

Transfers To/From Other Funds:

Transfer to the School Cafeteria Fund for food service	\$ 21,820
	<u>\$ 21,820</u>

NOTE 7—CAPITAL ASSETS:

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

Governmental Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 1,705,907	\$ -	\$ -	\$ 1,705,907
Total capital assets not being depreciated	<u>\$ 1,705,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,705,907</u>
Other capital assets:				
Buildings and improvements	\$ 3,632,859	\$ -	\$ -	\$ 3,632,859
School buildings, improvements and equipment *	3,365,000	-	(445,000)	2,920,000
Furniture, equipment and vehicles	2,245,842	105,984	(105,246)	2,246,580
Total other capital assets	<u>\$ 9,243,701</u>	<u>\$ 105,984</u>	<u>\$ (550,246)</u>	<u>\$ 8,799,439</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,757,121	\$ 121,528	\$ -	\$ 1,878,649
School buildings, improvements and equipment *	367,713	114,500	(148,227)	333,986
Furniture, equipment and vehicles	1,334,025	162,737	(105,246)	1,391,516
Total accumulated depreciation	<u>\$ 3,458,859</u>	<u>\$ 398,765</u>	<u>\$ (253,473)</u>	<u>\$ 3,604,151</u>
Other capital assets, net	<u>\$ 5,784,842</u>	<u>\$ (292,781)</u>	<u>\$ (296,773)</u>	<u>\$ 5,195,288</u>
Net capital assets	<u>\$ 7,490,749</u>	<u>\$ (292,781)</u>	<u>\$ (296,773)</u>	<u>\$ 6,901,195</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 95,093		
Judicial administration		4,748		
Public safety		110,522		
Public works		16,625		
Education		114,500		
Parks, recreation and cultural		57,277		
Total depreciation expense		<u>\$ 398,765</u>		

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 24,384	\$ 500,545	\$ (500,545)	\$ 24,384
Other capital assets:				
Buildings and improvements	\$ 14,141,019	\$ 210,633	\$ -	\$ 14,351,652
School buildings, improvements and equipment allocated to County *	(3,365,000)	-	445,000	(2,920,000)
Furniture, equipment and vehicles	2,061,995	445,612	(146,320)	2,361,287
Total other capital assets	\$ 12,838,014	\$ 656,245	\$ 298,680	\$ 13,792,939
Accumulated depreciation:				
Buildings and improvements	\$ 5,674,985	\$ 358,067	\$ -	\$ 6,033,052
School buildings, improvements and equipment allocated to County *	(367,713)	(114,500)	148,227	(333,986)
Furniture, equipment and vehicles	1,206,147	171,465	(146,320)	1,231,292
Total accumulated depreciation	\$ 6,513,419	\$ 415,032	\$ 1,907	\$ 6,930,358
Other capital assets, net	\$ 6,324,595	\$ 241,213	\$ 296,773	\$ 6,862,581
Net capital assets	\$ 6,348,979	\$ 741,758	\$ (203,772)	\$ 6,886,965
Depreciation expense allocated to education		\$ 415,032		

*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	\$ 6,901,195
Long-term debt applicable to capital assets at June 30, 2016	(3,043,402)
Net investment in capital assets	\$ 3,857,793

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit Recreational Services Authority

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Other capital assets:				
Building and improvements	\$ 156,815	\$ -	\$ -	\$ 156,815
Equipment	11,533	-	-	11,533
Total other capital assets	\$ 168,348	\$ -	\$ -	\$ 168,348
Accumulated depreciation:				
Building and improvements	\$ 105,949	\$ 6,304	\$ -	\$ 112,253
Equipment	6,043	752	-	6,795
Total accumulated depreciation	\$ 111,992	\$ 7,056	\$ -	\$ 119,048
Other capital assets, net	\$ 56,356	\$ (7,056)	\$ -	\$ 49,300
Net capital assets	\$ 76,356	\$ (7,056)	\$ -	\$ 69,300

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, 2016 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government

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

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Issuances/</u> <u>Additions</u>	<u>Retirements/</u> <u>Reductions</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Current</u> <u>Portion</u>
General obligation bonds	\$ 3,365,000	\$ -	\$ (445,000)	\$ 2,920,000	\$ 455,000
Unamortized bond premiums	160,247	-	(36,845)	123,402	32,182
Compensated absences	250,167	-	(28,203)	221,964	22,196
Net pension liability	1,764,490	1,273,672	(1,072,645)	1,965,517	-
Net OPEB obligation	489,000	54,000	(25,000)	518,000	-
Accrued landfill remediation costs	2,170,540	19,535	-	2,190,075	-
Line of credit	-	1,051,153	(1,051,153)	-	-
Total	\$ 8,199,444	\$ 2,398,360	\$ (2,658,846)	\$ 7,938,958	\$ 509,378

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	\$ 2,920,000	\$ 526,214

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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 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%	\$ 805,000	\$ 120,000
\$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%	1,665,000	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%	450,000	150,000
Unamortized bond premiums	<u>123,402</u>	<u>32,182</u>
Total general obligation bonds	<u>\$ 3,043,402</u>	<u>\$ 487,182</u>
Net pension liability	<u>\$ 1,965,517</u>	<u>\$ -</u>
Net OPEB obligation	<u>\$ 518,000</u>	<u>\$ -</u>
Accrued landfill remediation costs	<u>\$ 2,190,075</u>	<u>\$ -</u>
Compensated Absences	<u>\$ 221,964</u>	<u>\$ 22,196</u>
Total long-term obligations	<u><u>\$ 7,938,958</u></u>	<u><u>\$ 509,378</u></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, 2016 (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, 2016:

	Restated Balance July 1, 2015	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2016	Current Portion
Compensated absences	\$ 158,955	\$ 52,157	\$ -	\$ 211,112	\$ 21,111
Capital lease	296,820	-	(72,339)	224,481	73,569
Net pension liability	9,540,942	2,401,570	(2,194,057)	9,748,455	-
Net OPEB obligation	468,000	63,000	(11,000)	520,000	-
Total	<u>\$ 10,464,717</u>	<u>\$ 2,516,727</u>	<u>\$ (2,277,396)</u>	<u>\$ 10,704,048</u>	<u>\$ 94,680</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, 2016 are:

	Beginning Balance	Increase (Decrease)	Ending Balance
Primary Government:			
Governmental activities	\$ 250,167	\$ (28,203)	\$ 221,964
Component Unit School Board	\$ 158,955	\$ 52,157	\$ 211,112

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 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

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
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) 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>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 See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions</p>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<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 Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>Political subdivisions hazardous duty employees: 50 with at least five 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>Political subdivisions hazardous duty employees: Same as Plan 1.</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> <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>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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 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><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>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><u>Exceptions to COLA Effective Dates:</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> <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, 2016 (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: (Cont.)</u> The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</p>
<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>

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	28	26
Inactive members:		
Vested inactive members	5	6
Non-vested inactive members	15	9
Inactive members active elsewhere in VRS	35	4
Total inactive members	55	19
Active members	57	31
Total covered employees	140	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, 2016 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 \$354,761 and \$348,829 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 10.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$69,749 and \$66,683 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2016 (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, 2014	\$ 13,047,448	\$ 11,282,958	\$ 1,764,490
Changes for the year:			
Service cost	\$ 369,206	\$ -	\$ 369,206
Interest	897,349	-	897,349
Differences between expected and actual experience	(64,310)	-	(64,310)
Contributions - employer	-	347,257	(347,257)
Contributions - employee	-	139,498	(139,498)
Net investment income	-	521,580	(521,580)
Benefit payments, including refunds of employee contributions	(456,350)	(456,350)	-
Administrative expenses	-	(7,005)	7,005
Other changes	-	(112)	112
Net changes	\$ 745,895	\$ 544,868	\$ 201,027
Balances at June 30, 2015	\$ 13,793,343	\$ 11,827,826	\$ 1,965,517

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2014	\$ 2,625,578	\$ 2,296,636	\$ 328,942
Changes for the year:			
Service cost	\$ 68,699	\$ -	\$ 68,699
Interest	176,371	-	176,371
Differences between expected and actual experience	(11,422)	-	(11,422)
Contributions - employer	-	60,727	(60,727)
Contributions - employee	-	31,235	(31,235)
Net investment income	-	100,673	(100,673)
Benefit payments, including refunds of employee contributions	(211,984)	(211,984)	-
Administrative expenses	-	(1,479)	1,479
Other changes	-	(21)	21
Net changes	\$ 21,664	\$ (20,849)	\$ 42,513
Balances at June 30, 2015	\$ 2,647,242	\$ 2,275,787	\$ 371,455

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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability	\$ 3,774,482	\$ 1,965,517	\$ 462,970
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 649,143	\$ 371,455	\$ 134,532

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$205,984 and \$29,720, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,195	\$ -	\$ 6,109
Net difference between projected and actual earnings on pension plan investments	-	304,550	-	60,204
Employer contributions subsequent to the measurement date	348,635	-	67,978	-
Total	\$ 348,635	\$ 350,745	\$ 67,978	\$ 66,313

\$348,635 and \$67,978 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	\$ (137,568)	\$ (29,103)
2018	(137,568)	(24,586)
2019	(129,419)	(23,791)
2020	53,810	11,167
2021	-	-
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, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$793,976 and \$795,952 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$9,377,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .0745% as compared to .0762% at June 30, 2014.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2016, the school division recognized pension expense of \$600,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 129,000
Net difference between projected and actual earnings on pension plan investments	-	574,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	343,000
Employer contributions subsequent to the measurement date	<u>793,976</u>	<u>-</u>
Total	<u>\$ 793,976</u>	<u>\$ 1,046,000</u>

\$793,976 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (341,000)
2018	(341,000)
2019	(341,000)
2020	10,000
2021	(33,000)
Thereafter	-

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (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, 2016 (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		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 13,722,000	\$ 9,377,000	\$ 5,800,000

Pension Plan Fiduciary Net Position

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 11—UNAVAILABLE/DEFERRED/UNEARNED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
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.	\$ -	\$ 1,104,746
Prepaid property taxes representing collections received for property taxes that are applicable to the subsequent budget year.	<u>32,047</u>	<u>32,047</u>
Total unavailable/deferred revenue	<u>\$ 32,047</u>	<u>\$ 1,136,793</u>

NOTE 12—COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

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

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>	
2017	\$ 30,000
2018	30,000
2019	30,000
2020	30,000
2021	30,000
2022	<u>5,000</u>
Total	<u>\$ 155,000</u>

Rent expenditures totaled \$44,668 for fiscal year 2016.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 13—LITIGATION:

At June 30, 2016, 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
Sharon Dobson, 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:		
John D. Lesinki, 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

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 15—RISK MANAGEMENT: (CONTINUED)

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 \$2,190,075 reported as landfill closure and postclosure care liability at June 30, 2016, 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 2015. 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.

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 17—INTERGOVERNMENTAL AGREEMENTS: (CONTINUED)

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 \$115,361 of such reimbursements in fiscal year 2016.

NOTE 19—LINE OF CREDIT:

The County has obtained a line of credit with Union First Market Bank. The line of credit is available up to \$2,000,000 with a variable interest rate, which is the prime rate. The balance of the line of credit as of June 30, 2016 is \$0.

NOTE 20—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 21—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, 2016 (Continued)

NOTE 21—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, 2015 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 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)	\$ 63,000
Interest on OPEB obligation	(22,000)
Adjustment to ARC	13,000
Annual OPEB cost	<u>54,000</u>
Contributions made	(25,000)
Increase (decrease) in net OPEB obligation	<u>29,000</u>
Net OPEB obligation - beginning of year	489,000
Net OPEB obligation - end of year	<u><u>\$ 518,000</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, 2016, 2015, and 2014 are 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, 2016	\$ 54,000	46%	\$ 518,000
June 30, 2015	69,000	8%	489,000
June 30, 2014	67,000	14%	420,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County (Continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$889,000. 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 167.43 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, 2015 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 6.5% 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.

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

Discretely Presented Component Unit-School Board: (Continued)

Funding Policy

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

An actuarial valuation was performed as of July 1, 2015 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)	\$ 63,000
Interest on OPEB obligation	16,380
Adjustment to ARC	(16,380)
Annual OPEB cost	<u>63,000</u>
Contributions made	(11,000)
Increase (decrease) in net OPEB obligation	<u>52,000</u>
Net OPEB obligation - beginning of year	468,000
Net OPEB obligation - end of year	<u><u>\$ 520,000</u></u>

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, 2016, 2015, and 2014 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, 2016	\$ 63,000	17%	\$ 520,000
June 30, 2015	108,000	26%	468,000
June 30, 2014	102,000	25%	388,000

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

Discretely Presented Component Unit-School Board (Continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$602,000. 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 107.75 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, 2015, 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.

NOTE 22—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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 22—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)

A. Plan Description: (Continued)

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 2016 were .01% and 0.52% 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.

For 2016, the County and Component Unit School Board nonprofessional employees' contributions of \$215 and \$3,500, 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 2016 and the two preceding years are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County	June 30, 2014	\$ 123	100%	\$ -
	June 30, 2015	188	100%	-
	June 30, 2016	215	100%	-
School Board Nonprofessional Employees	June 30, 2014	\$ 4,793	100%	\$ -
	June 30, 2015	6,070	100%	-
	June 30, 2016	3,500	100%	-

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 22—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress

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

	<u>County</u>	<u>School Board Nonprofessional Employees</u>
Actuarial accrued liability (AAL)	\$ 19,964	\$ 73,811
Actuarial value of plan assets	\$ 29,947	\$ 40,141
Unfunded actuarial accrued liability (UAAL)	\$ (9,983)	\$ 33,670
Funded ratio (actuarial value of plan assets/AAL)	150.01%	54.38%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 706,215	\$ 604,159
UAAL as a percentage of covered payroll	-1.41%	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.

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 22—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)

E. Actuarial Methods and Assumptions: (Continued)

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, 2015 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, 2016, 2015, and 2014 were \$59,437, \$52,537, and \$62,303, respectively and equaled the required contributions for each year.

NOTE 23 - EXPENDITURES AND APPROPRIATIONS:

Expenditures exceeded appropriations in the following functions of the General Fund: Health and Welfare (\$13,746), and Debt Service (\$599,844). The Health and Welfare function is overspent in the general fund because CSA operations are over department budget by \$70,199. The Library Fund had expenditures of \$13,725 exceeding appropriations. In the Component Unit School Board, the School Operating Fund had the following over-expenditures: Operation and Maintenance (\$5,244), and Technology (\$6,778).

NOTE 24—ADOPTION OF ACCOUNTING PRINCIPLES:

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

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

NOTE 24—ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 25—UPCOMING PRONOUNCEMENTS:

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2016 (Continued)

NOTE 25—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

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

NOTE 26—RESTATEMENT OF NET POSITION:

Previously, the School Board entered into a capital lease. It resulted in the following restatement of net position for the Component Unit—School Board.

	Component Unit School Board Net Position
June 30, 2015, as reported	\$ (4,613,675)
Prior year bus capital lease	(296,820)
July 1, 2015, as restated	<u>\$ (4,910,495)</u>

Required Supplementary Information

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes:				
Real property taxes	\$ 10,775,000	\$ 10,775,000	\$ 11,090,579	\$ 315,579
Real and personal public service corporation property taxes	250,000	250,000	378,797	128,797
Personal property taxes	1,710,000	1,710,000	1,774,304	64,304
Mobile home taxes	500	500	854	354
Penalties	90,000	90,000	136,931	46,931
Interest	100,000	100,000	101,334	1,334
Total property taxes	<u>\$ 12,925,500</u>	<u>\$ 12,925,500</u>	<u>\$ 13,482,799</u>	<u>\$ 557,299</u>
Other local taxes:				
Local sales and use taxes	\$ 450,500	\$ 450,500	\$ 499,192	\$ 48,692
Consumers' utility taxes	162,000	162,000	173,527	11,527
Gross receipts tax	31,000	31,000	24,961	(6,039)
Motor vehicle licenses	-	-	155,024	155,024
Bank franchise taxes	77,090	77,090	69,966	(7,124)
Taxes on recordation of wills	111,200	111,200	84,253	(26,947)
Additional tax on deeds	27,600	27,600	23,273	(4,327)
Meals and lodging taxes	201,200	201,200	243,078	41,878
E-911 telephone tax	37,900	37,900	35,392	(2,508)
Total other local taxes	<u>\$ 1,098,490</u>	<u>\$ 1,098,490</u>	<u>\$ 1,308,666</u>	<u>\$ 210,176</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,400	\$ 6,400	\$ 19,304	\$ 12,904
Land use application fees	2,900	2,900	140,624	137,724
Building and related permits	80,000	80,000	96,955	16,955
Transfer fees	275	275	266	(9)
Other permits and fees	12,500	12,500	15,610	3,110
Total permits, privilege fees and regulatory licenses	<u>\$ 102,075</u>	<u>\$ 102,075</u>	<u>\$ 272,759</u>	<u>\$ 170,684</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 69,133</u>	<u>\$ (35,867)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 75,051	\$ 75,051	\$ 21,330	\$ (53,721)
Revenue from use of property	9,120	9,120	275,044	265,924
Total revenue from use of money and property	<u>\$ 84,171</u>	<u>\$ 84,171</u>	<u>\$ 296,374</u>	<u>\$ 212,203</u>

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Charges for services:				
Sheriff fees	\$ 12,500	\$ 12,500	\$ 6,778	\$ (5,722)
Charges for Commonwealth's Attorney	625	625	1,119	494
Charges for concealed weapons fees	3,200	3,200	5,703	2,503
Charges for law library	-	-	725	725
Charges for courthouse security fees	33,500	33,500	30,309	(3,191)
Charges for courthouse maintenance fees	7,600	7,600	5,445	(2,155)
Other sheriff charges	-	-	2,474	2,474
Charges for landfill fees	17,000	17,000	11,130	(5,870)
Total charges for services	\$ 74,425	\$ 74,425	\$ 63,683	\$ (10,742)
Miscellaneous:				
VPA refunds	\$ -	\$ -	\$ 51,455	\$ 51,455
Miscellaneous	207,900	128,900	71,755	(57,145)
Total miscellaneous	\$ 207,900	\$ 128,900	\$ 123,210	\$ (5,690)
Recovered costs:				
EMS recoveries	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Water and sewer authority	65,000	65,000	115,361	50,361
Total recovered costs	\$ 265,000	\$ 265,000	\$ 115,361	\$ (149,639)
Total revenue from local sources	\$ 14,862,561	\$ 14,783,561	\$ 15,731,985	\$ 948,424
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 100	\$ 100	\$ -	\$ (100)
Communications sales and use tax	355,600	355,600	335,625	(19,975)
Motor vehicle carrier's tax	1,100	1,100	106	(994)
Personal property tax relief	945,168	945,168	945,168	-
Total noncategorical aid	\$ 1,301,968	\$ 1,301,968	\$ 1,280,899	\$ (21,069)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	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	\$ 161,111	\$ 6,611
Sheriff	416,065	416,065	584,082	168,017
Commissioner of the Revenue	69,000	69,000	71,868	2,868
Treasurer	65,000	65,000	68,266	3,266
Registrar/electoral board	32,000	32,000	35,058	3,058
Clerk of the Circuit Court	169,000	169,000	174,627	5,627
Total shared expenses	\$ 905,565	\$ 905,565	\$ 1,095,012	\$ 189,447
Welfare:				
Welfare administration and assistance	\$ 245,600	\$ 245,600	\$ 266,536	\$ 20,936
Other categorical aid:				
Emergency medical service	\$ 10,250	\$ 10,250	\$ -	\$ (10,250)
Wireless grant	110,000	110,000	51,985	(58,015)
Litter control	4,500	4,500	4,976	476
Juvenile Comm. Crime Control	13,000	13,000	10,438	(2,562)
Local law enforcement block grant	350	350	5,910	5,560
VCA challenge grant	-	-	5,000	5,000
Farmland preservation program	100,000	100,000	-	(100,000)
Recordation taxes	41,289	41,289	41,987	698
Comprehensive services	590,000	590,000	488,105	(101,895)
Fire programs	37,000	37,000	-	(37,000)
Commission for the Arts	5,000	5,000	-	(5,000)
Total other categorical aid	\$ 911,389	\$ 911,389	\$ 608,401	\$ (302,988)
Total categorical aid	\$ 2,062,554	\$ 2,062,554	\$ 1,969,949	\$ (92,605)
Total revenue from the Commonwealth	\$ 3,364,522	\$ 3,364,522	\$ 3,250,848	\$ (113,674)
Revenue from the Federal Government:				
Payments in lieu of taxes	\$ 78,200	\$ 78,200	\$ 88,763	\$ 10,563
Categorical aid:				
Welfare:				
Administration and public assistance	\$ 440,000	\$ 440,000	\$ 633,633	\$ 193,633

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	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	\$ 22,161	\$ 11,161
Asset forfeiture	4,000	4,000	-	(4,000)
Total other categorical aid	\$ 15,000	\$ 15,000	\$ 22,161	\$ 7,161
Total categorical aid	\$ 455,000	\$ 455,000	\$ 655,794	\$ 200,794
Total revenue from the Federal Government	\$ 533,200	\$ 533,200	\$ 744,557	\$ 211,357
Total revenues	\$ 18,760,283	\$ 18,681,283	\$ 19,727,390	\$ 1,046,107
Expenditures:				
Current:				
General government administration:				
Board of supervisors	\$ 234,922	\$ 235,518	\$ 151,998	\$ 83,520
County administrator	434,953	434,543	447,969	(13,426)
Legal services	108,517	108,517	102,039	6,478
Other professional services	44,000	60,168	63,968	(3,800)
Commissioner of the Revenue	284,065	284,065	265,522	18,543
Board of assessors	96,000	96,000	87,769	8,231
Treasurer	273,413	275,023	250,790	24,233
Land use administration	-	-	11,282	(11,282)
Electoral board and officials	54,800	54,800	37,100	17,700
Registrar	116,376	116,376	109,298	7,078
Total general government administration	\$ 1,647,046	\$ 1,665,010	\$ 1,527,735	\$ 137,275
Judicial administration:				
Circuit court	\$ 15,150	\$ 15,150	\$ 10,501	\$ 4,649
General district court	23,750	23,750	5,043	18,707
Commissioner of accounts	4,175	4,175	4,562	(387)
Magistrates	-	-	203	(203)
Juvenile probation service unit	72,074	73,278	53,317	19,961
Clerk of the circuit court	315,851	315,851	272,838	43,013
Law library	-	600	-	600
Commonwealth attorney	281,567	281,567	256,049	25,518
Total judicial administration	\$ 712,567	\$ 714,371	\$ 602,513	\$ 111,858

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Public safety:				
Sheriff	\$ 1,599,953	\$ 1,600,718	\$ 1,547,210	\$ 53,508
Contributions to fire departments and rescue squads	754,025	754,025	716,334	37,691
Forest fire extinction	8,708	8,708	8,707	1
Jail	593,650	593,650	358,282	235,368
Building inspector	115,818	115,818	121,891	(6,073)
Animal control	68,750	68,750	66,465	2,285
Medical examiner	900	900	60	840
Emergency services	380,894	419,000	229,980	189,020
E-911	136,839	136,839	114,741	22,098
Total public safety	\$ 3,659,537	\$ 3,698,408	\$ 3,163,670	\$ 534,738
Public works:				
Landfill	\$ 806,873	\$ 830,873	\$ 748,833	\$ 82,040
General properties	429,245	429,245	249,293	179,952
Aileen property	5,550	5,550	173	5,377
Total public works	\$ 1,241,668	\$ 1,265,668	\$ 998,299	\$ 267,369
Health and welfare:				
Health department	\$ 157,094	\$ 157,094	\$ 122,093	\$ 35,001
Rappahannock-Rapidan Community Services Board	57,482	57,482	54,430	3,052
Public assistance and administration	926,429	1,371,429	1,228,178	143,251
Tax relief for the elderly	-	-	124,851	(124,851)
Comprehensive Services Act	1,075,000	1,075,000	1,145,199	(70,199)
Total health and welfare	\$ 2,216,005	\$ 2,661,005	\$ 2,674,751	\$ (13,746)
Education:				
Community college	\$ 5,149	\$ 5,149	\$ 5,149	-
Appropriation to public school system	9,089,098	9,099,620	8,751,558	348,062
Total education	\$ 9,094,247	\$ 9,104,769	\$ 8,756,707	\$ 348,062
Parks, recreation and cultural:				
Park authority and others	\$ 23,500	\$ 36,164	\$ 24,665	\$ 11,499
Total parks, recreation and cultural	\$ 23,500	\$ 36,164	\$ 24,665	\$ 11,499

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Community development:				
Planning commission	\$ 77,483	\$ 77,483	\$ 29,115	\$ 48,368
Board of zoning appeals	6,450	6,450	1,200	5,250
Soil and water conservation district	19,675	19,675	19,675	-
VPI Extension Service	125,017	125,017	95,916	29,101
Public utility services	65,000	115,000	115,277	(277)
Farmland preservation program	112,000	112,000	8,400	103,600
Water quality improvement program	10,000	10,000	-	10,000
Tourism promotion	54,500	64,500	25,733	38,767
Total community development	<u>\$ 470,125</u>	<u>\$ 530,125</u>	<u>\$ 295,316</u>	<u>\$ 234,809</u>
Capital projects:				
Scrabble School project	\$ 12,950	\$ 12,950	\$ 9,277	\$ 3,673
School & Facility renovation	168,000	168,000	-	168,000
Total capital projects	<u>\$ 180,950</u>	<u>\$ 180,950</u>	<u>\$ 9,277</u>	<u>\$ 171,673</u>
Debt service:				
Principal	\$ -	\$ -	\$ 445,000	\$ (445,000)
Interest and fiscal charges	-	-	154,844	(154,844)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599,844</u>	<u>\$ (599,844)</u>
Total expenditures	<u>\$ 19,245,645</u>	<u>\$ 19,856,470</u>	<u>\$ 18,652,777</u>	<u>\$ 1,203,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (485,362)</u>	<u>\$ (1,175,187)</u>	<u>\$ 1,074,613</u>	<u>\$ 2,249,800</u>
Other financing sources (uses):				
Transfers in	\$ 300,000	\$ 300,000	\$ 11,585	\$ (288,415)
Transfers out	(130,456)	(130,456)	(137,144)	(6,688)
Total other financing sources (uses)	<u>\$ 169,544</u>	<u>\$ 169,544</u>	<u>\$ (125,559)</u>	<u>\$ (295,103)</u>
Net change in fund balance	<u>\$ (315,818)</u>	<u>\$ (1,005,643)</u>	<u>\$ 949,054</u>	<u>\$ 1,954,697</u>
Fund balance, beginning of year	<u>315,818</u>	<u>1,005,643</u>	<u>2,339,949</u>	<u>1,334,306</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,289,003</u></u>	<u><u>\$ 3,289,003</u></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, 2016

	<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	\$ 1,315	\$ 315
Use of money and property	45,754	45,754	11,486	(34,268)
Charges for services	2,100	2,100	1,331	(769)
Miscellaneous	2,000	2,000	5,861	3,861
Intergovernmental:				
Revenue from the Commonwealth	<u>38,631</u>	<u>38,631</u>	<u>38,676</u>	<u>45</u>
Total revenues	<u>\$ 89,485</u>	<u>\$ 89,485</u>	<u>\$ 58,669</u>	<u>\$ (30,816)</u>
Expenditures:				
Parks, Recreation and Cultural:				
Library administration	<u>\$ 226,629</u>	<u>\$ 226,629</u>	<u>\$ 240,354</u>	<u>\$ (13,725)</u>
Total expenditures	<u>\$ 226,629</u>	<u>\$ 226,629</u>	<u>\$ 240,354</u>	<u>\$ (13,725)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (137,144)</u>	<u>\$ (137,144)</u>	<u>\$ (181,685)</u>	<u>\$ (44,541)</u>
Other financing sources (uses):				
Transfers in	<u>\$ 137,144</u>	<u>\$ 137,144</u>	<u>\$ 137,144</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (44,541)	\$ (44,541)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>648,571</u>	<u>648,571</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 604,030</u></u>	<u><u>\$ 604,030</u></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 (Asset) and Related Ratios
 Primary Government
 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 369,206	\$ 370,323
Interest	897,349	842,948
Differences between expected and actual experience	(64,310)	-
Benefit payments, including refunds of employee contributions	(456,350)	(415,886)
Net change in total pension liability	<u>\$ 745,895</u>	<u>\$ 797,385</u>
Total pension liability - beginning	<u>13,047,448</u>	<u>12,250,063</u>
Total pension liability - ending (a)	<u><u>\$ 13,793,343</u></u>	<u><u>\$ 13,047,448</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 347,257	\$ 285,405
Contributions - employee	139,498	152,309
Net investment income	521,580	1,547,322
Benefit payments, including refunds of employee contributions	(456,350)	(415,886)
Administrative expense	(7,005)	(8,229)
Other	(112)	82
Net change in plan fiduciary net position	<u>\$ 544,868</u>	<u>\$ 1,561,003</u>
Plan fiduciary net position - beginning	<u>11,282,958</u>	<u>9,721,955</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,827,826</u></u>	<u><u>\$ 11,282,958</u></u>
 County's net pension liability (asset) - ending (a) - (b)	 \$ 1,965,517	 \$ 1,764,490
 Plan fiduciary net position as a percentage of the total pension liability	 85.75%	 86.48%
 Covered payroll	 \$ 2,810,867	 \$ 3,006,863
 County's net pension liability (asset) as a percentage of covered payroll	 69.93%	 58.68%

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

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

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 68,699	\$ 66,946
Interest	176,371	172,252
Differences between expected and actual experience	(11,422)	-
Benefit payments, including refunds of employee contributions	(211,984)	(148,739)
Net change in total pension liability	<u>\$ 21,664</u>	<u>\$ 90,459</u>
Total pension liability - beginning	<u>2,625,578</u>	<u>2,535,119</u>
Total pension liability - ending (a)	<u><u>\$ 2,647,242</u></u>	<u><u>\$ 2,625,578</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 60,727	\$ 74,895
Contributions - employee	31,235	34,236
Net investment income	100,673	314,954
Benefit payments, including refunds of employee contributions	(211,984)	(148,739)
Administrative expense	(1,479)	(1,718)
Other	(21)	17
Net change in plan fiduciary net position	<u>\$ (20,849)</u>	<u>\$ 273,645</u>
Plan fiduciary net position - beginning	<u>2,296,636</u>	<u>2,022,991</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,275,787</u></u>	<u><u>\$ 2,296,636</u></u>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ 371,455	 \$ 328,942
 Plan fiduciary net position as a percentage of the total pension liability	 85.97%	 87.47%
 Covered payroll	 \$ 636,899	 \$ 643,424
 School Division's net pension liability (asset) as a percentage of covered payroll	 58.32%	 51.12%

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

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

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.07%	0.08%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,377,000	\$ 9,212,000
Employer's Covered Payroll	4,956,344	5,612,925
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	189.19%	164.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

Schedule of Employer Contributions
 Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 354,761	\$ 354,761	\$ -	\$ 2,858,674	12.41%
2015	348,829	348,829	-	2,810,867	12.41%
2014	365,635	285,652	79,983	3,006,863	9.50%
2013	352,701	275,548	77,153	2,900,503	9.50%
2012	248,184	248,184	-	2,612,465	9.50%
2011	242,704	242,704	-	2,554,783	9.50%
2010	227,922	227,922	-	2,558,049	8.91%
2009	231,301	231,301	-	2,595,968	8.91%
2008	189,529	189,529	-	2,544,007	7.45%
2007	170,145	170,145	-	2,480,244	6.86%
Component Unit School Board (nonprofessional)					
2016	\$ 69,749	\$ 69,749	\$ -	\$ 666,184	10.47%
2015	66,683	66,683	-	636,899	10.47%
2014	71,870	71,870	-	643,424	11.17%
2013	69,570	69,570	-	622,827	11.17%
2012	37,786	37,786	-	515,495	7.33%
2011	40,778	40,778	-	556,316	7.33%
2010	34,759	34,759	-	567,035	6.13%
2009	37,304	37,304	-	608,544	6.13%
2008	40,035	40,035	-	640,560	6.25%
2007	38,059	38,059	-	608,647	6.25%
Component Unit School Board (professional)					
2016	\$ 793,976	\$ 793,976	\$ -	\$ 5,750,245	13.81%
2015	803,179	803,179	-	4,956,344	16.21%
2014	654,467	654,467	-	5,612,925	11.66%
2013	573,183	573,183	-	4,915,806	11.66%
2012	330,898	330,898	-	5,227,457	6.33%
2011	202,956	202,956	-	5,164,275	3.93%
2010	384,271	384,271	-	4,361,759	8.81%
2009	465,578	465,578	-	5,284,654	8.81%
2008	539,890	539,890	-	5,241,650	10.30%
2007	476,726	476,726	-	5,181,804	9.20%

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

Notes to Required Supplementary Information
Year Ended June 30, 2016

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

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Schedule of OPEB Funding Progress
As of June 30, 2016

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%
July 1, 2015	-	889,000	889,000	0.00%	530,983	167.43%

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, 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%
June 30, 2015	29,947	19,964	(9,983)	150.01%	706,215	-1.41%

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, 2012	\$ -	\$ 1,022,000	\$ 1,022,000	0.00%	\$ 557,378	183.36%
July 1, 2015	-	602,000	602,000	0.00%	558,689	107.75%

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, 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%
June 30, 2015	31,845	80,110	48,265	39.75%	558,689	8.64%

Other Supplementary Information

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

	<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	\$ 31,886	\$ 6,037	\$ 2,511	\$ 35,412
Liabilities:				
Amounts held for others	\$ 31,886	\$ 6,037	\$ 2,511	\$ 35,412
Sheriff Funds:				
Assets:				
Cash and cash equivalents	\$ 13,847	\$ 72	\$ 1,111	\$ 12,808
Liabilities:				
Amounts held for others	\$ 13,847	\$ 72	\$ 1,111	\$ 12,808
Totals -- All agency funds:				
Assets:				
Cash and cash equivalents	\$ 45,733	\$ 6,109	\$ 3,622	\$ 48,220
Total assets	\$ 45,733	\$ 6,109	\$ 3,622	\$ 48,220
Liabilities:				
Amounts held for others	\$ 45,733	\$ 6,109	\$ 3,622	\$ 48,220
Total liabilities	\$ 45,733	\$ 6,109	\$ 3,622	\$ 48,220

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,121,860	\$ 64,338	\$ 1,186,198
Prepaid items	53,461	-	53,461
Inventory	-	15,921	15,921
Due from other governments	238,050	-	238,050
	<u>1,413,371</u>	<u>80,259</u>	<u>1,493,630</u>
Total assets	\$ <u>1,413,371</u>	\$ <u>80,259</u>	\$ <u>1,493,630</u>
Liabilities:			
Accounts payable	\$ 18,232	\$ -	\$ 18,232
Accrued liabilities	1,096,090	32,355	1,128,445
Unearned revenue	25,720	-	25,720
Due to primary government	273,329	-	273,329
	<u>1,413,371</u>	<u>32,355</u>	<u>1,445,726</u>
Total liabilities	\$ <u>1,413,371</u>	\$ <u>32,355</u>	\$ <u>1,445,726</u>
Fund Balance:			
Nonspendable:			
Prepaid items	\$ 53,461	\$ -	\$ 53,461
Inventory	-	15,921	15,921
Assigned:			
School food operations	-	31,983	31,983
Unassigned	(53,461)	-	(53,461)
	<u>-</u>	<u>47,904</u>	<u>47,904</u>
Total fund balance	\$ <u>-</u>	\$ <u>47,904</u>	\$ <u>47,904</u>
Total liabilities and fund balance	\$ <u>1,413,371</u>	\$ <u>80,259</u>	\$ <u>1,493,630</u>

Discretely Presented Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2016

Total fund balances for governmental funds (Exhibit 13) \$ 47,904

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		8,318,600	
Furniture, equipment and vehicles, net of depreciation		1,129,995	
School Board capital assets in primary government, net of depreciation		<u>(2,586,014)</u>	
 Total capital assets			 6,886,965

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. 861,954

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	\$	(211,112)	
Capital lease		(224,481)	
Net pension liability		(9,748,455)	
Deferred inflows of resources related to net pension liability		(1,112,313)	
Net OPEB obligation		<u>(520,000)</u>	
 Total			 <u>(11,816,361)</u>

Total net position of governmental activities (Exhibit 1) \$ (4,019,538)

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ -	\$ 205,457	\$ 205,457
Miscellaneous	166,792	14,447	181,239
Recovered costs	5,225	-	5,225
Intergovernmental:			
Contribution from primary government	8,751,558	-	8,751,558
Revenue from the Commonwealth	2,784,180	4,259	2,788,439
Revenue from the Federal Government	542,055	207,493	749,548
Total revenues	\$ 12,249,810	\$ 431,656	\$ 12,681,466
Expenditures:			
Current:			
Education:			
Instruction	\$ 8,592,594	\$ -	\$ 8,592,594
Administration, attendance and health	832,941	-	832,941
Transportation	1,038,158	-	1,038,158
Operation and maintenance	1,202,216	-	1,202,216
School food services	15,343	443,013	458,356
Technology	469,353	-	469,353
Debt Service:			
Principal	77,385	-	77,385
Total expenditures	\$ 12,227,990	\$ 443,013	\$ 12,671,003
Excess (deficiency) of revenues over (under) expenditures	\$ 21,820	\$ (11,357)	\$ 10,463
Other financing sources (uses):			
Transfers in	\$ -	\$ 21,820	\$ 21,820
Transfers out	(21,820)	-	(21,820)
Total other financing sources (uses)	\$ (21,820)	\$ 21,820	\$ -
Net change in fund balance	\$ -	\$ 10,463	\$ 10,463
Fund balance, beginning of year	-	37,441	37,441
Fund balance, end of year	\$ -	\$ 47,904	\$ 47,904

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, 2016

Net change in fund balances - total governmental funds (Exhibit 15) \$ 10,463

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 capital outlays exceeded depreciation in the current period. 126,713

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 582,520

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. 411,273

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	\$	(52,157)	
Capital lease		72,339	
Net pension liability		(207,513)	
Deferred outflows of resources related to pension contributions subsequent to the measurement date		(681)	
Net OPEB obligation		<u>(52,000)</u>	
Total			<u>(240,012)</u>
Change in net position of governmental activities (Exhibit 2)	\$		<u><u>890,957</u></u>

Discretely Presented Component Unit School Board
 School Operating Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 33,916	\$ 182,984	\$ 166,792	\$ (16,192)
Recovered costs	-	-	5,225	5,225
Intergovernmental:				
Appropriation from primary government	9,139,098	9,222,491	8,751,558	(470,933)
Revenue from the Commonwealth	2,773,218	2,970,953	2,784,180	(186,773)
Revenue from the Federal Government	568,416	748,367	542,055	(206,312)
Total revenues	\$ 12,514,648	\$ 13,124,795	\$ 12,249,810	\$ (874,985)
Expenditures:				
Current:				
Education:				
Instruction	\$ 8,621,073	\$ 8,685,065	\$ 8,592,594	\$ 92,471
Administration, attendance and health	806,214	854,490	832,941	21,549
Transportation	1,088,227	1,102,896	1,038,158	64,738
Operation and maintenance	949,969	1,196,972	1,202,216	(5,244)
School food services	166,101	227,633	15,343	212,290
Technology	287,900	462,575	469,353	(6,778)
Debt Service:				
Principal	595,164	595,164	77,385	517,779
Total expenditures	\$ 12,514,648	\$ 13,124,795	\$ 12,227,990	\$ 896,805
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 21,820	\$ 21,820
Other financing sources (uses):				
Transfers out	-	-	(21,820)	(21,820)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Net Position
 June 30, 2016

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ <u>22,724</u>
Capital Assets:	
Land	\$ 20,000
Other capital assets, net of accumulated depreciation	49,300
Total capital assets, net	\$ <u>69,300</u>
Total assets	\$ <u>92,024</u>
Net Position:	
Investment in capital assets	\$ 69,300
Unrestricted	<u>22,724</u>
Total net position	\$ <u><u>92,024</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, 2016

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Operating Revenues:	
Fodderstack race fees	\$ 5,148
Fodderstack race donations	7,841
Pavilion fees	2,460
Other income	56
	<u>15,505</u>
Total operating revenues	\$ 15,505
Operating Expenses:	
Awards	\$ 1,850
Bank fees	84
Office	1,224
P.O. box rental	50
Race expense	439
Race management	4,150
Refund/Reimbursement	422
Repairs	578
T-shirts	1,291
Utilities	154
Depreciation	7,056
	<u>17,298</u>
Total operating expenses	\$ 17,298
Operating income (loss)	<u>(1,793)</u>
Nonoperating Revenues:	
Interest income	\$ 38
Change in net position	<u>(1,755)</u>
Net position, beginning of year	<u>93,779</u>
Net position, end of year	<u><u>92,024</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Cash Flows
 Year Ended June 30, 2016

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 15,505
Payments for services	<u>(10,242)</u>
Net cash provided by (used for) operating activities	<u>\$ 5,263</u>
Cash flows from investing activities:	
Interest income	<u>\$ 38</u>
Net Increase (decrease) in cash and cash equivalents	<u>\$ 5,301</u>
Cash and cash equivalents at beginning of year	<u>17,423</u>
Cash and cash equivalents at end of year	<u><u>\$ 22,724</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,793)
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><u>\$ 5,263</u></u>

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
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
2016	1,547,808	586,007	3,387,732	915,508	2,652,016

Table 1

<u>Education</u>	<u>Parks, Recreation, and Culture</u>	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Total</u>
\$ 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
9,167,980	310,419	303,058	107,623	18,978,151

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
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	-
2016	408,221	2,664,419	-

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
\$ 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
13,586,234	1,308,666	1,369,662	307,860	13,054	-	19,658,116

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
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
2016	13,482,799	1,308,666	272,759	70,448	307,860

(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
\$	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
	270,471	439,155	120,586	7,572,068	23,844,812

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
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
2016	1,527,735	602,513	3,387,465	998,299	2,674,751

(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
\$	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
	12,676,152	265,019	295,316	9,277	599,844	23,036,371

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	Total
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
2016	1,564,616,400	61,911,080	112,620	54,113,898	1,680,753,998

(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
2007	\$ 11,743,900	\$ 11,486,661	98%	\$ 174,852	\$ 11,661,513	90%	\$ 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%
2016	13,064,300	12,708,790	97%	535,745	13,244,535	101%	1,162,174	9%

(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
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	0.70	4.45	0.70	0.70
2016	0.70	4.45	0.70	0.70

(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
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
2016	7,373	1,680,753,998	2,920,000	0%	396

(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>
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%
2016	445,000	154,844	599,844	23,036,371	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

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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, 2016, 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 June 29, 2017.

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, Fawcett, Cox Associates

Charlottesville, Virginia

June 29, 2017

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

To 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 Compliance Supplement* that could have a direct and material effect on each of the County of Rappahannock, Virginia's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of 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 the County of Rappahannock, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
June 29, 2017

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass - through payments:			
Child Nutrition Cluster:			
State Department of Agriculture:			
National School Lunch Proram - Food Distribution	10.555	2015IN109941	\$ 21,282
Department of Education:			
National School Lunch Program	10.555	2015IN109941	<u>133,622</u>
Total National School Lunch Program			\$ 154,904
School Breakfast Program	10.553	2015IN109941	<u>52,589</u>
Total Child Nutrition Cluster			\$ 207,493
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010114/0010115	<u>117,356</u>
Total Department of Agriculture			\$ <u>324,849</u>
Department of Health and Human Services:			
Pass - through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 11,589
Temporary Assistance for Needy Families (TANF)	93.558	0400115/0400116	63,157
Refugee and Entrant Assistance -- State Administered Programs	93.566	0500115/0500116	92
Low-Income Home Energy Assistance	93.568	0600415/0600416	6,841
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	10,418
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	435
Foster Care - Title IV-E	93.658	1100115/1100116	126,256
Adoption Assistance	93.659	1120115/1120116	52,318
Social Services Block Grant	93.667	1000115/1000116	92,453
Chafee Foster Care Independence Program	93.674	9150115/9150116	2,072
Children's Health Insurance Program	93.767	0540115/0540116	4,769
Medical Assistance Program	93.778	1200115/1200116	<u>145,944</u>
Total Department of Health and Human Services			\$ <u>516,344</u>
Department of Homeland Security:			
Pass - through payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	77501-52743	\$ <u>15,000</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016 (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>7,095</u>
Department of Education: Pass - through payments: Department of Education: Career and Technical Education -- Basic Grants to States	84.048	V048A150046 V048A140046	\$ 14,486
Supporting Effective Instruction State Grant	84.367	S367A150044 S367A140044	41,410
Title I Grants to Local Educational Agencies	84.010	S010A150046 S010A140046	184,574
Special Education Cluster (IDEA): Special Education -- Grants to States	84.027	H027A150107 H027A140107 H027A130107	292,533
Special Education -- Preschool Grants	84.173	H173A150112 H173A140112	9,051
Total Special Education Cluster			\$ <u>301,584</u>
Total Department of Education			\$ <u>542,054</u>
Total expenditures of federal awards			\$ <u><u>1,405,342</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, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Rappahannock, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Distribution

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate under Uniform Guidance.

Note 6 - Loan Balances

The County has no loan guarantees which are subject to reporting requirements for the current year.

Note 7 - 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	\$ 744,557
Component Unit School Board:	
School Operating Fund	\$ 542,055
School Cafeteria Fund	207,493
Total Component Unit School Board	\$ 749,548
Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards	\$ (88,763)
Total federal expenditures per basic financial statements	\$ 1,405,342
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 1,405,342

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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

Noncompliance material to financial statements noted? No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes or No No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)
93.778	Medical Assistance Program

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

Auditee qualified as low-risk auditee? 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