

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

County of Culpeper, Virginia

Comprehensive Annual
Financial Report

Year Ended June 30, 2016

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

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County of Culpeper
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November 22, 2016

To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year which ended June 30, 2016. The County's Department of Finance prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROLS

In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. *The audit for the fiscal year ended June 30, 2016 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.*

The County adopts an annual budget by July 1 of each year as required by Section 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with Section 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The Culpeper County Comprehensive Annual Financial Report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a Municipal Solid Waste Transfer Station. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The County encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, kitchen cabinets, wire cable, fiber optics, building components and iron castings. Major service industries include: international financial telecommunications, electronic data center, Library of Congress Film Archive, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper's economy, with beef cattle the principal livestock and soy beans, hay and corn are the major cash crops.

Culpeper remains an attractive location for businesses. The County's population has leveled out, but the County is committed to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

The Consumer Price Index in the United States for 2015 decreased by 0.1% from 2014. On the state level, the unemployment rate for Virginia as of June 2016 was 4.0% compared to 4.6% as of June 2015 and the unemployment rate for Culpeper County as of 2016 was 3.7% vs. a year earlier when the rate was 5.0%. On a national level, unemployment exceeds both the state and local unemployment level at 4.9%.

MAJOR INITIATIVES

For fiscal year 2016: Following the goals and objectives established by the Culpeper County Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies, the County implemented and continued a number of specific programs designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or completed during this fiscal year are:

- X Implementation of electronic document management system
- X Construction of the Western Outer Loop Road
- X Secondary road paving projects
- X Implementation of Zoning and Building Permit Software
- X Airport Hangar Development
- X Renovation of old Sheriff's Office
- X Public Safety Radio System Upgrades
- X VDOT Recreational Access Grant to improve Wolford Street
- X Upgrade Airpark WWTP to 100,000 GPD Capacity

Implementation of Electronic Document Management System

The Board of Supervisors authorized as part of the FY08 budget, \$282,000 for the implementation of an Electronic Document Management System (EDMS). The first phase of this implementation was email archiving to ensure compliance with the records retention guidelines for correspondence outlined by the Library of Virginia.

The second phase was to improve processes in departments by utilizing workflow, automated forms, and existing software integration. This phase was completed in the Finance Department for the Accounts Payable process. The next department to utilize the EDMS will be Human Resources beginning with on-boarding of new employees. The on-boarding segment has begun in FY17, with the outline of the process provided by the HR department and that information, along with appropriate forms, submitted to the vendor. The vendor will then come in and through discovery produce the appropriate workflow for the project. Initially the on-boarding will be strictly for new hires, but as the HR department becomes more adept in the process, existing employees will be allowed to make various changes through the new process.

The third phase, completed in FY14, was an automated Records Management platform to ensure all documents maintained in the EDMS are retained for the proper time-period specified by the Library of Virginia and then disposed of accordingly.

Construction of the Western Outer Loop Road

The County, through VDOT's Revenue Sharing Program, has compiled approximately \$16M for the construction of the Western Outer Loop, a connector road from Route 729 to Route 522 West of the Town of Culpeper. At this time the project is under construction and is expected to be completed in 2017.

Secondary Road Paving Projects

Due to an ongoing shortage of state funds for secondary road improvements, the County has begun to utilize the VDOT Revenue Sharing Program to fund the hard surfacing of a number of unpaved secondary roads throughout the County. This practice began in FY14 and has continued to date; with fourteen (14) projects completed in FY14, FY15 and FY16. There is funding for three additional projects for FY17 and a pending application for five more in FY18.

Implementation of Zoning and Building Permit Software

In order to better organize and track the progress of violations, zoning cases, erosion and sediment control and building permits, new software was purchased and is currently in the development stage. It is anticipated to be fully operational by the end of the year.

Airport Hangar Development

The County completed hangar design in FY14 at the Culpeper Regional Airport. The County also utilized state and federal funds (2% local) to survey and appraise approximately 60 acres for land acquisition to enhance the airport.

The Board approved the construction of new hangars at the Airport. Using a combination of \$1.725M in state funds plus a USDA loan, to this \$4M project has now been completed. The rental payments from the new hangars will repay the debt service on the USDA loan. The project started in April 2015 with substantially all work completed and some hangars open for rent as of July 1, 2016.

Renovation of Old Sheriff's Office

The Board of Supervisors approved renovating a portion (2,000 square feet) of the Sheriff's office at 110 W. Cameron Street to expand the Sheriff's Records Management Area and to provide office space for the Culpeper County Crime Victim Assistance Office, which was leasing space. Renovations were completed in June 2016, with a total project cost is \$109,000.

Public Safety Radio System Upgrade

The Procurement/Communication Department requested \$7,400,000 for the FY15 - FY19 CIP. The primary purpose of the funding is to upgrade the 800MHz Public-Safety radio system.

In FY14 Motorola notified Culpeper, Fauquier, and Rappahannock Counties with information regarding the radio system and equipment lifecycle for several components of the SmartZone 4.1 radio system and subscribers being used by all three Counties. The infrastructure equipment end of support for Zone Controller is 2016, Gold Elite consoles 2018, and Quantar base stations 2020.

According to Motorola, the Zone Controller is supported until 2016. Beyond that point, support will be best effort rather than guaranteed.

The current radio system is designed to serve primarily the public safety community consisting of the Culpeper County Sheriff's Office, Culpeper County Fire/Rescue, Culpeper Town Police Department, and Emergency Operations Center (EOC). The radio system also serves the Culpeper County Schools, and County and Town non-public safety departments.

Interoperability between Counties for Law Enforcement, Fire/Rescue, and other Public Safety agencies provide a strategic operating centralization for all citizens requiring Public-Safety services. This is important to the County's ongoing efforts to protect the health, safety and welfare of our citizens. Having an emergency communication system compatible with Federal, State, and local agencies is a prerequisite in order to achieve this specific expectation, essential to efficient communication with various jurisdictions, and vital during major emergencies. It should also be noted that the Culpeper County has a Mutual Aid Agreement to provide backup telephone E-911 with Fauquier County. Fauquier County also has the same requirement with Culpeper County.

In FY15 Culpeper County entered into a cooperative procurement with Fauquier and Rappahannock Counties for Engineering and Consulting Services, for the 800MHz Public-Safety Radio System Upgrade. The primary purpose of the Consulting Services was to engage a Consultant with public safety radio system engineering experience to provide consulting services to assist in the assessment of all three County radio systems relative to required upgrades as Motorola had identified for the end of life cycle for system components. This solicitation was awarded to Federal Engineering in April 2015.

On September 30, 2015 all three Counties entered into another cooperative procurement of a Request for Proposal (RFP) to solicit sealed proposals from qualified firms to establish a contract(s) through competitive negotiations for a Project 25 (P25) compliant simulcast trunked public safety radio system. The primary desire of the RFP was for all three Counties involved to have a complete turnkey solution addressing either all project systems, specific subsystem and system components, or comprehensively addressing a specific subsystem or component for the primary voice communications network.

Sealed proposals for this project were received on January 15, 2016. Three firms submitted proposals for this project (Airbus, Harris, and Motorola). Interviews/negotiation were conducted from February - August 2016. Harris Corporation was found to provide the "Best Value" for all three Counties. The final negotiated cost for the radio infrastructure development for all three Counties is \$7,600,000. Under the underlying agreement between Fauquier, Culpeper, and Rappahannock there is a 50/40/10 percent split in the radio upgrade cost, bring the Culpeper 40% cost to \$3,040,000.

On September 6, 2016 the Culpeper County Board of Supervisors awarded this project to Harris Corporation, and a Notice to Proceed issued by the County on September 22, 2016 to be completed within Seven Hundred Thirty (730) calendar days.

VDOT Recreational Access Grant to Improve Wolford Street

The County received a Recreational Access Grant for \$214,000 to widen and extend Wolford Street to improve pedestrian and vehicular access to the Galbreath Marshall Building and a multipurpose recreation field. The project began in November 2015 and will be complete in October 2016. Once complete the improvements will be dedicated to the Town of Culpeper for maintenance.

Upgrade Airpark WWTP to 100,000 GPD Capacity

The County contracted with Patterson Construction to move the interim wastewater treatment plant installed for temporary service to Eastern View High school to the Culpeper Industrial Airpark. Eastern View High School now is served by the Town of Culpeper wastewater treatment system. The relocated plant expands the Airpark Wastewater treatment capacity from 25,000 gallons per day to 100,000 gallons per day. The plant relocation cost \$768,844.

PROSPECTS FOR THE FUTURE

For the fiscal year 2016-2017, the Board of Supervisors has approved a General Fund Operating Budget of \$86,920,143.

The FY17 budget continues with our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a merit increase for performance, based upon annual evaluation results.

Included in the FY17 adopted budget are thirteen (13) new full time positions and one position transitioning from part-time to full time.

There are two (2) new bailiff positions for the Sheriff's Office under the Court Security budget. Because the Circuit Court Judge will now reside in Culpeper five days a week rather than four, the Sheriff requested additional staff to assist in the Courthouse with the large number of citizens accessing that facility daily.

There are two (2) new jail nurses included in the Sheriff's Jail portion of the budget. The request for these positions stemmed from recent events at other neighboring jails where inmates did not receive the proper medication within required time limits. Having these nurses on duty will help to eliminate liabilities to the County, which could occur from failure of inmates to receive proper and timely medical attention.

The Criminal Justice Services Department requested one (1) new Probation Officer to assist with the increasing volume of cases. This position was funded but is not currently being filled.

There are three (3) new positions for a Pretrial Division and one (1) part time secretary position transitioning to full time. The creation of a Pretrial Division will aid in the reduction of costs stemming from inmates held in the County Jail or other institutions. The dockets of both the Circuit Court and General District Court are growing and as a result the number of people being held while awaiting a hearing is growing. The Pretrial system allows persons to be monitored electronically rather than being incarcerated, thereby reducing overall jail costs. These positions, and the Pretrial Program overall, will be dependent upon receipt of funding from the Commonwealth as well as a future final decision by the Board as to its implementation.

There is funding to add a full time employee in the Culpeper Youth Network Office. There is currently an employee in that office working just one day per week. This would allow the Youth Network Director to have back up for the duties performed. The number of cases handled in the Youth Network Office has continued to increase year over year and as a result, there is a need for more than one person in this department.

Finally, this budget includes an increase in the E911 budget to fund four (4) new full time employees in order to meet the increasing demand and number of public safety calls. The addition of one new dispatcher on each shift brings the minimum staffing to four (4) per shift and allows for dedicated call takers and dispatchers.

Risk Management. The County of Culpeper has a risk management program, which is committed to the logical, systematic and continuous identification of loss exposures for, and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability, and the application of sound loss control procedures. As a part of this commitment, the County has obtained third party coverage for all liability risk.

Cash Management. Cash temporarily idle during the year, was invested in time deposits and various authorized money market instruments. The amount of interest received was \$24,807. This is an increase from interest earned on temporary investments in fiscal year 2014-2015 when the interest on investments totaled \$9,972.

OTHER INFORMATION

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

Independent Audit. The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements with which have been complied, and the auditor's opinion is included in this report.

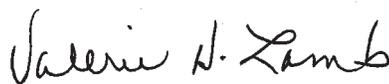
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year, which ended June 30, 2015. In order to receive the award of Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgments. The preparation of this report on a timely basis, could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

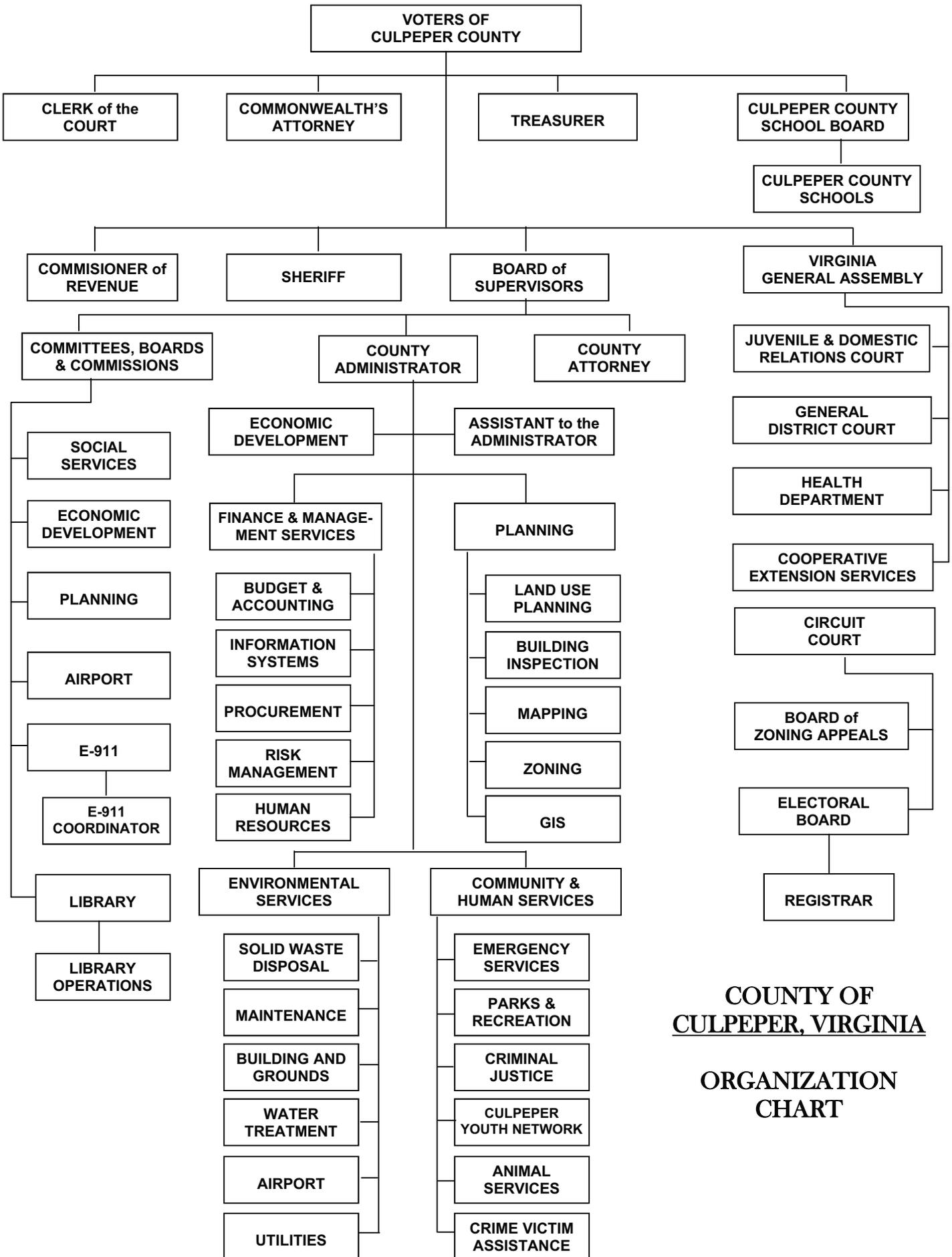
Respectfully submitted,



John C. Egerton
County Administrator



Valerie H. Lamb
Director of Finance



**COUNTY OF
CULPEPER, VIRGINIA
ORGANIZATION
CHART**

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COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2016

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

Alexa V. Fritz, Chair
Jack C. Frazier, Vice Chairman
Gary M. Deal
Sue D. Hansohn
William C. Chase, Jr.
Bradley C. Rosenberger
Steven L. Walker

Salem District
Cedar Mountain District
East Fairfax District
Catalpa District
Stevensburg District
Jefferson District
East Fairfax District

CONSTITUTIONAL OFFICERS

Terry Yowell
David L. DeJarnette
Paul R. Walther
Scott H. Jenkins
Janice Corbin

Commissioner of Revenue
Treasurer
Commonwealth's Attorney
Sheriff
Circuit Court Clerk

ADMINISTRATIVE OFFICERS

John C. Egertson
Bobbi Jo Alexis
Valerie H. Lamb
Lisa A. Peacock

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

Nathaniel J. Clancy, Chairman	Catalpa District
Betsy Smith, Vice Chair	Cedar Mountain District
Elizabeth S. Hutchins	Stevensburg District
Rachel C. Carter	West Fairfax District
Anne C. Luckinbill	Salem District
Patricia A. Baker	East Fairfax District
Michelle North	Jefferson District

Administrative Officers

Dr. Anthony S. Brads	Superintendent
Dr. Stacey Timmons	Director of Personnel
Jeffrey R. Shomo	Executive Director of Business

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Government Finance Officers Association

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

Presented to

**County of Culpeper
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Supervisors
County of Culpeper, Virginia
Culpeper, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Culpeper, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 97-100 and 101-106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Information: (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the County of Culpeper, 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 County of Culpeper, Virginia's internal control over financial reporting and compliance.

Robinson, Hannul, Cox Associates

Charlottesville, Virginia

November 22, 2016

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To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$88,948,609 (net position). Of this amount, \$29,880,314 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$35,469,525a decrease of \$788,383 in comparison with the prior year. Approximately 85 percent of this amount, \$30,097,176, is available for spending at Culpeper, Virginia's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$30,097,176, or 35 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Overview of the Financial Statements: (Continued)

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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

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

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

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds as well as the Culpeper County Water and Sewer Authority, which is a blended component unit of the County. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations as well as the water and sewer authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, airport, and water and sewer authority activities all of which are considered to be major funds of the County.

Overview of the Financial Statements: (Continued)

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$88,948,609 at year end.

The largest portion of the County's net position (66 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Schedule of Assets, Liabilities and Net Position
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 42,907,084	\$ 44,041,341	\$ 2,734,258	\$ 2,440,886	\$ 45,641,342	\$ 46,482,227
Capital assets	112,719,243	114,685,087	39,859,416	38,385,061	152,578,659	153,070,148
Total assets	\$ 155,626,327	\$ 158,726,428	\$ 42,593,674	\$ 40,825,947	\$ 198,220,001	\$ 199,552,375
Deferred Outflows of Resources	\$ 2,118,281	\$ 2,085,334	\$ 54,948	\$ 53,386	\$ 2,173,229	\$ 2,138,720
Long-term liabilities outstanding	\$ 93,833,956	\$ 99,514,233	\$ 2,552,696	\$ 820,257	\$ 96,386,652	\$ 100,334,490
Current liabilities	12,320,015	12,688,116	1,253,965	141,314	13,573,980	12,829,430
Total liabilities	\$ 106,153,971	\$ 112,202,349	\$ 3,806,661	\$ 961,571	\$ 109,960,632	\$ 113,163,920
Deferred Inflows of Resources	\$ 1,453,571	\$ 2,811,656	\$ 30,418	\$ 80,940	\$ 1,483,989	\$ 2,892,596
Net Position:						
Invested in capital assets						
Net investment in capital assets	\$ 21,001,499	\$ 17,459,113	\$ 38,066,796	\$ 38,385,061	\$ 59,068,295	\$ 55,844,174
Unrestricted	29,135,567	28,338,644	744,747	1,451,761	29,880,314	29,790,405
Total Net Position	\$ 50,137,066	\$ 45,797,757	\$ 38,811,543	\$ 39,836,822	\$ 88,948,609	\$ 85,634,579

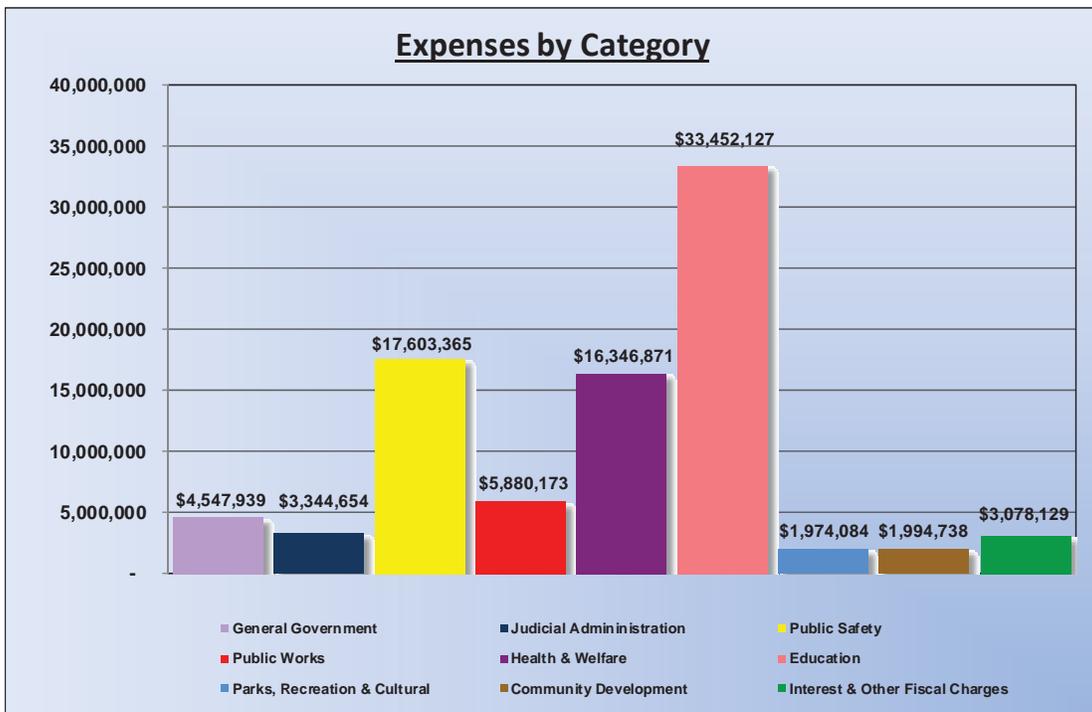
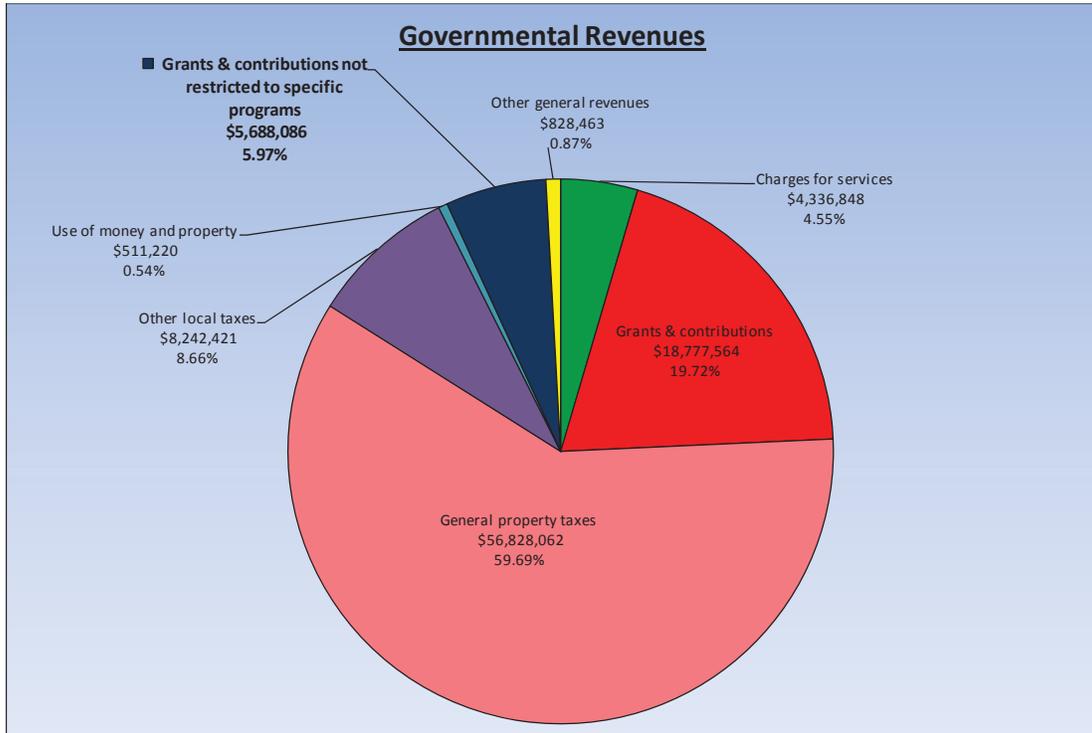
Overview of the Financial Statements: (Continued)

Governmental Activities - Governmental activities increased the County's net position by \$7,857,077 and the Business-type activities decreased \$746,729. Key elements of the changes in net position are as follows:

Changes in Net Position						
For the Years Ended June 30, 2015 and 2014						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4,336,848	\$ 4,621,703	\$ 3,225,760	\$ 3,192,737	\$ 7,562,608	\$ 7,814,440
Operating grants and contributions	17,701,708	13,621,017	26,400	131,062	17,728,108	13,752,079
Capital grants and contributions	1,075,856	4,441,317	1,617,157	455,445	2,693,013	4,896,762
General revenues:						
General property taxes	56,828,062	54,849,577	-	-	56,828,062	54,849,577
Other local taxes	8,242,421	8,238,331	-	-	8,242,421	8,238,331
Use of money and property C/VA non-categorical aid	511,220	499,326	3,213	1,528	514,433	500,854
Other general revenues	5,688,086	5,723,154	-	-	5,688,086	5,723,154
	828,463	1,112,623	-	-	828,463	1,112,623
Total revenues	\$ 95,212,664	\$ 93,107,048	\$ 4,872,530	\$ 3,780,772	\$ 100,085,194	\$ 96,887,820
Expenses:						
General government administration						
General government administration	\$ 4,547,939	\$ 4,254,839	\$ -	\$ -	\$ 4,547,939	\$ 4,254,839
Judicial administration	3,344,654	3,159,004	-	-	3,344,654	3,159,004
Public safety	17,603,365	16,857,312	-	-	17,603,365	16,857,312
Public works	5,880,173	2,627,335	-	-	5,880,173	2,627,335
Health and welfare	16,346,871	15,551,493	-	-	16,346,871	15,551,493
Education	33,452,127	33,516,082	-	-	33,452,127	33,516,082
Parks, recreation, and cultural	1,974,084	1,890,478	-	-	1,974,084	1,890,478
Community development	1,994,738	1,759,110	-	-	1,994,738	1,759,110
Interest and other fiscal charges	3,078,129	4,073,880	-	-	3,078,129	4,073,880
Landfill	-	-	2,405,621	2,200,272	2,405,621	2,200,272
Water and Sewer	-	-	3,616,354	1,224,855	3,616,354	1,224,855
Airport	-	-	1,626,017	1,708,933	1,626,017	1,708,933
Water and Sewer Authority	-	-	901,092	953,879	901,092	953,879
Total expenses	\$ 88,222,080	\$ 83,689,533	\$ 8,549,084	\$ 6,087,939	\$ 96,771,164	\$ 89,777,472
Increase(decrease) in net position before transfers	\$ 6,990,584	\$ 9,417,515	\$ (3,676,554)	\$ (2,307,167)	\$ 3,314,030	\$ 7,110,348
Transfers	(2,651,275)	(1,560,438)	2,651,275	1,560,438	-	-
Increase in net position	\$ 4,339,309	\$ 7,857,077	\$ (1,025,279)	\$ (746,729)	\$ 3,314,030	\$ 7,110,348
Net position, beginning of year	45,797,757	37,940,680	39,836,822	40,583,551	85,634,579	78,524,231
Net position, end of year	<u>\$ 50,137,066</u>	<u>\$ 45,797,757</u>	<u>\$ 38,811,543</u>	<u>\$ 39,836,822</u>	<u>\$ 88,948,609</u>	<u>\$ 85,634,579</u>

- Revenues for FY15 have increased as compared to FY14 due to increased collections in personal property taxes.

Overview of the Financial Statements: (Continued)



- Total government spending decreased in FY16 from FY15 by approximately \$2.1M. Health and welfare expenditures increased by approximately \$2.6M; expenditures in the Community Development area increased by \$273K, however, debt service decreased by approximately \$6M due to a refunding which had occurred during FY15.

Business-Type Activities - Business-type activities decreased the County's net position by \$1,025,279. Key elements of this decrease are as follows:

- Transfers in to Business-type activities increased from FY15 by \$1,090,837, and capital contributions and construction grants also increased by \$1,161,712. These items along with a continuing loss of approximately \$5.3M vs. \$2.76M in FY2015, continued the decrease in net position.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$35,469,525, a decrease of \$788,383 in comparison with the prior year. Approximately 85 percent of this total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$30,097,176, while total fund balance reached \$32,588,573, a decrease from the prior year of \$507,890. Key factors in the net increase are as follows:

- \$3.655M increase in transfer of funds out; the primary transfer was to the County Capital Improvements Fund for "pay as we go" capital funding.

The County's Capital Projects Fund balance decreased by \$280,493 during the year. The Capital Projects Fund had revenues of \$6,854,849, which included a transfer from the General Fund of \$5,762,903, and a Contribution from the School Board component unit of \$809,724 while it expended \$7,135,342, or \$1,228,952 less than FY15 in various projects from the prior year. Expenditures for capital projects were as follows:

1. New county phone system \$348,294
2. Renovate the old Sheriff's Office \$107,437
3. Continuation of the IT system upgrades \$619,694
4. Purchase of 130 W. Cameron St. from the Town \$302,508
5. Wolford Street Improvements \$166,085
6. Secondary road plan \$1,010,903
7. Western Outer Loop Rd payment to VDOT \$3,000,000
8. Other general government projects \$378,161
9. Contribution to Fire & Rescue Assn for capital needs \$492,536
10. School CIP - Culpeper County High School Renovation project, \$809,724

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Airport Fund at the end of the year was \$10,448,784, an increase from the prior year of \$916,765. Revenues decreased from FY15 by \$204,728, but expenses also decreased by \$103,553.

Net position of the Landfill Fund totaled \$4,141,932, an increase from prior the year of \$228,318. Revenues increased over the prior year by \$191,960, and expenses also increased by \$205,349.

Water and Sewer Fund net position decreased by \$1,269,630 for the year ending June 30, 2016 and totaled \$2,419,627. The primary reason for the decrease was an increase in the area of Other Charges under expenditures by \$973,625.

During 2005, the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County, which we call Clevenger's Corner. At June 30, 2016 net position totaled \$21,801,200.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$8,488,131 and can be briefly summarized as follows:

- \$1,928,722 in CSA;
- \$422,315 in Economic development;
- \$354,690 in Public safety;
- \$5,034,114 in Social Services (health/welfare); and
- \$748,290 in other

Of this increase, \$7,280,948 was to be funded from intergovernmental revenues. The remaining \$1,207,183 was to be budgeted from available fund balance.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$152,578,659 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$82,273,000. Of this amount, \$82,273,000 represents debt backed by the full faith and credit of the County.

Legislation enacted during fiscal year ended June 20, 2002 requires that the Primary Government has assumed debt historically reported by the School Board. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. The FY17 budget continues with our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a merit increase for performance, based upon annual evaluation results.

Included in the FY17 adopted budget are thirteen (13) new full time positions and one position transitioning from part-time to full time.

There are two (2) new bailiff positions for the Sheriff's Office under the Court Security budget. Because the Circuit Court Judge will now reside in Culpeper five days a week rather than four, the Sheriff requested additional staff to assist in the Courthouse with the large number of citizens accessing that facility daily.

There are two (2) new jail nurses included in the Sheriff's Jail portion of the budget. The request for these positions stemmed from recent events at other neighboring jails where inmates did not receive the proper medication within required time limits. Having these nurses on duty will help to eliminate liabilities to the County, which could occur from failure of inmates to receive proper and timely medical attention.

The Criminal Justice Services Department has requested one (1) new Probation Officer to assist with the increasing volume of cases.

Economic Factors and Next Year's Budget and Rates: (Continued)

There are three (3) new positions for a Pretrial Division and one (1) part time secretary position transitioning to full time. The creation of a Pretrial Division will aid in the reduction of costs stemming from inmates held in the County Jail or other institutions. The dockets of both the Circuit Court and General District Court are growing and as a result the number of people being held while awaiting a hearing is growing. The Pretrial system allows persons to be monitored electronically rather than being incarcerated, thereby reducing overall jail costs. These positions, and the Pretrial Program overall, will be dependent upon receipt of funding from the Commonwealth as well as a future final decision by the Board as to its implementation.

There is a request to add a full time employee in the Culpeper Youth Network Office. There is currently an employee in that office working just one day per week. This would allow the Youth Network Director to have back up for the duties performed. The number of cases handled in the Youth Network Office has continued to increase year over year and as a result, there is a need for more than one person in this department.

Finally, this budget proposes an increase in the E911 budget to fund four (4) new full time employees in order to meet the increasing demand and number of public safety calls. The addition of one new dispatcher on each shift brings the minimum staffing to four (4) per shift and allows for dedicated call takers and dispatchers.

Culpeper continues to remain an attractive location for businesses. The County's population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

The FY17 budget submission, continued to maintain the current real estate tax rate of \$0.66 per \$100 of assessed value and \$0.07 per \$100 of assessed value for the Fire & Rescue levy. For personal property tax, the rates of \$1.50 per \$100 of assessed value for recreational personal property; \$1.00 per \$100 of assessed value for Passenger Carrier vehicles (30 or more passengers); \$3.50 per \$100 of assessed value for all other personal property, with the exception of aircraft which rate is \$.00004 per \$100 of assessed value; and \$2.00 per \$100 of assessed value for Machinery & tools remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2016

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 30,046,447	\$ 6,051,197	\$ 36,097,644	\$ 5,211,230	\$ 2,683
Receivables (net of allowance for uncollectibles):					
Property taxes	3,170,731	-	3,170,731	-	-
Accounts receivable	792,017	444,408	1,236,425	234,070	4,000
Prepaid items	-	-	-	667,881	-
Inventory	-	47,448	47,448	-	-
Due from primary government	-	-	-	3,982,478	-
Internal balances	4,667,630	(4,667,630)	-	-	-
Due from other governments	4,230,259	858,835	5,089,094	2,259,489	-
Total Current Assets	\$ 42,907,084	\$ 2,734,258	\$ 45,641,342	\$ 12,355,148	\$ 6,683
Noncurrent Assets					
Net pension asset	\$ -	\$ -	\$ -	\$ 860,991	\$ -
Capital assets (net of depreciation):					
Land and land improvements	\$ 10,428,807	\$ 2,622,322	\$ 13,051,129	\$ 2,172,877	\$ -
Construction in progress	23,707,688	5,121,726	28,829,414	2,925,583	-
Buildings and improvements	25,120,591	31,922,346	57,042,937	2,714,443	-
Equipment	2,184,867	193,022	2,377,889	2,383,286	-
Jointly owned assets	51,277,290	-	51,277,290	33,537,310	-
Total Capital Assets	\$ 112,719,243	\$ 39,859,416	\$ 152,578,659	\$ 43,733,499	\$ -
Total Assets	\$ 155,626,327	\$ 42,593,674	\$ 198,220,001	\$ 56,949,638	\$ 6,683
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 424,174	\$ -	\$ 424,174	\$ -	\$ -
Pension deferrals	1,694,107	54,948	1,749,055	8,282,441	-
Total Deferred Outflows of Resources	\$ 2,118,281	\$ 54,948	\$ 2,173,229	\$ 8,282,441	\$ -
Total Assets and Deferred Outflows of Resources	\$ 157,744,608	\$ 42,648,622	\$ 200,393,230	\$ 65,232,079	\$ 6,683
LIABILITIES					
Current Liabilities					
Accounts payable and other current liabilities	\$ 633,320	\$ 1,145,650	\$ 1,778,970	\$ 8,327,607	\$ -
Amounts held for others	130,229	-	130,229	-	-
Due to component unit	3,982,478	-	3,982,478	-	-
Accrued interest payable	748,269	-	748,269	-	-
Current portion of long-term obligations	6,825,719	108,315	6,934,034	120,299	-
Total Current Liabilities	\$ 12,320,015	\$ 1,253,965	\$ 13,573,980	\$ 8,447,906	\$ -
Noncurrent Liabilities					
Net pension liability	\$ 6,048,022	\$ 201,111	\$ 6,249,133	\$ 70,768,000	\$ -
Noncurrent portion of long-term obligations	87,785,934	2,351,585	90,137,519	1,758,688	-
Total Noncurrent Liabilities	\$ 93,833,956	\$ 2,552,696	\$ 96,386,652	\$ 72,526,688	\$ -
Total Liabilities	\$ 106,153,971	\$ 3,806,661	\$ 109,960,632	\$ 80,974,594	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues - taxes	\$ 146,026	\$ -	\$ 146,026	\$ -	\$ -
Items related to measurement of net pension liability	1,307,545	30,418	1,337,963	5,993,713	-
Total deferred inflows of resources	\$ 1,453,571	\$ 30,418	\$ 1,483,989	\$ 5,993,713	\$ -
NET POSITION					
Net investment in capital assets	\$ 21,001,499	\$ 38,066,796	\$ 59,068,295	\$ 43,733,499	\$ -
Unrestricted	29,135,567	744,747	29,880,314	(65,469,727)	6,683
Total Net Position	\$ 50,137,066	\$ 38,811,543	\$ 88,948,609	\$ (21,736,228)	\$ 6,683
Total Liabilities, Deferred inflows of resources and Net Position	\$ 157,744,608	\$ 42,648,622	\$ 200,393,230	\$ 65,232,079	\$ 6,683

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

COUNTY OF CULPEPER, 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	\$ 4,547,939	\$ -	\$ 369,826	\$ -
Judicial administration	3,344,654	220,689	741,865	-
Public safety	17,603,365	1,475,965	3,913,187	60,199
Public works	5,880,173	-	-	205,933
Health and welfare	16,346,871	2,424,414	12,107,884	-
Education	33,452,127	-	-	809,724
Parks, recreation, and cultural	1,974,084	214,469	148,946	-
Community development	1,994,738	1,311	420,000	-
Interest on long-term debt	3,078,129	-	-	-
Total governmental activities	\$ 88,222,080	\$ 4,336,848	\$ 17,701,708	\$ 1,075,856
Business-type activities:				
Landfill	\$ 2,405,621	\$ 1,607,937	\$ -	\$ -
Water and sewer	3,616,354	788,210	-	-
Airport	1,626,017	829,613	26,400	1,617,157
Water and sewer authority	901,092	-	-	-
Total business-type activities	\$ 8,549,084	\$ 3,225,760	\$ 26,400	\$ 1,617,157
Total primary government	\$ 96,771,164	\$ 7,562,608	\$ 17,728,108	\$ 2,693,013
COMPONENT UNITS:				
School Board	\$ 81,754,186	\$ 1,524,404	\$ 50,710,033	\$ 4,141,329
Culpeper County EDA	732,314	-	-	-
Total component units	\$ 82,486,500	\$ 1,524,404	\$ 50,710,033	\$ 4,141,329
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
County contribution to EDA				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
\$ (4,178,113)	\$ -	\$ (4,178,113)	\$ -	\$ -
(2,382,100)	-	(2,382,100)	-	-
(12,154,014)	-	(12,154,014)	-	-
(5,674,240)	-	(5,674,240)	-	-
(1,814,573)	-	(1,814,573)	-	-
(32,642,403)	-	(32,642,403)	-	-
(1,610,669)	-	(1,610,669)	-	-
(1,573,427)	-	(1,573,427)	-	-
(3,078,129)	-	(3,078,129)	-	-
<u>\$ (65,107,668)</u>	<u>\$ -</u>	<u>\$ (65,107,668)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (797,684)	\$ (797,684)	\$ -	\$ -
-	(2,828,144)	(2,828,144)	-	-
-	847,153	847,153	-	-
-	(901,092)	(901,092)	-	-
<u>\$ -</u>	<u>\$ (3,679,767)</u>	<u>\$ (3,679,767)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (65,107,668)</u>	<u>\$ (3,679,767)</u>	<u>\$ (68,787,435)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (25,378,420)	\$ -
-	-	-	-	(732,314)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,378,420)</u>	<u>\$ (732,314)</u>
\$ 56,828,062	\$ -	\$ 56,828,062	\$ -	\$ -
5,836,450	-	5,836,450	-	-
784,328	-	784,328	-	-
762,765	-	762,765	-	-
842,419	-	842,419	-	-
16,459	-	16,459	-	-
-	-	-	27,663,135	-
-	-	-	-	732,878
511,220	3,213	514,433	120,313	-
828,463	-	828,463	1,505,240	-
5,688,086	-	5,688,086	-	-
(2,651,275)	2,651,275	-	-	-
<u>\$ 69,446,977</u>	<u>\$ 2,654,488</u>	<u>\$ 72,101,465</u>	<u>\$ 29,288,688</u>	<u>\$ 732,878</u>
\$ 4,339,309	\$ (1,025,279)	\$ 3,314,030	\$ 3,910,268	\$ 564
45,797,757	39,836,822	85,634,579	(25,646,496)	6,119
<u>\$ 50,137,066</u>	<u>\$ 38,811,543</u>	<u>\$ 88,948,609</u>	<u>\$ (21,736,228)</u>	<u>\$ 6,683</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2016

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 27,086,664	\$ 2,870,000	\$ 29,956,664
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	3,170,731	-	3,170,731
Accounts	792,017	-	792,017
Due from other funds	4,667,630	-	4,667,630
Due from other governmental units	4,208,877	21,382	4,230,259
Total assets	<u>\$ 39,925,919</u>	<u>\$ 2,891,382</u>	<u>\$ 42,817,301</u>
LIABILITIES			
Accounts payable	\$ 622,890	\$ 10,430	\$ 633,320
Amounts held for others	130,229	-	130,229
Due to component unit	3,982,478	-	3,982,478
Total liabilities	<u>\$ 4,735,597</u>	<u>\$ 10,430</u>	<u>\$ 4,746,027</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	\$ 2,601,749	\$ -	\$ 2,601,749
FUND BALANCES			
Restricted	\$ 106,625	\$ -	\$ 106,625
Committed	2,373,097	2,880,952	5,254,049
Assigned	11,675	-	11,675
Unassigned	30,097,176	-	30,097,176
Total fund balances	<u>\$ 32,588,573</u>	<u>\$ 2,880,952</u>	<u>\$ 35,469,525</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,925,919</u>	<u>\$ 2,891,382</u>	

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the County as a whole.	112,719,243
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(748,269)
Internal service funds are used by the County to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are:	89,783
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	
Unavailable revenue - property taxes	2,455,723
Items related to measurement of net pension liability	(1,307,545)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,694,107
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term-are reported in the Statement of Net Position.	<u>(100,235,501)</u>
Net position of General Governmental Activities	<u>\$ 50,137,066</u>

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

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 56,741,652	\$ -	\$ 56,741,652
Other local taxes	8,242,421	-	8,242,421
Permits, privilege fees and regulatory licenses	857,772	-	857,772
Fines and forfeitures	53,638	-	53,638
Revenue from use of money and property	495,130	16,090	511,220
Charges for services	3,425,438	-	3,425,438
Miscellaneous	828,463	-	828,463
Recovered costs	42,656	-	42,656
Intergovernmental:			
School Board Contribution to Primary Government	-	809,724	809,724
Commonwealth	15,789,070	205,933	15,995,003
Federal	7,600,724	60,199	7,660,923
Total revenues	\$ 94,076,964	\$ 1,091,946	\$ 95,168,910
Expenditures:			
Current:			
General government administration	\$ 4,224,503	\$ 729,045	\$ 4,953,548
Judicial administration	3,383,748	-	3,383,748
Public safety	16,812,856	966,268	17,779,124
Public works	1,257,930	4,580,089	5,838,019
Health and welfare	18,214,297	-	18,214,297
Education	28,949,195	809,724	29,758,919
Parks, recreation, and cultural	1,880,996	41,216	1,922,212
Community development	2,037,156	9,000	2,046,156
Debt service:			
Principal retirement	5,996,910	-	5,996,910
Interest and other fiscal charges	3,413,085	-	3,413,085
Total expenditures	\$ 86,170,676	\$ 7,135,342	\$ 93,306,018
Excess (deficiency) of revenues over (under) expenditures	\$ 7,906,288	\$ (6,043,396)	\$ 1,862,892
Other financing sources (uses):			
Transfers in	\$ -	\$ 5,762,903	\$ 5,762,903
Transfers (out)	(8,414,178)	-	(8,414,178)
Total other financing sources (uses)	\$ (8,414,178)	\$ 5,762,903	\$ (2,651,275)
Changes in fund balances	\$ (507,890)	\$ (280,493)	\$ (788,383)
Fund balances at beginning of year	33,096,463	3,161,445	36,257,908
Fund balances at end of year	\$ 32,588,573	\$ 2,880,952	\$ 35,469,525

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2016

		<u>Primary Government Governmental Funds</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Net changes in fund balances - total governmental funds	\$	(788,383)
<p>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 expense in the current period:</p>		
Capital outlays	\$ 4,128,535	
Depreciation expense	<u>(3,170,050)</u>	958,485
<p>The net effect of various transactions involving capital assets (i.e. sales, trades-ins, and donations) is to increase net position.</p>		
		-
<p>Transfer of joint tenancy assets from Primary Government to the Component Unit School Board</p>		
		(2,924,329)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unearned revenue - property taxes	\$ 86,410	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	<u>1,351,221</u>	1,437,631
<p>Internal service funds are used by the County to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		24,026
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:</p>		
Principal retired on long-term debt	\$ 6,181,888	
Amortization of premium on bonds issued	315,062	
Amortization of deferred charge on refunding	<u>(55,688)</u>	6,441,262
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>		
Change in compensated absences	\$ (224,317)	
Change in net OPEB obligation	(83,000)	
Decrease (increase) in net pension liability	(666,283)	
Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date	88,635	
Change in accrued interest payable	<u>75,582</u>	(809,383)
Change in net position of governmental activities	\$	<u>4,339,309</u>

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

Statement of Net Position
 Proprietary Funds
 At June 30, 2016

	Business-type Activities-Enterprise Funds				Totals	Governmental
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority		Internal Service Fund
						Dental Insurance Fund
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,195,435	\$ -	\$ -	\$ 1,855,762	\$ 6,051,197	\$ 89,783
Receivables (net of allowance for uncollectibles):						
Accounts receivable	190,463	142,925	111,020	-	444,408	-
Due from other governments	-	-	858,835	-	858,835	-
Due from other funds	-	406,245	-	-	406,245	-
Inventory	-	-	47,448	-	47,448	-
Total Current Assets	\$ 4,385,898	\$ 549,170	\$ 1,017,303	\$ 1,855,762	\$ 7,808,133	\$ 89,783
Noncurrent Assets						
Capital assets (net of depreciation):						
Land	\$ 401,073	\$ 235,200	\$ 516,929	\$ 1,469,120	\$ 2,622,322	\$ -
Construction in progress	-	78,366	5,043,360	-	5,121,726	-
Buildings and improvements	6,406	1,661,908	8,671,469	21,582,563	31,922,346	-
Equipment	25,080	92,578	75,364	-	193,022	-
Total Capital Assets	\$ 432,559	\$ 2,068,052	\$ 14,307,122	\$ 23,051,683	\$ 39,859,416	\$ -
Total Assets	\$ 4,818,457	\$ 2,617,222	\$ 15,324,425	\$ 24,907,445	\$ 47,667,549	\$ 89,783
DEFERRED OUTFLOWS OF RESOURCES						
Pension contributions subsequent to measurement date	\$ 16,715	\$ 26,360	\$ 11,873	\$ -	\$ 54,948	\$ -
Total assets and deferred outflows of resources	\$ 4,835,172	\$ 2,643,582	\$ 15,336,298	\$ 24,907,445	\$ 47,722,497	\$ 89,783
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	\$ 2,605	\$ 80,823	\$ 1,062,222	\$ -	\$ 1,145,650	\$ -
Due to other funds	-	-	1,967,630	3,106,245	5,073,875	-
Current portion of long-term obligations	41,384	2,358	64,573	-	108,315	-
Total Current Liabilities	\$ 43,989	\$ 83,181	\$ 3,094,425	\$ 3,106,245	\$ 6,327,840	\$ -
Noncurrent Liabilities						
Net pension liability	\$ 57,471	\$ 100,394	\$ 43,246	\$ -	\$ 201,111	\$ -
Noncurrent portion of long-term obligations	585,758	21,217	1,744,610	-	2,351,585	-
Total Noncurrent Liabilities	\$ 643,229	\$ 121,611	\$ 1,787,856	\$ -	\$ 2,552,696	\$ -
Total Liabilities	\$ 687,218	\$ 204,792	\$ 4,882,281	\$ 3,106,245	\$ 8,880,536	\$ -
DEFERRED INFLOWS OF RESOURCES						
Items related to measurement of net pension liability	\$ 6,022	\$ 19,163	\$ 5,233	\$ -	\$ 30,418	\$ -
NET POSITION						
Net investment in capital assets	\$ 432,559	\$ 2,068,052	\$ 12,514,502	\$ 23,051,683	\$ 38,066,796	\$ -
Unrestricted (deficit)	3,709,373	351,575	(2,065,718)	(1,250,483)	744,747	89,783
Total Net Position	\$ 4,141,932	\$ 2,419,627	\$ 10,448,784	\$ 21,801,200	\$ 38,811,543	\$ 89,783
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,835,172	\$ 2,643,582	\$ 15,336,298	\$ 24,907,445	\$ 47,722,497	\$ 89,783

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

Statement of Revenues, Expenses and Changes in Net Position --
 Proprietary Funds
 Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Fund Dental Insurance Fund
Operating revenues:						
Charges for services	\$ 1,607,937	\$ 788,210	\$ 829,613	\$ -	\$ 3,225,760	\$ 149,795
Maintenance grants	-	-	26,400	-	26,400	-
Total operating revenues	\$ 1,607,937	\$ 788,210	\$ 856,013	\$ -	\$ 3,252,160	\$ 149,795
Operating expenses:						
Personal services	\$ 222,980	\$ 351,349	\$ 197,268	\$ -	\$ 771,597	\$ -
Fringe benefits	60,961	83,955	39,778	-	184,694	125,769
Contractual services	2,097,076	136,948	226,760	-	2,460,784	-
Other charges	14,845	1,513,443	430,556	273,192	2,232,036	-
Depreciation	9,759	102,775	710,430	627,900	1,450,864	-
Total operating expenses	\$ 2,405,621	\$ 2,188,470	\$ 1,604,792	\$ 901,092	\$ 7,099,975	\$ 125,769
Operating income (loss)	\$ (797,684)	\$ (1,400,260)	\$ (748,779)	\$ (901,092)	\$ (3,847,815)	\$ 24,026
Nonoperating revenues (expenses):						
Interest income	\$ 2,853	\$ -	\$ -	\$ 360	\$ 3,213	\$ -
(Loss) on disposal of assets	-	(1,427,884)	-	-	(1,427,884)	-
Interest expense	-	-	(21,225)	-	(21,225)	-
Total nonoperating revenues (expenses)	\$ 2,853	\$ (1,427,884)	\$ (21,225)	\$ 360	\$ (1,445,896)	\$ -
Income (loss) before contributions and transfers	\$ (794,831)	\$ (2,828,144)	\$ (770,004)	\$ (900,732)	\$ (5,293,711)	\$ 24,026
Capital contributions and construction grants	\$ -	\$ -	\$ 1,617,157	\$ -	\$ 1,617,157	\$ -
Transfers:						
Transfers in	\$ 1,023,149	\$ 1,558,514	\$ 69,612	\$ -	\$ 2,651,275	\$ -
Total transfers	\$ 1,023,149	\$ 1,558,514	\$ 69,612	\$ -	\$ 2,651,275	\$ -
Change in net position	\$ 228,318	\$ (1,269,630)	\$ 916,765	\$ (900,732)	\$ (1,025,279)	\$ 24,026
Net position at beginning of year	3,913,614	3,689,257	9,532,019	22,701,932	39,836,822	65,757
Net position at end of year	\$ 4,141,932	\$ 2,419,627	\$ 10,448,784	\$ 21,801,200	\$ 38,811,543	\$ 89,783

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

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Fund
						Dental Insurance Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,537,971	\$ 771,478	\$ 856,426	\$ -	\$ 3,165,875	\$ -
Receipts from insured	-	-	-	-	-	149,795
Payments to suppliers	(2,147,494)	(1,589,596)	347,391	(273,192)	(3,662,891)	(125,769)
Payments to employees	(286,429)	(443,239)	(239,744)	-	(969,412)	-
Net cash provided by (used for) operating activities	\$ (895,952)	\$ (1,261,357)	\$ 964,073	\$ (273,192)	\$ (1,466,428)	\$ 24,026
Cash flows from capital and related financing activities:						
Purchases of capital assets	\$ -	\$ (23,964)	\$ (4,329,139)	\$ -	\$ (4,353,103)	\$ -
Capital grants and contributions	-	-	855,339	-	855,339	-
Issuance of long-term debt	-	-	1,803,445	-	1,803,445	-
Interest expense	-	-	(21,225)	-	(21,225)	-
Retirement of indebtedness	-	-	(10,825)	-	(10,825)	-
Net cash provided by (used for) capital and related financing activities	\$ -	\$ (23,964)	\$ (1,702,405)	\$ -	\$ (1,726,369)	\$ -
Cash flows from noncapital financing activities:						
Transfers in	\$ 1,023,149	\$ 1,558,514	\$ 69,612	\$ -	\$ 2,651,275	\$ -
Increase(decrease) in due to/from other funds	-	(273,193)	668,720	273,193	668,720	-
Net cash provided by (used for) noncapital financing activities	\$ 1,023,149	\$ 1,285,321	\$ 738,332	\$ 273,193	\$ 3,319,995	\$ -
Cash flows from investing activities:						
Interest income	\$ 2,853	\$ -	\$ -	\$ 360	\$ 3,213	\$ -
Increase (decrease) in cash and cash equivalents	\$ 130,050	\$ -	\$ -	\$ 361	\$ 130,411	\$ 24,026
Cash and cash equivalents at beginning of year	4,065,385	-	-	1,855,401	5,920,786	65,757
Cash and cash equivalents at end of year	\$ 4,195,435	\$ -	\$ -	\$ 1,855,762	\$ 6,051,197	\$ 89,783
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (797,684)	\$ (1,400,260)	\$ (748,779)	\$ (901,092)	\$ (3,847,815)	\$ 24,026
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation	\$ 9,759	\$ 102,775	\$ 710,430	\$ 627,900	\$ 1,450,864	\$ -
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(69,966)	(16,732)	413	-	(86,285)	-
(Increase) decrease in inventory	-	-	16,422	-	16,422	-
(Increase) decrease in deferred outflows of resources	(1,459)	290	(393)	-	(1,562)	-
Increase (decrease) in accounts payable	(33)	60,795	988,285	-	1,049,047	-
Increase (decrease) in deferred inflows of resources	(17,920)	(21,361)	(11,241)	-	(50,522)	-
Increase (decrease) in net pension liability	13,545	10,839	7,715	-	32,099	-
Increase (decrease) in compensated absences	3,346	2,297	1,221	-	6,864	-
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)	-
Total adjustments	\$ (98,268)	\$ 138,903	\$ 1,712,852	\$ 627,900	\$ 2,381,387	\$ -
Net cash provided by (used for) operating activities	\$ (895,952)	\$ (1,261,357)	\$ 964,073	\$ (273,192)	\$ (1,466,428)	\$ 24,026

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>412,504</u>
Total assets	\$ <u><u>412,504</u></u>
LIABILITIES	
Amounts held for others	\$ 269,191
Amounts held for inmates	59,135
Amounts held for social services clients	<u>84,178</u>
Total liabilities	\$ <u><u>412,504</u></u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements At June 30, 2016

Note 1—Summary of Significant Accounting Policies:

The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Culpeper, Virginia 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.

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

Government-wide 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, effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and its governing body is the same as the governing body of the Primary Government and there is a financial benefit relationship between the County and Authority. These are the basis for blending the component unit. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2016.

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

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

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Culpeper County Economic Development Authority was created by the Board of Supervisors to administer the issuance of economic development revenue bonds. The County appoints all members of Authority's Board of Directors. The primary funding is from the General Fund of the County. The Economic Development Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2016.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenue. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for and reports all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

2. Proprietary Funds - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

Water and Sewer Authority - This fund is used to account for the activities occurring at the Water and Sewer Authority.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

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

2. Proprietary Funds: (Continued)

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following fund:

Dental Insurance Fund - This fund accounts for the dental insurance program activities of the County.

3. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting but have no measurement focus described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's agency funds are the Special Welfare Fund, Sheriff Commissary Fund, Piedmont Tech Fund, Thrift Store and Healthy Culpeper Fund.

D. Budgets and Budgetary Accounting

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 department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Projects Fund, School Operating Fund, School Cafeteria Fund, and School Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

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 the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,336,303 at June 30, 2016, and is comprised solely of 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 December 5th. The County bills and collects its own 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 primarily of operating materials held for consumption and or supplies for repairs and maintenance.

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 assets, which include property, plant and equipment, are reported in the applicable governmental, business-type activities, or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

H. Capital Assets (Continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-40
Vehicles	5
Office and Computer Equipment	5
Buses	12

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-term Obligations

In the government-wide financial statements, obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type on the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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

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

K. Fund Balances

Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. In accordance with the County's financial policies, the Board of Supervisors may assign fund balance as it does through the adoption or amendment of the budget as intended for specific purpose. The County Administrator also has authority, as delegated by the Board of Supervisors, to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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

K. Fund Balances (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

The following is detail of County’s Fund Balances:

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ 667,881
Total Nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,881</u>
Restricted:				
School Athletic Programs	\$ 3,052	\$ -	\$ 3,052	\$ -
Historic markers	521	-	521	-
School Capital Projects	3,884	-	3,884	-
Community Pool	1,131	-	1,131	-
Parks and Recreation Multi Use Trails	1,726	-	1,726	-
DSS Children’s Programs	1,695	-	1,695	-
DSS Senior Citizen Programs	2,071	-	2,071	-
4th of July	346	-	346	-
Animal shelter	18,059	-	18,059	-
Drug forfeitures	74,140	-	74,140	-
Total Restricted	<u>\$ 106,625</u>	<u>\$ -</u>	<u>\$ 106,625</u>	<u>\$ -</u>
Committed:				
School Capital Projects	\$ 1,606,334	\$ -	\$ 1,606,334	\$ -
Library	310,843	-	310,843	-
Proffers	389,723	-	389,723	-
Lenn Park fees	12,595	-	12,595	-
Courthouse construction fees	53,602	-	53,602	-
Capital Projects	-	2,880,952	2,880,952	1,623,046
Total Committed	<u>\$ 2,373,097</u>	<u>\$ 2,880,952</u>	<u>\$ 5,254,049</u>	<u>\$ 1,623,046</u>
Assigned:				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Eurocomposites easement	7,500	-	7,500	-
Cafeteria	-	-	-	2,256,237
Total Assigned	<u>\$ 11,675</u>	<u>\$ -</u>	<u>\$ 11,675</u>	<u>\$ 2,256,237</u>
Unassigned	<u>\$ 30,097,176</u>	<u>\$ -</u>	<u>\$ 30,097,176</u>	<u>\$ (641,315)</u>
Total Fund Balance	<u>\$ 32,588,573</u>	<u>\$ 2,880,952</u>	<u>\$ 35,469,525</u>	<u>\$ 3,905,849</u>

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

L. Use of Estimates

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

M. 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.

N. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the County who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

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.

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualifies for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and 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 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. This also includes uncollected property taxes due prior to June 30. 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. In addition, 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.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County'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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 and Component Unit School Board 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).

Credit Risk of Debt Securities

The County does not have a policy related to 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.

Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA
Local Government Investment Pool	\$ 7,275,519	\$ -
Money Market Funds (SNAP)	3,681,890	-
Total	\$ <u>10,957,409</u>	\$ <u>-</u>
Investment maturities in years:		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,275,519	\$ 7,275,519
Money Market Funds (SNAP)	1,042,148	1,042,148
Total	\$ <u>8,317,667</u>	\$ <u>8,317,667</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pool:

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

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

Note 3—Due from Other Governments:

At June 30, 2016 the County and School Board have receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
Shared expenses	\$ 337,199	\$ -
State sales taxes	-	1,591,449
Local sales taxes	1,462,569	-
Communication taxes	321,574	-
Public assistance	181,533	-
Comprehensive services	818,639	-
Airport	858,834	-
Miscellaneous	53,824	-
Federal Government:		
School funds	-	659,273
Public assistance	243,786	-
Headstart	789,894	-
Cafeteria	-	8,767
Miscellaneous	21,242	-
Total	<u>\$ 5,089,094</u>	<u>\$ 2,259,489</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 4—Interfund Transfers Due From/To Other Funds/Primary Government/Component Units:

Individual fund and interfund receivable and payable balances relating to working capital loans at June 30, 2016 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 4,667,630	\$ -
Water and Sewer Fund	406,245	
Water and Sewer Authority	-	3,106,245
Airport	-	1,967,630
Total	<u>\$ 5,073,875</u>	<u>\$ 5,073,875</u>

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 3,982,478
School	3,982,478	-
Total	<u>\$ 3,982,478</u>	<u>\$ 3,982,478</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 8,414,178
Landfill Fund	1,023,149	-
Water & Sewer Fund	1,558,514	-
Capital Projects Fund	5,762,903	-
Airport Fund	69,612	-
Total	<u>\$ 8,414,178</u>	<u>\$ 8,414,178</u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 5—Capital Assets:

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,428,807	\$ -	\$ -	\$ 10,428,807
Construction in Progress	2,043,653	2,244,248	457,763	3,830,138
Construction in Progress-jointly owned assets	<u>19,067,826</u>	<u>809,724</u>	<u>-</u>	<u>19,877,550</u>
Total capital assets not being depreciated	<u>\$ 31,540,286</u>	<u>\$ 3,053,972</u>	<u>\$ 457,763</u>	<u>\$ 34,136,495</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 35,977,608	\$ 482,313	\$ -	\$ 36,459,921
Equipment	9,368,090	1,050,013	19,279	10,398,824
Jointly owned assets	<u>65,683,091</u>	<u>-</u>	<u>3,785,759</u>	<u>61,897,332</u>
Total capital assets being depreciated	<u>\$ 111,028,789</u>	<u>\$ 1,532,326</u>	<u>\$ 3,805,038</u>	<u>\$ 108,756,077</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 10,324,874	\$ 1,014,456	\$ -	\$ 11,339,330
Equipment	7,509,828	723,408	19,279	8,213,957
Jointly owned assets	<u>10,049,286</u>	<u>1,432,186</u>	<u>861,430</u>	<u>10,620,042</u>
Total accumulated depreciation	<u>\$ 27,883,988</u>	<u>\$ 3,170,050</u>	<u>\$ 880,709</u>	<u>\$ 30,173,329</u>
Total capital assets being depreciated, net	<u>\$ 83,144,801</u>	<u>\$ (1,637,724)</u>	<u>\$ 2,924,329</u>	<u>\$ 78,582,748</u>
Governmental activities capital assets, net	<u>\$ 114,685,087</u>	<u>\$ 1,416,248</u>	<u>\$ 3,382,092</u>	<u>\$ 112,719,243</u>

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Galbreath Marshall improvements	\$ -	\$ 1,805,221	\$ -	\$ 1,805,221
Laurel Valley bike trail project	4,605	-	-	4,605
Wachovia Bank renovation	1,520,420	-	-	1,520,420
130 W. Cameron	-	302,508	-	302,508
Radio system upgrade	70,860	18,000	-	88,860
Renovate old sheriff's office	1,087	107,437	-	108,524
Library renovation	<u>446,681</u>	<u>11,082</u>	<u>457,763</u>	<u>-</u>
Total	<u>\$ 2,043,653</u>	<u>\$ 2,244,248</u>	<u>\$ 457,763</u>	<u>\$ 3,830,138</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Fund, Capital Assets:

The following is a summary of changes in enterprise fund capital assets during the year:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	1,506,250	-	1,427,884	78,366
Total capital assets not being depreciated	<u>\$ 1,741,450</u>	<u>\$ -</u>	<u>\$ 1,427,884</u>	<u>\$ 313,566</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,049,796	\$ -	\$ -	\$ 3,049,796
Equipment	438,053	23,964	-	462,017
Total capital assets being depreciated	<u>\$ 3,487,849</u>	<u>\$ 23,964</u>	<u>\$ -</u>	<u>\$ 3,511,813</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 1,309,902	\$ 77,986	\$ -	\$ 1,387,888
Equipment	344,650	24,789	-	369,439
Total accumulated depreciation	<u>\$ 1,654,552</u>	<u>\$ 102,775</u>	<u>\$ -</u>	<u>\$ 1,757,327</u>
Total capital assets being depreciated, net	<u>\$ 1,833,297</u>	<u>\$ (78,811)</u>	<u>\$ -</u>	<u>\$ 1,754,486</u>
Net capital assets	<u>\$ 3,574,747</u>	<u>\$ (78,811)</u>	<u>\$ 1,427,884</u>	<u>\$ 2,068,052</u>
Landfill Fund:				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	297,110	-	6,352	290,758
Total capital assets being depreciated	<u>\$ 305,649</u>	<u>\$ -</u>	<u>\$ 6,352</u>	<u>\$ 299,297</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,920	\$ 213	\$ -	\$ 2,133
Equipment	262,484	9,546	6,352	265,678
Total accumulated depreciation	<u>\$ 264,404</u>	<u>\$ 9,759</u>	<u>\$ 6,352</u>	<u>\$ 267,811</u>
Total capital assets being depreciated, net	<u>\$ 41,245</u>	<u>\$ (9,759)</u>	<u>\$ -</u>	<u>\$ 31,486</u>
Net capital assets	<u>\$ 442,318</u>	<u>\$ (9,759)</u>	<u>\$ -</u>	<u>\$ 432,559</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Fund, Capital Assets: (Continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 516,929	\$ -	\$ -	\$ 516,929
Construction in Progress	1,276,298	4,329,139	562,077	5,043,360
Total capital assets, not being depreciated	<u>\$ 1,793,227</u>	<u>\$ 4,329,139</u>	<u>\$ 562,077</u>	<u>\$ 5,560,289</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,097,284	\$ 562,077	\$ -	\$ 16,659,361
Equipment	318,220	-	-	318,220
Total capital assets being depreciated	<u>\$ 16,415,504</u>	<u>\$ 562,077</u>	<u>\$ -</u>	<u>\$ 16,977,581</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 7,298,463	\$ 689,429	\$ -	\$ 7,987,892
Equipment	221,855	21,001	-	242,856
Total accumulated depreciation	<u>\$ 7,520,318</u>	<u>\$ 710,430</u>	<u>\$ -</u>	<u>\$ 8,230,748</u>
Total capital assets being depreciated, net	<u>\$ 8,895,186</u>	<u>\$ (148,353)</u>	<u>\$ -</u>	<u>\$ 8,746,833</u>
Net capital assets	<u>\$ 10,688,413</u>	<u>\$ 4,180,786</u>	<u>\$ 562,077</u>	<u>\$ 14,307,122</u>
Water and Sewer Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,026,130	\$ -	\$ -	\$ 25,026,130
Equipment	17,983	-	-	17,983
Total capital assets being depreciated	<u>\$ 25,044,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,044,113</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,817,464	\$ 626,103	\$ -	\$ 3,443,567
Equipment	16,186	1,797	-	17,983
Total accumulated depreciation	<u>\$ 2,833,650</u>	<u>\$ 627,900</u>	<u>\$ -</u>	<u>\$ 3,461,550</u>
Total capital assets being depreciated, net	<u>\$ 22,210,463</u>	<u>\$ (627,900)</u>	<u>\$ -</u>	<u>\$ 21,582,563</u>
Net capital assets	<u>\$ 23,679,583</u>	<u>\$ (627,900)</u>	<u>\$ -</u>	<u>\$ 23,051,683</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Fund, Capital Assets: (Continued)

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Airport Fund:				
Hangar Sewer Line Extension	\$ 5,820	\$ 14,965	\$ -	\$ 20,785
Hangar Design	153,440	5,135	-	158,575
Corporate/T-Hangar construction	171,572	4,299,760	-	4,471,332
Land acquisition - design	73,613	4,608	-	78,221
Update FBO	561,852	225	562,077	-
Hangar area pavement rehab	-	4,446	-	4,446
Airport terminal facility - design	310,001	-	-	310,001
Total	<u>\$ 1,276,298</u>	<u>\$ 4,329,139</u>	<u>\$ 562,077</u>	<u>\$ 5,043,360</u>
Water and Sewer Fund:				
Mountain Run Wastewater Treatment Plant	\$ 1,427,884	\$ -	\$ 1,427,884	\$ -
Automated Meter Reading System	78,366	-	-	78,366
Total	<u>\$ 1,506,250</u>	<u>\$ -</u>	<u>\$ 1,427,884</u>	<u>\$ 78,366</u>

Component Unit-School Board

The following is a summary of changes in School Board capital assets during the year:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,972,726	-	-	1,972,726
Construction in progress	1,213,530	1,712,053	-	2,925,583
Total capital assets, not being depreciated	<u>\$ 3,386,407</u>	<u>\$ 1,712,053</u>	<u>\$ -</u>	<u>\$ 5,098,460</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,602,914	\$ 100,033	\$ -	\$ 28,702,947
Equipment	20,624,337	112,856	8,569,431	12,167,762
Jointly owned assets	37,699,622	3,785,759	-	41,485,381
Total capital assets being depreciated	<u>\$ 86,926,873</u>	<u>\$ 3,998,648</u>	<u>\$ 8,569,431</u>	<u>\$ 82,356,090</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 24,273,010	\$ 1,715,494	\$ -	\$ 25,988,504
Equipment	17,415,585	709,408	8,340,517	9,784,476
Jointly owned assets	7,086,641	861,430	-	7,948,071
Total accumulated depreciation	<u>\$ 48,775,236</u>	<u>\$ 3,286,332</u>	<u>\$ 8,340,517</u>	<u>\$ 43,721,051</u>
Total capital assets being depreciated, net	<u>\$ 38,151,637</u>	<u>\$ 712,316</u>	<u>\$ 228,914</u>	<u>\$ 38,635,039</u>
School Board capital assets, net	<u>\$ 41,538,044</u>	<u>\$ 2,424,369</u>	<u>\$ 228,914</u>	<u>\$ 43,733,499</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government and Component Unit School Board as follows:

Governmental activities:	
General government administration	\$ 82,313
Judicial administration	59,746
Public safety	714,900
Public works	459,018
Health and welfare	111,668
Education	1,578,603
Parks, recreation and cultural	163,561
Community development	241
Total governmental activities	<u>\$ 3,170,050</u>
Enterprise Funds:	
Landfill	\$ 9,759
Water & sewer	102,775
Airport	710,430
Water & sewer authority	627,900
Total enterprise funds	<u>\$ 1,450,864</u>
Component Unit-School Board	<u>\$ 3,709,186 (1)</u>
(1) Depreciation Expense	\$ 2,424,902
Joint tenancy transfer of accumulated depreciation	861,430
Total additions to accumulated depreciation, previous page	<u>\$ 3,286,332</u>

Note 6—Deferred/Unavailable/Unearned Revenue:

The following is a summary of unavailable/unearned revenue at June 30, 2016:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred/Unavailable property tax 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.	\$ -	\$ 2,455,723
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	146,026	146,026
Total primary government	<u>\$ 146,026</u>	<u>\$ 2,601,749</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
School lease revenue refunding bonds	\$ 48,725,000	\$ -	\$ 2,065,000	\$ 46,660,000	\$ 2,130,000
Premium on school bonds	<u>3,795,893</u>	<u>-</u>	<u>210,883</u>	<u>3,585,010</u>	<u>210,883</u>
Total school lease revenue and refunding bonds	<u>\$ 52,520,893</u>	<u>\$ -</u>	<u>\$ 2,275,883</u>	<u>\$ 50,245,010</u>	<u>\$ 2,340,883</u>
School general obligation bonds	\$ 25,121,944	\$ -	\$ 2,549,310	\$ 22,572,634	\$ 2,581,512
Premium on general obligation bonds	<u>1,649,898</u>	<u>-</u>	<u>97,053</u>	<u>1,552,845</u>	<u>97,053</u>
Total school general obligation bonds	<u>\$ 26,771,842</u>	<u>\$ -</u>	<u>\$ 2,646,363</u>	<u>\$ 24,125,479</u>	<u>\$ 2,678,565</u>
Compensated absences	1,718,418	396,159	171,842	1,942,735	194,274
Net OPEB obligation	444,000	230,000	147,000	527,000	-
Net pension liability	5,381,739	5,259,017	4,592,734	6,048,022	-
Literary fund loans	5,250,000	-	375,000	4,875,000	375,000
General obligation bonds	1,985,600	-	195,600	1,790,000	200,200
Capital lease	378,649	-	184,978	193,671	193,671
Lease revenue bonds	11,625,000	-	812,000	10,813,000	836,000
Premium on lease revenue bonds	<u>106,884</u>	<u>-</u>	<u>7,126</u>	<u>99,758</u>	<u>7,126</u>
Total lease revenue bonds	<u>\$ 11,731,884</u>	<u>\$ -</u>	<u>\$ 819,126</u>	<u>\$ 10,912,758</u>	<u>\$ 843,126</u>
Total Governmental Activities	<u>\$ 106,183,025</u>	<u>\$ 5,885,176</u>	<u>\$ 11,408,526</u>	<u>\$ 100,659,675</u>	<u>\$ 6,825,719</u>
Enterprise Funds:					
Compensated absences	\$ 91,711	\$ 16,035	\$ 9,171	\$ 98,575	\$ 9,858
Lease revenue bonds	-	1,803,445	10,825	1,792,620	62,917
Net pension liability	169,012	184,880	152,781	201,111	-
Landfill closure and postclosure costs	<u>604,245</u>	<u>-</u>	<u>35,540</u>	<u>568,705</u>	<u>35,540</u>
Total Enterprise Funds	<u>\$ 864,968</u>	<u>\$ 2,004,360</u>	<u>\$ 208,317</u>	<u>\$ 2,661,011</u>	<u>\$ 108,315</u>
Total Primary Government	<u>\$ 107,047,993</u>	<u>\$ 7,889,536</u>	<u>\$ 11,616,843</u>	<u>\$ 103,320,686</u>	<u>\$ 6,934,034</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Lease Revenue Bonds		School Lease Revenue Refunding Bonds		School General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 836,000	\$ 340,900	\$ 2,130,000	\$ 1,805,975	\$ 2,581,512	\$ 837,316
2018	866,000	316,987	2,200,000	1,720,775	2,184,352	731,824
2019	895,000	293,054	2,255,000	1,654,775	2,212,862	636,412
2020	922,000	268,033	2,300,000	1,587,125	2,252,082	539,694
2021	953,000	241,163	2,385,000	1,495,125	2,284,506	448,768
2022	980,000	213,077	2,460,000	1,399,725	1,682,320	356,454
2023	974,000	184,101	2,570,000	1,276,725	940,000	309,325
2024	998,000	155,082	2,685,000	1,148,225	940,000	281,125
2025	721,000	125,472	2,800,000	1,013,975	940,000	252,925
2026	468,000	103,703	2,900,000	901,975	940,000	224,725
2027	484,000	83,418	3,005,000	785,975	940,000	196,525
2028	501,000	62,377	3,080,000	695,825	935,000	163,625
2029	517,000	40,559	3,155,000	603,425	935,000	130,900
2030	413,000	17,993	3,260,000	477,225	935,000	98,175
2031	141,000	6,641	3,040,000	346,825	935,000	65,450
2032	144,000	3,355	3,165,000	225,225	935,000	32,725
2033	-	-	3,270,000	114,450	-	-
Total	\$ <u>10,813,000</u>	\$ <u>2,455,915</u>	\$ <u>46,660,000</u>	\$ <u>17,253,350</u>	\$ <u>22,572,634</u>	\$ <u>5,305,968</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest: (Continued)

Year Ending June 30,	General Obligation Bonds		Literary Fund Loan		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 200,200	\$ 40,716	\$ 375,000	\$ 146,250	\$ 193,671	\$ 9,103
2018	204,900	36,004	375,000	135,000	-	-
2019	209,800	31,179	375,000	123,750	-	-
2020	214,800	26,240	375,000	112,500	-	-
2021	219,800	21,186	375,000	101,250	-	-
2022	224,900	16,013	375,000	90,000	-	-
2023	230,200	10,720	375,000	78,750	-	-
2024	235,700	5,299	375,000	67,500	-	-
2025	49,700	581	375,000	56,250	-	-
2026	-	-	375,000	45,000	-	-
2027	-	-	375,000	33,750	-	-
2028	-	-	375,000	22,500	-	-
2029	-	-	375,000	11,250	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
Total	\$ <u>1,790,000</u>	\$ <u>187,938</u>	\$ <u>4,875,000</u>	\$ <u>1,023,750</u>	\$ <u>193,671</u>	\$ <u>9,103</u>

Debt service requirements for general obligation bonds and other long-term obligations are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Enterprise Funds:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2017	\$ 62,917	\$ 61,739
2018	65,155	59,501
2019	67,472	57,184
2020	69,872	54,784
2021	72,357	52,299
2022	74,931	49,725
2023	77,596	47,060
2024	80,356	44,300
2025	83,214	41,442
2026	86,173	38,483
2027	89,238	35,418
2028	92,412	32,244
2029	95,699	28,957
2030	99,103	25,553
2031	102,628	22,028
2032	106,278	18,378
2033	110,058	14,598
2034	113,972	10,684
2035	118,026	6,630
2036	122,224	2,432
2037	2,939	7,449
Total	\$ <u>1,792,620</u>	\$ <u>710,888</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
<u>County Lease Revenue Bonds:</u>		
\$1,454,000 Lease Revenue Bonds Series 2013 issued December 19, 2013 payable in various semi-annual payments through January 15, 2029, interest payable semi-annually at 2.940%	\$ 1,297,000	\$ 84,000
\$2,457,000 IDA Lease Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through January 15, 2032, interest payable semi-annually at 2.330%	2,073,000	111,000
\$6,433,000 IDA Lease Refunding Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.220%	4,383,000	476,000
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 payable in various semi-annual payments through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	3,060,000	165,000
Premium on bonds	<u>99,758</u>	<u>7,126</u>
Total County lease revenue bonds	<u>\$ 10,912,758</u>	<u>\$ 843,126</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities: (Continued)		
<u>County General Obligation Bonds:</u>		
\$2,654,000 General Obligation Refunding Bonds Series 2011 issued November 17, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.34%	\$ 1,790,000	\$ 200,200
Total County general obligation bonds	<u>\$ 1,790,000</u>	<u>\$ 200,200</u>
<u>School Lease Revenue Refunding Bonds:</u>		
\$49,745,000 Lease Revenue Refunding Bonds, Series 2014, issued August 19, 2014 payable in various annual installments through June 1, 2033, interest at rates ranging from 3.00% to 5.00%	\$ 46,660,000	\$ 2,130,000
Premium on bonds	<u>3,585,010</u>	<u>210,883</u>
Total school lease revenue refunding bonds	<u>\$ 50,245,010</u>	<u>\$ 2,340,883</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, payable in various annual payments through July 15, 2021, interest payable semi-annually at 4.57%	\$ 4,302,634	\$ 686,512
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, payable in various annual payments through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	135,000	135,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities: (Continued)		
<u>School General Obligation Bonds: (Continued)</u>		
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, payable in various annual payments through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	\$ 300,000	\$ 300,000
\$23,520,000 General Obligation School and Refunding Bond, Series 2012 dated October 18, 2012, principal payable annually in various incremental amounts through January 15, 2032, interest payable semi-annually at rates ranging from 3.00% to 4.00%	17,835,000	1,460,000
Premium on general obligation bonds	1,552,845	97,053
Total school general obligation bonds	<u>\$ 24,125,479</u>	<u>\$ 2,678,565</u>
<u>Literary Fund Loans:</u>		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 4,875,000	\$ 375,000
Total literary fund loans	<u>\$ 4,875,000</u>	<u>\$ 375,000</u>
<u>Capital lease:</u>		
\$758,098 captial lease, issued November 22, 2013, payable annual installments of \$202,775 through November 22, 2016, interest payable annually at 4.70%. The Lease was for the acquisition of vehicles with a total cost of \$758,098.07. Accumulated depreciation on these vehicles at June 30, 2014 was \$151,535.	\$ 193,671	\$ 193,671
<u>Compensated absences</u>	<u>\$ 1,942,735</u>	<u>\$ 194,274</u>
<u>Net OPEB obligation</u>	<u>\$ 527,000</u>	<u>\$ -</u>
<u>Net pension liability</u>	<u>\$ 6,048,022</u>	<u>\$ -</u>
Total governmental activities	<u><u>\$ 100,659,675</u></u>	<u><u>\$ 6,825,719</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Enterprise Funds:		
<u>Airport Revenue Bond:</u>		
\$2,650,000 revenue bonds series 2015 issued July 2015, payable in annual principal and interest installments of \$10,388 through February 2056, interest payable semi-annually at 3.5%	\$ 1,792,620	\$ 62,917
<u>Compensated absences</u>	98,575	9,858
<u>Net pension liability</u>	201,111	-
<u>Landfill closure and postclosure costs</u>	568,705	35,540
Total enterprise funds obligations	<u>\$ 2,661,011</u>	<u>\$ 108,315</u>
Total Primary Government	<u>\$ 103,320,686</u>	<u>\$ 6,934,034</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2016.

	<u>Balance July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 1,285,883	\$ 45,692	\$ 128,588	\$ 1,202,987	\$ 120,299
Net pension liability	65,904,000	17,579,000	12,715,000	70,768,000	-
Net OPEB obligation	610,000	255,000	189,000	676,000	-
Total	<u>\$ 67,799,883</u>	<u>\$ 17,879,692</u>	<u>\$ 13,032,588</u>	<u>\$ 72,646,987</u>	<u>\$ 120,299</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 8—Landfill Closure and Postclosure Care Cost:

The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

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 that 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 \$568,705 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

The County has demonstrated financial assurance requirements for closure, postclosure 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 9—Commitments and Contingencies:

Federal programs in which the County and its Component Units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Note 10—Pension Plan:

Plan Description

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

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

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At 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>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

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>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</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>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

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

COUNTY OF CULPEPER, VIRGINIA

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	151	71
Inactive members:		
Vested inactive members	52	12
Non-vested inactive members	96	86
Inactive members active elsewhere in VRS	155	34
Total inactive members	303	132
Active members	336	196
Total covered employees	790	399

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 10.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,749,055 and \$1,658,858 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 6.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$249,382 and \$245,092 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

The County's and Component Unit School Board's (nonprofessional) net pension liabilities (asset) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities (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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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	\$ 50,908,789	\$ 45,358,038	\$ 5,550,751
Changes for the year:			
Service cost	\$ 1,919,125	\$ -	\$ 1,919,125
Interest	3,486,386	-	3,486,386
Differences between expected and actual experience	(208,709)	-	(208,709)
Contributions - employer	-	1,648,227	(1,648,227)
Contributions - employee	-	788,770	(788,770)
Net investment income	-	2,089,804	(2,089,804)
Benefit payments, including refunds of employee contributions	(2,206,552)	(2,206,552)	-
Administrative expenses	-	(27,937)	27,937
Other changes	-	(445)	445
Net changes	\$ 2,990,250	\$ 2,291,867	\$ 698,383
Balances at June 30, 2015	\$ 53,899,039	\$ 47,649,905	\$ 6,249,134

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 10,948,804	\$ 11,861,142	\$ (912,338)
Changes for the year:			
Service cost	\$ 416,073	\$ -	\$ 416,073
Interest	748,220	-	748,220
Differences between expected and actual experience	(130,169)	-	(130,169)
Contributions - employer	-	246,237	(246,237)
Contributions - employee	-	203,046	(203,046)
Net investment income	-	540,962	(540,962)
Benefit payments, including refunds of employee contributions	(519,881)	(519,881)	-
Administrative expenses	-	(7,356)	7,356
Other changes	-	(112)	112
Net changes	\$ 514,243	\$ 462,896	\$ 51,347
Balances at June 30, 2015	\$ 11,463,047	\$ 12,324,038	\$ (860,991)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) 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 (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 14,055,642	\$ 6,249,134	\$ (156,405)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 486,319	\$ (860,991)	\$ (1,996,041)

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At 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, County and Component Unit School Board (nonprofessional) recognized pension expense of \$955,497 and \$20,906, 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	\$ -	\$ 157,048	\$ -	\$ 92,439
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,180,915	-	312,274
Employer contributions subsequent to the measurement date	<u>1,749,055</u>	<u>-</u>	<u>249,382</u>	<u>-</u>
Total	<u>\$ 1,749,055</u>	<u>\$ 1,337,963</u>	<u>\$ 249,382</u>	<u>\$ 404,713</u>

\$1,749,055 and \$249,382 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 or Component 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	\$ (518,121)	\$ (160,928)
2018	(518,121)	(160,928)
2019	(518,123)	(140,175)
2020	216,402	57,318
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 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as result of the transfer. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$6,115,059 and \$6,060,033 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 \$70,768,000 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 .56226% as compared to .54535% at June 30, 2014.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 \$5,519,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015 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	\$ -	\$ 974,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,334,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,918,000	281,000
Employer contributions subsequent to the measurement date	<u>6,115,059</u>	<u>-</u>
Total	<u>\$ 8,033,059</u>	<u>\$ 5,589,000</u>

\$6,115,059 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	\$ (1,583,000)
2018	(1,583,000)
2019	(1,583,000)
2020	977,000
2021	101,000
Thereafter	-

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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 CULPEPER, VIRGINIA

Notes to Financial Statements
At 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		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	\$ 103,562,000	\$ 70,768,000	\$ 43,771,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 10—Pension Plan: (Continued)

Pension Plan Fiduciary Net Position

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

Note 11—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

Employee Dental Insurance:

Culpeper County and Culpeper County School Board established a public entity risk pool to provide consolidated Dental Care benefits for their employees. The plan is based on a service contract with a private carrier in which bills are derived from actual expenses incurred or claims filed.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 12—Litigation:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 13—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Janice Corbin, Circuit Court Clerk	\$ 25,000
David L. DeJarnette, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
Scott H. Jenkins, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Lisa A. Peacock, Director of Human Services	100,000
William C. Chase, Jr., Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Gary M. Deal, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000
Jack C. Frazier, Supervisor	1,000
Alexa V. Fritz, Supervisor	1,000

Note 14—Other Postemployment Benefits—Health Insurance:

County:

A. Plan Description

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who retire with 30 years of service, or at age 62 with 5 years of service are eligible. Employees with disabilities must meet service retirement eligibility to be eligible. Pre-Medicare retirees may continue to remain in the Key Care 100 Plan, which includes prescription drugs. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

B. Funding Policy

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retirees pay 100% of the published rates for individual and dependent coverage until age 65. Surviving spouses are not allowed access to the plan.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County's 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 any 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	\$ 242,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contribution	<u>(28,000)</u>
Annual OPEB cost (expense)	\$ 230,000
Contribution made	<u>147,000</u>
Increase in net OPEB obligation	\$ 83,000
Net OPEB obligation-beginning of year	<u>444,000</u>
Net OPEB obligation-end of year	<u><u>\$ 527,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years 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	\$ 230,000	64%	\$ 527,000
June 30, 2015	220,000	59%	444,000
June 30, 2014	178,000	61%	354,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

County: (Continued)

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$	1,913,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,913,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		16,761,271
UAAL as a percentage of covered payroll		11.41%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.8% inflation rate and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.44 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015, was twenty-three years.

	<u>Unfunded</u>
Discount rate	3.5%
Payroll growth	3.5%

School Board:

A. Plan Description

The School Board Extended Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has reached Level M (or equivalent years) or the top of the administrative schedule, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays \$256 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board’s 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 any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board’s net OPEB obligation:

Annual required contribution	\$ 272,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	<u>(41,000)</u>
Annual OPEB cost (expense)	\$ 255,000
Contribution made	<u>189,000</u>
Increase in net OPEB obligation	\$ 66,000
Net OPEB obligation-beginning of year	<u>610,000</u>
Net OPEB obligation-end of year	<u><u>\$ 676,000</u></u>

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two year 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	\$ 255,000	74%	\$ 676,000
June 30, 2015	249,000	82%	610,000
June 30, 2014	230,000	74%	565,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

School Board: (Continued)

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 2,107,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,107,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	46,195,400
UAAI as a percentage of covered payroll	4.56%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 14—Other Postemployment Benefits—Health Insurance: (Continued)

School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.8% inflation rate and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.7 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015, was twenty-three years.

	<u>Unfunded</u>
Discount rate	4.0%
Payroll growth	3.5%

Note 15—VRS Health Insurance Credit—Other Postemployment Benefits Program:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is 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 School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 15—VRS Health Insurance Credit—Other Postemployment Benefits Program: (Continued)

B. Funding Policy

As a participating local political subdivision, the School Board is 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 School Board’s contribution rate for the fiscal year ended 2016 was .20% of annual covered payroll.

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 School Board is 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 School Board’s contribution of \$8,114 was equal to the ARC and OPEB cost. The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2016	\$ 8,114	100%	\$ -
June 30, 2015	7,983	100%	-
June 30, 2014	11,063	100%	-

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:

Actuarial accrued liability (AAL)	\$ 219,470
Actuarial value of plan assets	223,402
Unfunded actuarial accrued liability	-3,932
Funded ratio (actuarial value of plan assets / AAL)	101.79%
Covered payroll (active plan members)	4,034,341
UAAL as a percentage of covered payroll	-0.10%

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

Note 15—VRS Health Insurance Credit—Other Postemployment Benefits Program: (Continued)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2015 was 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 under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

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 \$446,747, \$443,009, and \$442,308, respectively and equaled the required contributions for each year.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2016 (Continued)

Note 16—Adoption of Accounting Principles:

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

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

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 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 17—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.

Note 17—Upcoming Pronouncements: (Continued)

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

Statement No. 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.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
Budget and Actual -- General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 55,785,136	\$ 55,785,136	\$ 56,741,652	\$ 956,516
Other local taxes	8,128,942	8,128,942	8,242,421	113,479
Permits, privilege fees and regulatory licenses	649,974	651,249	857,772	206,523
Fines and forfeitures	45,000	45,000	53,638	8,638
Revenue from use of money and property	302,743	302,743	495,130	192,387
Charges for services	3,448,096	4,512,801	3,425,438	(1,087,363)
Miscellaneous	552,221	570,229	828,463	258,234
Recovered costs	38,964	38,964	42,656	3,692
Intergovernmental:				
Commonwealth	15,874,491	18,842,187	15,789,070	(3,053,117)
Federal	3,245,120	6,314,383	7,600,724	1,286,341
Total revenues	\$ 88,070,687	\$ 95,191,634	\$ 94,076,964	\$ (1,114,670)
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 258,177	\$ 271,157	\$ 254,899	\$ 16,258
General and financial administration:				
County administration	\$ 406,190	\$ 437,310	\$ 419,709	\$ 17,601
County attorney	249,880	250,930	219,993	30,937
Human resources	214,903	267,733	248,183	19,550
Procurement	295,350	303,868	273,716	30,152
Auditor	56,000	56,000	54,500	1,500
Commissioner of the Revenue	662,422	664,922	551,502	113,420
Reassessment	493,031	493,781	444,832	48,949
Board of equalization	14,760	14,760	1,196	13,564
Treasurer	567,665	565,121	474,586	90,535
Department of finance and budget	480,865	477,415	447,738	29,677
Information systems	476,861	478,061	366,434	111,627
Records management	208,317	242,185	204,164	38,021
Other general and financial administration	17,000	17,000	5,769	11,231
Total general and financial administration	\$ 4,143,244	\$ 4,269,086	\$ 3,712,322	\$ 556,764
Board of Elections:				
Electoral board and officials	\$ 145,755	\$ 146,642	\$ 100,691	\$ 45,951
Registrar	154,794	160,644	156,591	4,053
Total board of elections	\$ 300,549	\$ 307,286	\$ 257,282	\$ 50,004
Total general government administration	\$ 4,701,970	\$ 4,847,529	\$ 4,224,503	\$ 623,026

Schedule of Revenues, Expenditures and Changes in Fund Balances --
Budget and Actual -- General Fund
Year Ended June 30, 2016 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 90,707	\$ 90,957	\$ 80,960	\$ 9,997
Clerk of the circuit court	703,143	721,833	678,380	43,453
Victim assistance program	149,334	161,978	149,373	12,605
Sheriff	1,048,572	1,138,480	1,138,478	2
Other courts	59,730	59,730	47,881	11,849
Total courts	<u>\$ 2,051,486</u>	<u>\$ 2,172,978</u>	<u>\$ 2,095,072</u>	<u>\$ 77,906</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 811,598	\$ 829,735	\$ 826,944	\$ 2,791
Criminal justice services	477,102	478,852	461,732	17,120
Total commonwealth attorney	<u>\$ 1,288,700</u>	<u>\$ 1,308,587</u>	<u>\$ 1,288,676</u>	<u>\$ 19,911</u>
Total judicial administration	<u>\$ 3,340,186</u>	<u>\$ 3,481,565</u>	<u>\$ 3,383,748</u>	<u>\$ 97,817</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,576,263	\$ 5,660,237	\$ 5,645,095	\$ 15,142
Other law enforcement and traffic control	92,462	153,930	143,761	10,169
E-911	2,130,460	2,377,156	2,123,727	253,429
Total law enforcement and traffic control	<u>\$ 7,799,185</u>	<u>\$ 8,191,323</u>	<u>\$ 7,912,583</u>	<u>\$ 278,740</u>
Fire and rescue services:				
Fire and rescue	\$ 2,041,783	\$ 2,041,803	\$ 1,962,798	\$ 79,005
EMS council	13,985	13,985	13,985	-
State forest fire extinction	9,085	9,085	9,085	-
Total fire and rescue services	<u>\$ 2,064,853</u>	<u>\$ 2,064,873</u>	<u>\$ 1,985,868</u>	<u>\$ 79,005</u>
Correction and detention:				
Jail	\$ 2,586,744	\$ 2,507,352	\$ 2,493,926	\$ 13,426
Outside jail services	1,000,000	954,650	932,076	22,574
Supervision plan services	50,275	50,275	50,275	-
Probation office	459,000	459,000	446,082	12,918
Total correction and detention	<u>\$ 4,096,019</u>	<u>\$ 3,971,277</u>	<u>\$ 3,922,359</u>	<u>\$ 48,918</u>
Inspections:				
Building	\$ 565,543	\$ 568,568	\$ 482,367	\$ 86,201

Schedule of Revenues, Expenditures and Changes in Fund Balances --
Budget and Actual -- General Fund
Year Ended June 30, 2016 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 739,869	\$ 810,091	\$ 688,358	\$ 121,733
Medical examiner	700	700	340	360
Emergency services	<u>2,121,047</u>	<u>2,135,074</u>	<u>1,820,981</u>	<u>314,093</u>
Total other protection	<u>\$ 2,861,616</u>	<u>\$ 2,945,865</u>	<u>\$ 2,509,679</u>	<u>\$ 436,186</u>
Total public safety	<u>\$ 17,387,216</u>	<u>\$ 17,741,906</u>	<u>\$ 16,812,856</u>	<u>\$ 929,050</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,482,810</u>	<u>\$ 1,641,917</u>	<u>\$ 1,257,930</u>	<u>\$ 383,987</u>
Total public works	<u>\$ 1,482,810</u>	<u>\$ 1,641,917</u>	<u>\$ 1,257,930</u>	<u>\$ 383,987</u>
Health and welfare:				
Health:				
Local health department	<u>\$ 364,954</u>	<u>\$ 364,954</u>	<u>\$ 364,954</u>	<u>\$ -</u>
Mental health and community services:				
Community services	<u>\$ 489,068</u>	<u>\$ 489,068</u>	<u>\$ 476,548</u>	<u>\$ 12,520</u>
Welfare:				
Community youth services	\$ 3,438,161	\$ 5,366,883	\$ 4,530,480	\$ 836,403
Culpeper cable commission	105,040	105,040	105,040	-
Options	239,813	243,488	227,847	15,641
Social services administration	5,990,145	7,069,494	6,470,542	598,952
Full circle thrift	267,490	267,790	234,329	33,461
Wheels for work	17,650	17,650	9,342	8,308
Workforce investment board	331,367	331,367	2,789	328,578
Cosmetology center	348,672	348,672	291,345	57,327
Daycare	1,388,142	1,388,542	1,027,774	360,768
Families first	206,923	206,923	190,692	16,231
Early Headstart	-	3,878,028	3,234,914	643,114
Headstart	<u>1,314,828</u>	<u>1,387,190</u>	<u>1,047,701</u>	<u>339,489</u>
Total welfare	<u>\$ 13,648,231</u>	<u>\$ 20,611,067</u>	<u>\$ 17,372,795</u>	<u>\$ 3,238,272</u>
Total health and welfare	<u>\$ 14,502,253</u>	<u>\$ 21,465,089</u>	<u>\$ 18,214,297</u>	<u>\$ 3,250,792</u>
Education:				
Contributions to community colleges	\$ 1,000	\$ 1,000	\$ 1,000	-
Contributions to Piedmont Tech	67,095	227,095	68,060	159,035
Contributions to Component Unit School Board	<u>31,391,718</u>	<u>31,391,718</u>	<u>28,880,135</u>	<u>2,511,583</u>
Total education	<u>\$ 31,459,813</u>	<u>\$ 31,619,813</u>	<u>\$ 28,949,195</u>	<u>\$ 2,670,618</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --
Budget and Actual -- General Fund
Year Ended June 30, 2016 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 407,106	\$ 471,223	\$ 415,462	\$ 55,761
Community complex	474,968	478,638	462,761	15,877
Total parks and recreation	\$ 882,074	\$ 949,861	\$ 878,223	\$ 71,638
Library:				
Library	\$ 1,042,818	\$ 1,081,693	\$ 1,002,773	\$ 78,920
Total parks, recreation and cultural	\$ 1,924,892	\$ 2,031,554	\$ 1,880,996	\$ 150,558
Community development:				
Planning and community development:				
Planning	\$ 667,598	\$ 659,208	\$ 632,362	\$ 26,846
Zoning board	4,500	4,500	681	3,819
Economic development	868,335	1,290,650	1,197,489	93,161
Total planning and community development	\$ 1,540,433	\$ 1,954,358	\$ 1,830,532	\$ 123,826
Environmental management:				
Soil and water conservation district	\$ 57,005	\$ 57,005	\$ 57,005	\$ -
Cooperative extension program:				
VPI extension	\$ 192,846	\$ 193,846	\$ 149,619	\$ 44,227
Total community development	\$ 1,790,284	\$ 2,205,209	\$ 2,037,156	\$ 168,053
Nondepartmental:				
Employee benefits	\$ 89,000	\$ 90,267	\$ -	\$ 90,267
Total nondepartmental	\$ 89,000	\$ 90,267	\$ -	\$ 90,267
Debt service:				
Principal retirement	\$ 5,996,910	\$ 5,996,910	\$ 5,996,910	\$ -
Interest and fiscal charges	3,417,937	3,459,643	3,413,085	46,558
Total debt service	\$ 9,414,847	\$ 9,456,553	\$ 9,409,995	\$ 46,558
Total expenditures	\$ 86,093,271	\$ 94,581,402	\$ 86,170,676	\$ 8,410,726
Excess (deficiency) of revenues over (under) expenditures	\$ 1,977,416	\$ 610,232	\$ 7,906,288	\$ 7,296,056
Other financing sources (uses):				
Transfers (out)	\$ (7,162,192)	\$ (7,462,192)	\$ (8,414,178)	\$ (951,986)
Total other financing sources (uses)	\$ (7,162,192)	\$ (7,462,192)	\$ (8,414,178)	\$ (951,986)
Changes in fund balances	\$ (5,184,776)	\$ (6,851,960)	\$ (507,890)	\$ 6,344,070
Fund balances at beginning of year	5,184,776	6,851,960	33,096,463	26,244,503
Fund balances at end of year	\$ -	\$ -	\$ 32,588,573	\$ 32,588,573

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 Year Ended June 30, 2016

	2014	2015
Total pension liability		
Service cost	\$ 1,773,851	\$ 1,919,125
Interest	3,283,915	3,486,386
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(208,709)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)
Net change in total pension liability	\$ 2,933,675	\$ 2,990,250
Total pension liability - beginning	47,975,114	50,908,789
Total pension liability - ending (a)	\$ 50,908,789	\$ 53,899,039
Plan fiduciary net position		
Contributions - employer	\$ 1,854,477	\$ 1,648,227
Contributions - employee	777,107	788,770
Net investment income	6,152,389	2,089,804
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)
Administrative expense	(32,421)	(27,937)
Other	324	(445)
Net change in plan fiduciary net position	\$ 6,627,785	\$ 2,291,867
Plan fiduciary net position - beginning	38,730,253	45,358,038
Plan fiduciary net position - ending (b)	\$ 45,358,038	\$ 47,649,905
County's net pension liability - ending (a) - (b)	\$ 5,550,751	\$ 6,249,134
Plan fiduciary net position as a percentage of the total pension liability	89.10%	88.41%
Covered payroll	\$ 15,150,851	\$ 15,950,558
County's net pension liability as a percentage of covered payroll	36.64%	39.18%

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>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 411,690	\$ 416,073
Interest	707,097	748,220
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(130,169)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)
Net change in total pension liability	\$ 576,058	\$ 514,243
Total pension liability - beginning	10,372,746	10,948,804
Total pension liability - ending (a)	<u>\$ 10,948,804</u>	<u>\$ 11,463,047</u>
Plan fiduciary net position		
Contributions - employer	\$ 290,747	\$ 246,237
Contributions - employee	190,739	203,046
Net investment income	1,621,774	540,962
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)
Administrative expense	(8,704)	(7,356)
Other	85	(112)
Net change in plan fiduciary net position	\$ 1,551,912	\$ 462,896
Plan fiduciary net position - beginning	10,309,230	11,861,142
Plan fiduciary net position - ending (b)	<u>\$ 11,861,142</u>	<u>\$ 12,324,038</u>
School Division's net pension liability(asset) - ending (a) - (b)	\$ (912,338)	\$ (860,991)
Plan fiduciary net position as a percentage of the total pension liability	108.33%	107.51%
Covered payroll	\$ 3,814,703	\$ 3,991,722
School Division's net pension liability as a percentage of covered payroll	-23.92%	-21.57%

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

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

	<u>2014</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.55%	0.56%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 65,904,000	\$ 70,768,000
Employer's Covered Payroll	39,847,538	41,793,330
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.68%

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 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	\$ 1,749,055	\$ 1,749,055	\$ -	\$ 16,817,837	10.40%
2015	1,658,858	1,658,858	-	15,950,558	10.40%
2014	1,855,096	1,855,096	-	15,180,815	12.22%
2013	1,788,622	1,788,622	-	14,636,845	12.22%
2012	1,294,749	1,294,749	-	13,744,685	9.42%
2011	1,314,180	1,314,180	-	13,950,960	9.42%
2010	1,147,393	1,147,393	-	14,218,007	8.07%
2009	1,200,499	1,200,499	-	14,876,075	8.07%
2008	939,508	939,508	-	15,056,223	6.24%
2007	875,371	875,371	-	14,028,373	6.24%
Component Unit School Board (nonprofessional)					
2016	\$ 249,382	\$ 249,382	\$ -	\$ 4,061,591	6.14%
2015	245,092	245,092	-	3,991,722	6.14%
2014	290,845	290,845	-	3,816,863	7.62%
2013	295,510	295,510	-	3,878,090	7.62%
2012	269,653	269,653	-	3,891,100	6.93%
2011	274,255	274,255	-	3,957,500	6.93%
2010	314,324	314,324	-	4,152,227	7.57%
2009	319,522	319,522	-	4,220,904	7.57%
2008	260,199	260,199	-	4,052,475	6.42%
2007	213,819	213,819	-	3,330,511	6.42%
Component Unit School Board (professional)					
2016	\$ 6,115,059	\$ 6,115,059	\$ -	\$ 43,492,596	14.06%
2015	6,060,033	6,060,033	-	41,793,330	14.50%

Current year contributions are from County of Culpeper and Culpeper County School Board's records and prior year contributions are from the VRS actuarial valuation performed each year.

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

Notes to Required Supplementary Information
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 is not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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

Other Post Employment Benefits						
County						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 1,913,000	\$ 1,913,000	0.00%	\$ 16,761,271	11.41%
7/1/2014	-	1,866,000	1,866,000	0.00%	15,824,652	11.79%
7/1/2013	-	1,499,000	1,499,000	0.00%	15,178,389	9.88%

Discretely Presented Component Unit - School Board

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 2,107,000	\$ 2,107,000	0.00%	\$ 46,195,400	4.56%
7/1/2014	-	2,106,000	2,106,000	0.00%	45,785,052	4.60%
7/1/2013	-	1,917,000	1,917,000	0.00%	43,662,241	4.39%

Virginia Retirement System - Health Insurance Credit

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ 223,402	\$ 219,470	\$(3,932)	101.79%	\$ 4,034,341	-0.10%
6/30/2014	216,894	216,451	(443)	100.20%	3,815,660	-0.01%
6/30/2013	187,909	203,826	15,917	92.19%	3,738,948	0.43%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Financial Statements and Schedules

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Intergovernmental:				
School Board Contribution to Primary Government	-	809,724	809,724	-
Commonwealth	-	25,000	205,933	180,933
Federal Government	-	51,200	60,199	8,999
Total revenues	<u>\$ -</u>	<u>\$ 885,924</u>	<u>\$ 1,091,946</u>	<u>\$ 206,022</u>
Expenditures:				
Current:				
General government administration	\$ 345,000	\$ 1,734,540	\$ 729,045	\$ 1,005,495
Judicial administration	-	-	-	-
Public safety	4,007,000	4,954,369	966,268	3,988,101
Public works	1,110,903	4,826,672	4,580,089	246,583
Education:				
School construction	-	809,724	809,724	-
Parks, recreation, and cultural	-	131,362	41,216	90,146
Community development	-	9,000	9,000	-
Total expenditures	<u>\$ 5,462,903</u>	<u>\$ 12,465,667</u>	<u>\$ 7,135,342</u>	<u>\$ 5,330,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,462,903)</u>	<u>\$ (11,579,743)</u>	<u>\$ (6,043,396)</u>	<u>\$ 5,536,347</u>
Other financing sources (uses):				
Issuance of lease revenue refunding bonds	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Transfers in	5,462,903	5,762,903	5,762,903	-
Total other financing sources (uses)	<u>\$ 5,462,903</u>	<u>\$ 5,762,903</u>	<u>\$ 5,762,903</u>	<u>\$ -</u>
Changes in fund balances	<u>\$ -</u>	<u>\$ (5,816,840)</u>	<u>\$ (280,493)</u>	<u>\$ 5,536,347</u>
Fund balances at beginning of year	<u>-</u>	<u>5,816,840</u>	<u>3,161,445</u>	<u>(2,655,395)</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,880,952</u></u>	<u><u>\$ 2,880,952</u></u>

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

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Healthy Culpeper Fund	Thrift Store	Totals
Assets:						
Cash and cash equivalents	\$ 84,178	\$ 59,135	\$ -	\$ 47,202	\$ 221,989	\$ 412,504
Total assets	<u>\$ 84,178</u>	<u>\$ 59,135</u>	<u>\$ -</u>	<u>\$ 47,202</u>	<u>\$ 221,989</u>	<u>\$ 412,504</u>
Liabilities:						
Amounts held for others	\$ -	\$ -	\$ -	\$ 47,202	\$ 221,989	\$ 269,191
Amounts held for inmates	-	59,135	-	-	-	59,135
Amounts held for social services clients	<u>84,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,178</u>
Total liabilities	<u>\$ 84,178</u>	<u>\$ 59,135</u>	<u>\$ -</u>	<u>\$ 47,202</u>	<u>\$ 221,989</u>	<u>\$ 412,504</u>

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 124,772	\$ 124,446	\$ 165,040	\$ 84,178
Liabilities:				
Amounts held for social services clients	\$ 124,772	\$ 124,446	\$ 165,040	\$ 84,178
Sheriff Commissary Fund:				
Assets:				
Cash and cash equivalents	\$ 65,436	\$ 219,928	\$ 226,229	\$ 59,135
Liabilities:				
Amounts held for inmates	\$ 65,436	\$ 219,928	\$ 226,229	\$ 59,135
Piedmont Tech Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 81,570	\$ 81,570	\$ -
Total assets	\$ -	\$ 81,570	\$ 81,570	\$ -
Liabilities:				
Amounts held for others	\$ -	\$ 81,570	\$ 81,570	\$ -
Healthy Culpeper Fund:				
Assets:				
Cash and cash equivalents	\$ 25,239	\$ 41,931	\$ 19,968	\$ 47,202
Liabilities:				
Amounts held for others	\$ 25,239	\$ 41,931	\$ 19,968	\$ 47,202
Thrift Store:				
Assets:				
Cash and cash equivalents	\$ 224,316	\$ 335,396	\$ 337,723	\$ 221,989
Liabilities:				
Amounts held for others	\$ 224,316	\$ 335,396	\$ 337,723	\$ 221,989
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 439,763	\$ 803,271	\$ 830,530	\$ 412,504
Total assets	\$ 439,763	\$ 803,271	\$ 830,530	\$ 412,504
Liabilities:				
Amounts held for social services clients	\$ 124,772	\$ 124,446	\$ 165,040	\$ 84,178
Amounts held for inmates	65,436	219,928	226,229	59,135
Amounts held for others	249,555	458,897	439,261	269,191
Total liabilities	\$ 439,763	\$ 803,271	\$ 830,530	\$ 412,504

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Discretely Presented Component Unit-School Board

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

	Governmental Funds			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Assets:				
Cash and cash equivalents	\$ 233,128	\$ 2,425,558	\$ 2,430,852	\$ 5,089,538
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	234,070	234,070
Due from other governmental units	2,250,722	8,767	-	2,259,489
Prepaid expenditures	641,315	26,566	-	667,881
Due from primary government	3,982,478	-	-	3,982,478
Total assets	<u>\$ 7,107,643</u>	<u>\$ 2,460,891</u>	<u>\$ 2,664,922</u>	<u>\$ 12,233,456</u>
Liabilities:				
Accounts payable	\$ 555,710	\$ -	\$ 1,041,876	\$ 1,597,586
Accrued liabilities	6,551,933	178,088	-	6,730,021
Total liabilities	<u>\$ 7,107,643</u>	<u>\$ 178,088</u>	<u>\$ 1,041,876</u>	<u>\$ 8,327,607</u>
Fund Balances:				
Nonspendable	\$ 641,315	\$ 26,566	\$ -	\$ 667,881
Committed	-	-	1,623,046	1,623,046
Assigned	-	2,256,237	-	2,256,237
Unassigned	(641,315)	-	-	(641,315)
Total fund balances	<u>\$ -</u>	<u>\$ 2,282,803</u>	<u>\$ 1,623,046</u>	<u>\$ 3,905,849</u>
Total liabilities and fund balances	<u>\$ 7,107,643</u>	<u>\$ 2,460,891</u>	<u>\$ 2,664,922</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the School Board as a whole.	\$ 43,733,499
Internal service funds are used by the School Board to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are:	121,692
The net pension asset is not an available resource and, therefore, is not reported in the funds.	860,991
Items related to measurement of net pension liability not available to pay for current-period expenditures	(5,993,713)
Pension deferrals	8,282,441
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net position.	<u>(72,646,987)</u>
Net position of Government Activities	<u>\$ (21,736,228)</u>

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

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 98,756	\$ 13,606	\$ 7,951	\$ 120,313
Charges for services	107,290	1,417,114	-	1,524,404
Miscellaneous	1,193,375	39,245	272,620	1,505,240
Intergovernmental:				
County contribution to School Board	27,663,135	-	1,217,000	28,880,135
Commonwealth	43,836,660	41,774	98,720	43,977,154
Federal	3,281,716	2,366,163	-	5,647,879
Total revenues	\$ 76,180,932	\$ 3,877,902	\$ 1,596,291	\$ 81,655,125
Expenditures:				
Current:				
Education	\$ 76,180,932	\$ 3,577,808	\$ -	\$ 79,758,740
Capital projects	-	-	1,355,531	1,355,531
Contribution to primary government	-	-	809,724	809,724
Total expenditures	\$ 76,180,932	\$ 3,577,808	\$ 2,165,255	\$ 81,923,995
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 300,094	\$ (568,964)	\$ (268,870)
Changes in fund balances	\$ -	\$ 300,094	\$ (568,964)	\$ (268,870)
Fund balances at beginning of year	-	1,982,709	2,192,010	4,174,719
Fund balances at end of year	\$ -	\$ 2,282,803	\$ 1,623,046	\$ 3,905,849

COUNTY OF CULPEPER, VIRGINIA

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

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 98,756	\$ 43,756
Charges for services	662,326	662,326	107,290	(555,036)
Miscellaneous	1,430,342	1,430,342	1,193,375	(236,967)
Intergovernmental:				
County contribution to School Board	30,174,718	30,174,718	27,663,135	(2,511,583)
Commonwealth	44,231,564	44,231,564	43,836,660	(394,904)
Federal	3,382,717	3,382,717	3,281,716	(101,001)
Total revenues	\$ 79,936,667	\$ 79,936,667	\$ 76,180,932	\$ (3,755,735)
Expenditures:				
Current:				
Education:				
Instruction	\$ 61,622,697	\$ 61,322,697	\$ 58,994,863	\$ 2,327,834
Administration, attendance and health	3,492,517	3,492,517	3,111,038	381,479
Pupil transportation	4,223,927	4,373,927	3,544,800	829,127
Operation and maintenance of school plant	8,155,700	8,155,700	7,949,701	205,999
Facilities	55,082	55,082	55,081	1
Technology instruction	2,386,744	2,536,744	2,525,449	11,295
School food service	-	-	-	-
Total education	\$ 79,936,667	\$ 79,936,667	\$ 76,180,932	\$ 3,755,735
Capital Projects	-	-	-	-
Contribution to primary government	-	-	-	-
Total expenditures	\$ 79,936,667	\$ 79,936,667	\$ 76,180,932	\$ 3,755,735
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Projects Fund			
Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ 1,500	\$ 1,500	\$ 13,606	\$ 12,106	\$ -	\$ -	\$ 7,951	\$ 7,951
1,866,045	1,866,045	1,417,114	(448,931)	-	-	-	-
51,819	51,819	39,245	(12,574)	-	237,566	272,620	35,054
-	-	-	-	1,217,000	1,217,000	1,217,000	-
42,623	42,623	41,774	(849)	-	98,270	98,720	450
1,861,777	1,861,777	2,366,163	504,386	-	-	-	-
<u>\$ 3,823,764</u>	<u>\$ 3,823,764</u>	<u>\$ 3,877,902</u>	<u>\$ 54,138</u>	<u>\$ 1,217,000</u>	<u>\$ 1,552,836</u>	<u>\$ 1,596,291</u>	<u>\$ 43,455</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,823,764</u>	<u>3,823,764</u>	<u>3,577,808</u>	<u>245,956</u>	-	-	-	-
\$ 3,823,764	\$ 3,823,764	\$ 3,577,808	\$ 245,956	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,217,000	4,306,233	1,355,531	2,950,702
-	-	-	-	-	809,724	809,724	-
<u>\$ 3,823,764</u>	<u>\$ 3,823,764</u>	<u>\$ 3,577,808</u>	<u>\$ 245,956</u>	<u>\$ 1,217,000</u>	<u>\$ 5,115,957</u>	<u>\$ 2,165,255</u>	<u>\$ 2,950,702</u>
\$ -	\$ -	\$ 300,094	\$ 300,094	\$ -	\$ (3,563,121)	\$ (568,964)	\$ 2,994,157
\$ -	\$ -	\$ 300,094	\$ 300,094	\$ -	\$ (3,563,121)	\$ (568,964)	\$ 2,994,157
-	-	1,982,709	1,982,709	-	3,563,121	2,192,010	(1,371,111)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,282,803</u>	<u>\$ 2,282,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,623,046</u>	<u>\$ 1,623,046</u>

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

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

Net changes in fund balances - total governmental funds \$ (268,870)

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 expense exceeded capital outlays in the current period:

Capital asset additions	\$	1,924,942	
Depreciation expense		<u>(2,424,902)</u>	(499,960)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (228,914)

Internal service funds are used by the School Board to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities. 34,473

Increase (decrease) in deferred inflows related to the measurement of the net pension liability/asset 4,870,345

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 amount reflects the change in accrued leave and other post employment benefits:

Compensated absences	\$	82,896	
Decrease (increase) in net pension liability/asset		(4,915,347)	
Decrease (increase) in deferred outflows related to pensions subsequent to the measurement date		1,977,316	
Net OPEB obligation		<u>(66,000)</u>	(2,921,135)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 2,924,329

Change in net position of governmental activities \$ 3,910,268

Statement of Net Position
 Internal Service Fund -- Discretely Presented Component Unit -- School Board
 At June 30, 2016

	<u>Dental Insurance Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ <u>121,692</u>
Total Assets	\$ <u><u>121,692</u></u>
NET POSITION	
Unrestricted	\$ <u>121,692</u>
Total Net Position	\$ <u><u>121,692</u></u>
Total Liabilities and Net Position	\$ <u><u>121,692</u></u>

Statement of Revenues, Expenses and Changes in Net Position --
 Internal Service Fund -- Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2016

	<u>Dental Insurance Fund</u>
Operating revenues:	
Charges for services	\$ <u>423,560</u>
Operating expenses:	
Fringe benefits	\$ <u>389,087</u>
Change in net position	\$ 34,473
Net position at beginning of year	<u>87,219</u>
Net position at end of year	<u><u>\$ 121,692</u></u>

Statement of Cash Flows
 Internal Service Fund -- Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2016

	Dental Insurance Fund
	<u> </u>
Cash flows from operating activities:	
Receipts from insured	\$ 423,560
Payments to suppliers	<u>(389,087)</u>
Net cash provided by (used for) operating activities	<u>\$ 34,473</u>
Increase (decrease) in cash and cash equivalents	\$ 34,473
Cash and cash equivalents at beginning of year	<u>87,219</u>
Cash and cash equivalents at end of year	<u><u>\$ 121,692</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 34,473</u>
Net cash provided by (used for) operating activities	<u><u>\$ 34,473</u></u>

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Discretely Presented Component Unit-EDA

Discretely Presented Component Unit - Culpeper County EDA
Statement of Net Position
At June 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$	2,683
Receivables, net		<u>4,000</u>

Total assets	\$	<u><u>6,683</u></u>
--------------	----	---------------------

Net Position

Unrestricted	\$	<u>6,683</u>
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Total net position	\$	<u><u>6,683</u></u>
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Discretely Presented Component Unit - Culpeper County EDA
 Statement of Revenues, Expenses, and Changes in Net Position
 Year Ended June 30, 2016

Operating Expenses	
Economic development grants	\$ <u>732,314</u>
Operating income (loss)	\$ <u>(732,314)</u>
Nonoperating revenues	
Contribution from Culpeper County	\$ <u>732,878</u>
Total nonoperating revenues	\$ <u>732,878</u>
Change in net position	\$ 564
Net position, beginning of year	<u>6,119</u>
Net position, end of year	<u><u>\$ 6,683</u></u>

Discretely Presented Component Unit - Culpeper County EDA
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities	
Payments to suppliers	\$ <u>(736,314)</u>
Net cash provided by (used for) by operating activities	\$ <u>(736,314)</u>
Cash flows from noncapital financing activities	
Contribution from Culpeper County	\$ <u>732,878</u>
Net increase (decrease) in cash and cash equivalents	\$ (3,436)
Cash and cash equivalents, beginning of year	<u>6,119</u>
Cash and cash equivalents, end of year	\$ <u><u>2,683</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (732,314)
Change in assets and liabilities:	
Accounts receivable	(4,000)
	<u> </u>
Net cash provided by (used for) by operating activities	\$ <u><u>(736,314)</u></u>

Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 33,326,113	\$ 33,326,113	\$ 32,915,972	\$ (410,141)
Real and personal public service corporation property taxes	1,563,516	1,563,516	1,676,971	113,455
Personal property taxes	18,643,608	18,643,608	19,639,487	995,879
Mobile home taxes	19,027	19,027	52,053	33,026
Machinery and tools taxes	1,359,919	1,359,919	1,417,023	57,104
Recreational property taxes	172,953	172,953	184,045	11,092
Penalties	350,000	350,000	509,565	159,565
Interest	350,000	350,000	346,536	(3,464)
 Total general property taxes	 \$ 55,785,136	 \$ 55,785,136	 \$ 56,741,652	 \$ 956,516
 Other local taxes:				
Local sales and use taxes	\$ 6,000,000	\$ 6,000,000	\$ 5,836,450	\$ (163,550)
Transient occupancy tax	14,742	14,742	16,459	1,717
Consumer utility taxes	756,200	756,200	784,328	28,128
Motor vehicle licenses tax	750,000	750,000	842,419	92,419
Taxes on recordation and wills	608,000	608,000	762,765	154,765
 Total other local taxes	 \$ 8,128,942	 \$ 8,128,942	 \$ 8,242,421	 \$ 113,479
 Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 18,150	\$ 18,150	\$ 20,668	\$ 2,518
Building and related permits	525,424	525,424	518,839	(6,585)
Other permits and licenses	106,400	107,675	318,265	210,590
 Total permits, privilege fees and regulatory licenses	 \$ 649,974	 \$ 651,249	 \$ 857,772	 \$ 206,523
 Fines and Forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 53,638	\$ 8,638
 Revenue from use of money and property:				
Revenue from use of money	\$ 6,000	\$ 6,000	\$ 24,807	\$ 18,807
Revenue from use of property	296,743	296,743	470,323	173,580
 Total revenue from use of money and property	 \$ 302,743	 \$ 302,743	 \$ 495,130	 \$ 192,387

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 14,000	\$ 14,000	\$ 24,657	\$ 10,657
Charges for Commonwealth's attorney	3,000	3,000	4,119	1,119
Charges for parks and recreation	105,320	155,193	130,966	(24,227)
Charges for law enforcement and traffic control	8,000	8,000	5,612	(2,388)
Charges for courthouse maintenance fees	30,000	30,000	47,115	17,115
Charges for courthouse and courtroom security fees	70,000	70,000	72,795	2,795
Charges for other court costs	2,800	2,800	6,480	3,680
Charges for other protection	60,500	99,732	187,608	87,876
Charges for library	44,000	50,093	83,503	33,410
Charges for fire and rescue services	1,000,000	1,000,000	424,973	(575,027)
Charges for planning and community development	8,046	8,046	1,311	(6,735)
Full circle thrift fees	267,490	267,490	234,065	(33,425)
Charges for law library	12,000	12,000	11,885	(115)
Cosmetology fees	348,672	348,672	364,386	15,714
Charges for daycare	1,474,268	2,443,775	1,825,963	(617,812)
Total charges for services	<u>\$ 3,448,096</u>	<u>\$ 4,512,801</u>	<u>\$ 3,425,438</u>	<u>\$ (1,087,363)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 552,221	\$ 570,229	\$ 828,463	\$ 258,234
Total miscellaneous revenue	<u>\$ 552,221</u>	<u>\$ 570,229</u>	<u>\$ 828,463</u>	<u>\$ 258,234</u>
Recovered costs:				
Wheels for work	\$ 17,650	\$ 17,650	\$ 8,572	\$ (9,078)
Town of Culpeper E-911	1,500	1,500	300	(1,200)
Other	-	-	11,236	11,236
Payments from localities	19,814	19,814	22,548	2,734
Total recovered costs	<u>\$ 38,964</u>	<u>\$ 38,964</u>	<u>\$ 42,656</u>	<u>\$ 3,692</u>
Total revenue from local sources	<u>\$ 68,951,076</u>	<u>\$ 70,035,064</u>	<u>\$ 70,687,170</u>	<u>\$ 652,106</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 44,000	\$ 44,000	\$ 45,539	\$ 1,539
Recordation tax	190,000	190,000	190,935	935
Mobile home titling taxes	8,000	8,000	13,998	5,998
Communications tax	2,061,000	2,061,000	1,993,712	(67,288)
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	65,000	65,000	76,094	11,094
Total noncategorical aid	<u>\$ 5,735,808</u>	<u>\$ 5,735,808</u>	<u>\$ 5,688,086</u>	<u>\$ (47,722)</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 386,210	\$ 386,210	\$ 411,833	\$ 25,623
Sheriff	2,732,542	2,732,542	2,764,017	31,475
Commissioner of the Revenue	122,133	122,133	123,690	1,557
Treasurer	125,156	125,156	126,606	1,450
Registrar/electoral board	41,380	42,267	65,839	23,572
Clerk of the Circuit Court	301,307	316,739	318,082	1,343
Combined Court	11,850	11,850	11,950	100
Total shared expenses	\$ 3,720,578	\$ 3,736,897	\$ 3,822,017	\$ 85,120
Other categorical aid:				
Welfare administration and assistance	\$ 3,093,478	\$ 4,172,577	\$ 2,025,360	\$ (2,147,217)
Local jail	142,000	142,000	124,135	(17,865)
Fire service program	91,000	91,000	96,064	5,064
Families first grant	158,763	158,763	150,954	(7,809)
Options	12,500	15,425	13,930	(1,495)
Library aid	149,954	148,946	148,946	-
E-911 wireless	77,500	77,500	79,836	2,336
Four for life funds	45,500	45,500	49,371	3,871
Community youth services grant	2,306,710	3,756,151	2,523,094	(1,233,057)
Juvenile and domestic relations	51,802	51,802	51,802	-
Governor's opportunity fund	-	-	325,000	325,000
Criminal justice services	244,242	244,242	247,576	3,334
Crime victim assistance	18,490	18,490	18,490	-
Department of Agriculture	-	420,000	95,000	(325,000)
Other categorical aid	26,166	27,086	329,409	302,323
Total other categorical aid	\$ 6,418,105	\$ 9,369,482	\$ 6,278,967	\$ (3,090,515)
Total categorical aid	\$ 10,138,683	\$ 13,106,379	\$ 10,100,984	\$ (3,005,395)
Total revenue from the Commonwealth	\$ 15,874,491	\$ 18,842,187	\$ 15,789,070	\$ (3,053,117)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,534,031	\$ 1,534,031	\$ 3,190,617	\$ 1,656,586
Adult services grant	331,367	331,367	58	(331,309)
Department of justice grants	-	7,378	4,445	(2,933)
Electoral board	-	-	887	887
Emergency services	10,750	10,750	10,751	1
VSTOP grant	36,638	36,638	36,638	-
Victim witness grant	55,472	55,472	66,566	11,094
Asset foreitures	-	-	11,987	11,987
USDA grant funds	305,000	377,362	218,301	(159,061)
Headstart	971,862	971,862	1,059,862	88,000
Early Headstart	-	2,908,521	2,925,708	17,187
Federal interest subsidy	-	41,705	41,704	(1)
Law enforcement grant	-	15,567	15,567	-
DMV selective enforcement grant	-	23,730	17,633	(6,097)
Total revenue from the federal government	<u>\$ 3,245,120</u>	<u>\$ 6,314,383</u>	<u>\$ 7,600,724</u>	<u>\$ 1,286,341</u>
Total General Fund	<u>\$ 88,070,687</u>	<u>\$ 95,191,634</u>	<u>\$ 94,076,964</u>	<u>\$ (1,114,670)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 16,090	\$ 16,090
Total revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ 16,090</u>
Intergovernmental:				
School Board Contribution to Primary Government	\$ -	\$ 809,724	\$ 809,724	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ -	\$ 25,000	\$ 205,933	\$ 180,933
Revenue from the Federal Government:				
Categorical aid:				
FTA grant	\$ -	\$ 51,200	\$ 60,199	\$ 8,999
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 885,924</u>	<u>\$ 1,091,946</u>	<u>\$ 206,022</u>
Total Revenues -- Primary Government	<u>\$ 88,070,687</u>	<u>\$ 96,077,558</u>	<u>\$ 95,168,910</u>	<u>\$ (908,648)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 15	\$ 15
Revenue from use of property	55,000	55,000	98,741	43,741
Total revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 98,756	\$ 43,756
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Transportation and field trips	45,000	45,000	91,746	46,746
Tuition and fees	611,326	611,326	15,544	(595,782)
Total charges for services	\$ 662,326	\$ 662,326	\$ 107,290	\$ (555,036)
Miscellaneous revenue:				
Miscellaneous	\$ 1,430,342	\$ 1,430,342	\$ 1,193,375	\$ (236,967)
Total miscellaneous revenue	\$ 1,430,342	\$ 1,430,342	\$ 1,193,375	\$ (236,967)
Total revenue from local sources	\$ 2,147,668	\$ 2,147,668	\$ 1,399,421	\$ (748,247)
Intergovernmental:				
County contribution to School Board	\$ 30,174,718	\$ 30,174,718	\$ 27,663,135	\$ (2,511,583)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 8,726,657	\$ 8,726,657	\$ 8,797,339	\$ 70,682
Basic school aid	22,716,462	22,716,462	22,449,784	(266,678)
Special education-SOQ	2,149,626	2,149,626	2,128,316	(21,310)
Primary class size	947,058	947,058	924,672	(22,386)
Gifted and talented	251,051	251,051	248,574	(2,477)
Remedial education	711,312	711,312	704,293	(7,019)
Preschool initiative	444,429	444,429	444,429	-
Vocational education-SOQ	533,484	533,484	528,220	(5,264)
Educational technology	455,200	455,200	523,600	68,400
At - risk	574,612	574,612	568,817	(5,795)
Textbook	503,254	503,254	498,287	(4,967)
Fringe benefits	4,142,346	4,142,346	4,101,473	(40,873)
ESL	438,768	438,768	411,709	(27,059)
Special education-Tuition	803,005	803,005	316,495	(486,510)
Early reading intervention	134,172	134,172	134,172	-
Other categorical aid	700,128	700,128	1,056,480	356,352
Total categorical aid	\$ 44,231,564	\$ 44,231,564	\$ 43,836,660	\$ (394,904)
Total revenue from the Commonwealth	\$ 44,231,564	\$ 44,231,564	\$ 43,836,660	\$ (394,904)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,353,222	\$ 1,353,222	\$ 1,374,206	\$ 20,984
Title II -- Part A	249,845	249,845	162,678	(87,167)
Title VI - B	1,567,887	1,567,887	1,521,677	(46,210)
Preschool incentive	38,000	38,000	49,143	11,143
Title III	46,310	46,310	72,713	26,403
Vocational education	112,453	112,453	78,950	(33,503)
Miscellaneous federal grants	15,000	15,000	22,349	7,349
Total revenue from the federal government	<u>\$ 3,382,717</u>	<u>\$ 3,382,717</u>	<u>\$ 3,281,716</u>	<u>\$ (101,001)</u>
Total School Operating Fund	<u>\$ 79,936,667</u>	<u>\$ 79,936,667</u>	<u>\$ 76,180,932</u>	<u>\$ (3,755,735)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 13,606	\$ 12,106
Charges for services:				
Cafeteria sales	1,866,045	1,866,045	1,417,114	(448,931)
Miscellaneous revenue:				
Miscellaneous	51,819	51,819	39,245	(12,574)
Total revenue from local sources	<u>\$ 1,919,364</u>	<u>\$ 1,919,364</u>	<u>\$ 1,469,965</u>	<u>\$ (449,399)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 42,623	\$ 42,623	\$ 41,774	\$ (849)
Total revenue from the Commonwealth	<u>\$ 42,623</u>	<u>\$ 42,623</u>	<u>\$ 41,774</u>	<u>\$ (849)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,861,777	\$ 1,861,777	\$ 2,366,163	\$ 504,386
Total revenue from the federal government	<u>\$ 1,861,777</u>	<u>\$ 1,861,777</u>	<u>\$ 2,366,163</u>	<u>\$ 504,386</u>
Total School Cafeteria Fund	<u>\$ 3,823,764</u>	<u>\$ 3,823,764</u>	<u>\$ 3,877,902</u>	<u>\$ 54,138</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 7,951	\$ 7,951
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 237,566	\$ 272,620	\$ 35,054
Intergovernmental:				
County contribution to School Board	\$ 1,217,000	\$ 1,217,000	\$ 1,217,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School security grant	\$ -	\$ 98,270	\$ 98,720	\$ 450
Total revenue from the Commonwealth	\$ -	\$ 98,270	\$ 98,720	\$ 450
Total School Capital Projects Fund	<u>\$ 1,217,000</u>	<u>\$ 1,552,836</u>	<u>\$ 1,596,291</u>	<u>\$ 43,455</u>
Total Revenues--Component Unit--School Board	<u>\$ 84,977,431</u>	<u>\$ 85,313,267</u>	<u>\$ 81,655,125</u>	<u>\$ (3,658,142)</u>

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Description	Table #
<i>Financial Trends</i>	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Position by Component	1
Changes in Net Position	2
Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	6
<i>Revenue Capacity</i>	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	7
Property Tax Rates	8
Principal Taxpayers	9
Property Tax Levies and Collections	10
<i>Debt Capacity</i>	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	11
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	12
Computation of Direct and Overlapping Bonded Debt	13
<i>Demographic and Economic Information</i>	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	14
<i>Operating Information</i>	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Principal Employers	15
Full-time Equivalent County Government Employees by Function	16
Operating Indicators by Function	17
Capital Asset Statistics by Function	18

Sources:

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

COUNTY OF CULPEPER, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 14,961,689	\$ 18,469,361	\$ 25,331,224	\$ 21,744,425
Restricted	-	-	-	-
Unrestricted	4,410,152	18,933,684	18,086,410	25,869,837
Total governmental activities net position	<u>\$ 19,371,841</u>	<u>\$ 37,403,045</u>	<u>\$ 43,417,634</u>	<u>\$ 47,614,262</u>
Business-type activities:				
Net investment in capital assets	\$ 25,343,202	\$ 36,145,416	\$ 38,532,234	\$ 38,791,879
Unrestricted	(1,011,200)	4,832,584	3,592,573	2,974,397
Total primary government expenses	<u>\$ 24,332,002</u>	<u>\$ 40,978,000</u>	<u>\$ 42,124,807</u>	<u>\$ 41,766,276</u>
Primary government				
Net investment in capital assets	\$ 40,304,891	\$ 54,614,777	\$ 63,863,458	\$ 60,536,304
Restricted	-	-	-	-
Unrestricted	3,398,952	23,766,268	21,678,983	28,844,234
Total primary government	<u>\$ 43,703,843</u>	<u>\$ 78,381,045</u>	<u>\$ 85,542,441</u>	<u>\$ 89,380,538</u>

Table 1

2011	2012	2013	2014	2015	2016
\$ 21,370,300	\$ 17,778,776	\$ 16,842,091	\$ 17,096,240	\$ 17,459,113	\$ 21,001,499
-	-	-	-	-	-
27,474,989	27,471,050	14,216,874	28,013,102	28,338,644	29,135,567
<u>\$ 48,845,289</u>	<u>\$ 45,249,826</u>	<u>\$ 31,058,965</u>	<u>\$ 45,109,342</u>	<u>\$ 45,797,757</u>	<u>\$ 50,137,066</u>
\$ 41,694,088	\$ 40,660,307	\$ 39,449,925	\$ 38,628,122	\$ 38,385,061	\$ 38,066,796
3,178,202	2,598,615	2,183,371	2,177,151	1,451,761	744,747
<u>\$ 44,872,290</u>	<u>\$ 43,258,922</u>	<u>\$ 41,633,296</u>	<u>\$ 40,805,273</u>	<u>\$ 39,836,822</u>	<u>\$ 38,811,543</u>
\$ 63,064,388	\$ 58,439,083	\$ 56,292,016	\$ 55,724,362	\$ 55,844,174	\$ 59,068,295
-	-	-	-	-	-
30,653,191	30,069,665	16,400,245	30,190,253	29,790,405	29,880,314
<u>\$ 93,717,579</u>	<u>\$ 88,508,748</u>	<u>\$ 72,692,261</u>	<u>\$ 85,914,615</u>	<u>\$ 85,634,579</u>	<u>\$ 88,948,609</u>

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Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government										
administration	\$ 3,853,551	\$ 4,081,639	\$ 4,256,847	\$ 3,775,509	\$ 3,633,816	\$ 3,800,416	\$ 3,931,161	\$ 4,089,623	\$ 4,254,839	\$ 4,547,939
Judicial administration	2,205,424	2,457,649	2,373,026	2,447,227	2,473,186	2,624,197	2,780,091	2,830,835	3,159,004	3,344,654
Public safety	13,041,979	14,246,020	14,047,751	13,702,268	13,562,228	14,386,558	15,463,283	15,743,399	16,857,312	17,603,365
Public works	1,189,262	3,575,121	3,130,874	1,568,686	2,583,345	1,618,568	1,543,378	2,574,243	2,627,335	5,880,173
Health & welfare	12,836,396	14,807,178	14,814,505	15,032,809	12,738,839	14,647,425	14,203,433	14,809,148	15,551,493	16,346,871
Education	34,846,547	31,778,033	32,740,398	31,510,041	34,331,434	34,440,476	49,430,292	31,691,953	33,516,082	33,452,127
Parks, recreation, & cultural	1,740,458	1,870,925	1,970,055	1,919,952	1,600,257	1,567,789	1,664,904	1,788,029	1,890,478	1,974,084
Community development	1,268,077	1,486,477	1,962,771	1,452,963	1,610,886	1,460,773	1,659,241	1,697,660	1,759,110	1,994,738
Interest & other fiscal charges	4,329,496	4,529,751	4,378,949	4,389,711	4,099,392	4,092,858	4,401,646	4,080,005	4,073,880	3,078,129
Total governmental activities expenses	\$ 75,311,190	\$ 78,832,793	\$ 79,675,176	\$ 75,799,166	\$ 76,633,383	\$ 78,639,060	\$ 95,077,429	\$ 79,304,895	\$ 83,689,533	\$ 88,222,080
Business-type activities:										
Landfill	\$ 3,363,244	\$ 3,297,771	\$ 2,707,086	\$ 2,222,198	\$ 2,138,539	\$ 1,886,407	\$ 1,733,255	\$ 1,805,472	\$ 2,200,272	\$ 2,405,621
Water & sewer	648,395	606,918	668,330	756,992	1,221,589	1,221,665	1,262,463	1,425,469	1,224,855	3,616,354
Airport	1,424,084	1,522,674	1,590,711	1,582,110	1,475,240	1,723,893	1,769,009	1,637,828	1,708,933	1,626,017
Water & sewer authority	947	23,117	68,256	16,591	314,927	1,009,152	953,781	954,642	953,879	901,092
Total business-type activities expenses	\$ 5,436,670	\$ 5,450,480	\$ 5,034,383	\$ 4,577,891	\$ 5,150,295	\$ 5,841,117	\$ 5,718,508	\$ 5,823,411	\$ 6,087,939	\$ 8,549,084
Total primary government expenses	\$ 80,747,860	\$ 84,283,273	\$ 84,709,559	\$ 80,377,057	\$ 81,783,678	\$ 84,480,177	\$ 100,795,937	\$ 85,128,306	\$ 89,777,472	\$ 96,771,164
Program revenues:										
Governmental activities:										
Charges for services:										
General government										
administration	\$ -	\$ -	\$ 566,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	370,614	283,699	298,632	230,856	249,528	199,559	328,873	213,434	209,594	220,689
Public safety	1,677,223	1,499,059	733,912	1,093,514	1,101,495	1,081,223	1,506,250	1,527,478	1,585,417	1,475,965
Public works	18,642	-	-	-	-	-	-	-	-	-
Health & welfare	1,142,631	1,673,477	1,718,636	1,522,702	1,461,360	2,091,457	2,083,400	2,210,720	2,624,598	2,424,414
Parks, recreation, & cultural	144,187	479,094	120,581	162,289	193,087	183,356	163,125	205,816	197,551	214,469
Community development	57,060	5,107	1,724	1,643	4,522	2,921	5,106	3,579	4,543	1,311
Operating grants & contributions:										
General government										
administration	327,369	354,849	321,064	309,388	320,640	358,526	323,391	327,019	320,993	369,826
Judicial administration	1,390,202	761,272	702,737	666,028	686,096	692,587	695,860	718,726	707,908	741,865
Public safety	2,962,762	3,730,211	3,852,005	3,511,081	3,506,061	3,506,375	3,437,623	3,616,312	3,481,667	3,913,187
Public works	-	30,014	-	183,088	-	-	-	-	-	-
Health & welfare	7,266,594	8,658,725	8,865,082	9,418,108	8,719,521	8,208,982	8,220,881	8,588,740	8,964,935	12,107,884
Parks, recreation, & cultural	177,794	183,091	173,625	168,706	148,913	146,531	146,547	150,167	145,514	148,946
Community development	-	-	500,000	-	194,062	191,034	150,000	100,000	-	420,000
Interest on long-term debt	-	-	-	20,136	-	-	-	-	-	-
Capital grants & contributions	26,335,715	26,042,891	7,483,680	4,910,289	317,073	93,094	97,676	10,333,914	4,441,317	1,075,856
Total governmental activities program revenues	\$ 41,870,793	\$ 43,701,489	\$ 25,338,174	\$ 22,197,828	\$ 16,902,358	\$ 16,755,645	\$ 17,158,732	\$ 27,995,905	\$ 22,684,037	\$ 23,114,412

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Landfill	\$ 2,650,528	\$ 2,469,848	\$ 1,587,384	\$ 1,186,803	\$ 1,109,940	\$ 1,094,329	\$ 937,857	\$ 981,934	\$ 1,415,977	\$ 1,607,937
Water & sewer	115,968	193,935	161,933	242,502	951,072	775,115	850,439	865,799	847,081	788,210
Airport	712,810	729,831	783,149	688,225	731,398	813,900	871,332	968,238	929,679	829,613
Operating grants & contributions:										
Water & sewer	800	-	-	-	-	-	-	-	-	-
Airport	11,627	-	-	7,560	14,123	50,755	6,876	20,096	131,062	26,400
Capital grants & contributions	5,950,655	12,222,118	1,686,515	381,494	6,831,743	226,084	167,021	55,932	455,445	1,617,157
Total business-type activities program revenues	\$ 9,442,388	\$ 15,615,732	\$ 4,218,981	\$ 2,506,584	\$ 9,638,276	\$ 2,960,183	\$ 2,833,525	\$ 2,891,999	\$ 3,779,244	\$ 4,869,317
Total primary government program revenues	\$ 51,313,181	\$ 59,317,221	\$ 29,557,155	\$ 24,704,412	\$ 26,540,634	\$ 19,715,828	\$ 19,992,257	\$ 30,887,904	\$ 26,463,281	\$ 27,983,729
Net (expense) / revenue										
Governmental activities	\$ (33,440,397)	\$ (35,131,304)	\$ (54,337,002)	\$ (53,601,338)	\$ (59,731,025)	\$ (61,883,415)	\$ (77,918,697)	\$ (51,308,990)	\$ (61,005,496)	\$ (65,107,668)
Business-type activities	4,005,718	10,165,252	(815,402)	(2,071,307)	4,487,981	(2,880,934)	(2,884,983)	(2,931,412)	(2,308,695)	(3,679,767)
Total primary government net expense	\$ (29,434,679)	\$ (24,966,052)	\$ (55,152,404)	\$ (55,672,645)	\$ (55,243,044)	\$ (64,764,349)	\$ (80,803,680)	\$ (54,240,402)	\$ (63,314,191)	\$ (68,787,435)
General Revenues & Other										
Changes in Net Position										
Governmental activities:										
General property taxes	\$ 44,768,171	\$ 44,724,837	\$ 48,819,205	\$ 45,953,541	\$ 46,440,370	\$ 46,299,778	\$ 50,615,844	\$ 52,430,770	\$ 54,849,577	\$ 56,828,062
Local sales & use taxes	5,071,523	5,103,979	4,518,626	4,670,002	4,710,612	4,782,750	5,675,646	5,721,942	5,824,383	5,836,450
Consumer utility taxes	2,020,722	2,067,744	2,020,957	1,983,855	810,500	753,893	776,370	793,620	778,733	784,328
E-911 taxes	804,259	888,885	747,563	750,680	-	-	-	-	-	-
Taxes on recordation & wills	1,246,208	875,739	760,296	538,548	507,473	554,087	669,957	589,489	658,320	762,765
Motor vehicle license taxes	522,458	61,738	648,490	701,177	715,355	724,866	791,114	924,867	962,847	842,419
Other local taxes	115,545	157,284	148,335	146,960	22,897	35,157	39,077	14,742	14,048	16,459
Unrestricted revenues from use of money & property	2,264,532	1,819,900	599,243	449,462	300,580	317,143	463,480	485,177	499,326	511,220
Miscellaneous	256,774	923,303	287,627	677,791	293,577	338,516	223,984	434,414	1,112,623	828,463
Grants & contributions not restricted to specific programs	3,841,914	3,712,251	3,690,898	3,626,392	5,768,766	5,742,053	5,729,055	5,709,779	5,723,154	5,688,086
Transfers	(2,859,961)	(6,253,652)	(1,889,649)	(1,700,442)	1,391,922	(1,260,291)	(1,256,691)	(1,745,433)	(1,560,438)	(2,651,275)
Total governmental activities	\$ 58,052,145	\$ 54,082,008	\$ 60,351,591	\$ 57,797,966	\$ 60,962,052	\$ 58,287,952	\$ 63,727,836	\$ 65,359,367	\$ 68,862,573	\$ 69,446,977
Business-type activities:										
Unrestricted revenues from use of money & property	\$ 236,184	\$ 227,094	\$ 72,560	\$ 12,334	\$ 9,955	\$ 7,275	\$ 2,666	\$ 1,574	\$ 1,528	\$ 3,213
Transfers	2,859,961	6,253,652	1,889,649	1,700,442	(1,391,922)	1,260,291	1,256,691	1,745,433	1,560,438	2,651,275
Total business-type activities	\$ 3,096,145	\$ 6,480,746	\$ 1,962,209	\$ 1,712,776	\$ (1,381,967)	\$ 1,267,566	\$ 1,259,357	\$ 1,747,007	\$ 1,561,966	\$ 2,654,488
Total primary government	\$ 61,148,290	\$ 60,562,754	\$ 62,313,800	\$ 59,510,742	\$ 59,580,085	\$ 59,555,518	\$ 64,987,193	\$ 67,106,374	\$ 70,424,539	\$ 72,101,465
Change in Net Position										
Governmental activities	\$ 24,611,748	\$ 18,950,704	\$ 6,014,589	\$ 4,196,628	\$ 1,231,027	\$ (3,595,463)	\$ (14,190,861)	\$ 14,050,377	\$ 7,857,077	\$ 4,339,309
Business-type activities	7,101,863	16,645,998	1,146,807	(358,531)	3,106,014	(1,613,368)	(1,625,626)	(1,184,405)	(746,729)	(1,025,279)
Total primary government	\$ 31,713,611	\$ 35,596,702	\$ 7,161,396	\$ 3,838,097	\$ 4,337,041	\$ (5,208,831)	\$ (15,816,487)	\$ 12,865,972	\$ 7,110,348	\$ 3,314,030

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes (1)	Total
2016	\$ 56,828,062	\$ 5,836,450	\$ 784,328	- \$	762,765	\$ 842,419	\$ 16,459	65,070,483
2015	54,849,577	5,824,383	778,733	-	658,320	962,847	14,048	63,087,908
2014	52,430,770	5,721,942	793,620	-	589,489	\$ 924,867	14,742	60,475,430
2013	50,615,844	5,675,646	776,370	-	669,957	791,114	39,077	58,568,008
2012	46,299,778	4,782,750	753,893	-	554,087	724,866	35,157	53,150,531
2011	46,440,370	4,710,612	810,500	-	507,473	715,355	22,897	53,207,207
2010	45,953,541	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,744,763
2009	48,819,205	4,518,626	2,020,957	747,563	760,296	648,490	148,335	57,663,472
2008	44,724,837	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,880,206
2007	44,768,171	5,071,523	2,020,722	804,259	1,246,208	522,458	115,545	54,548,886

(1) - Starting in fiscal year 2011 communications tax is reported as an intergovernmental revenue.

COUNTY OF CULPEPER, VIRGINIA

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

	2007	2008	2009	2010
General fund				
Unreserved, designated for subsequent expenditures	\$ 1,618,995	\$ 3,004,067	\$ 2,067,984	\$ 2,130,135
Unreserved, designated for capital projects	1,892,005	2,392,005	1,606,334	1,606,334
Unreserved, undesignated	33,394,462	21,012,107	20,630,986	22,342,047
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 36,905,462</u>	<u>\$ 26,408,179</u>	<u>\$ 24,305,304</u>	<u>\$ 26,078,516</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 3,970,503	\$ 1,730,757	\$ (2,224,539)	\$ 979,708
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 3,970,503</u>	<u>\$ 1,730,757</u>	<u>\$ (2,224,539)</u>	<u>\$ 979,708</u>

The County implemented GASB 54, the new standard for fund balance reporting, in FY2011. Restatement of prior year balances is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 4

	2011	2012	2013	2014	2015	2016
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	41,294	7,161	-	-	-	-
	79,313	69,173	40,961	51,482	68,704	106,625
	2,663,269	2,680,321	2,728,933	2,845,076	2,512,042	2,373,097
	4,175	4,175	4,175	4,175	4,175	11,675
	25,424,950	23,878,983	27,115,368	29,125,041	30,511,542	30,097,176
\$	<u>28,213,001</u>	<u>26,639,813</u>	<u>29,889,437</u>	<u>32,025,774</u>	<u>33,096,463</u>	<u>32,588,573</u>
\$	-	-	-	-	-	-
	151,354	1,267,657	2,310,572	2,843,072	3,161,445	2,880,952
\$	<u>151,354</u>	<u>1,267,657</u>	<u>2,310,572</u>	<u>2,843,072</u>	<u>3,161,445</u>	<u>2,880,952</u>

COUNTY OF CULPEPER, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2007	2008	2009
Revenues:			
General property taxes	\$ 44,232,779	\$ 44,178,683	\$ 48,035,130
Other local taxes	9,780,716	9,155,369	8,844,267
Permits, privilege fees and regulatory licenses	1,488,884	916,830	624,759
Fines and forfeitures	96,752	52,278	90,718
Revenue from use of money and property	2,264,532	1,819,900	599,243
Charges for services	1,824,721	2,971,328	2,724,504
Miscellaneous	256,774	923,303	287,627
Recovered costs	173,423	219,596	264,157
Intergovernmental:			
School Board Contribution to Primary Government	26,383,458	26,042,891	4,532,080
Commonwealth	10,996,233	12,275,773	12,028,450
Federal	4,970,402	5,154,640	6,076,961
Total revenues	\$ 102,468,674	\$ 103,710,591	\$ 84,107,896
Expenditures:			
General government administration	\$ 3,849,822	\$ 4,021,814	\$ 4,216,069
Judicial administration	2,327,462	2,511,337	2,529,996
Public safety	12,604,801	14,676,760	14,924,513
Public works	3,359,350	3,776,003	4,450,069
Health and welfare	12,719,822	14,799,765	14,803,422
Education	58,987,181	59,897,360	35,121,032
Parks, recreation, and cultural	2,110,261	1,842,207	1,905,922
Community development	1,219,129	1,454,190	1,908,497
Nondepartmental	-	-	-
Debt service:			
Principal retirement	2,584,746	2,652,946	3,944,953
Interest and other fiscal charges	4,352,710	4,561,586	4,471,945
Total expenditures	\$ 104,115,284	\$ 110,193,968	\$ 88,276,418
Excess (deficiency) of revenues over (under) expenditures	\$ (1,646,610)	\$ (6,483,377)	\$ (4,168,522)
Other financing sources (uses):			
Transfers in	\$ 5,719,630	\$ 4,026,294	\$ 257,500
Transfers (out)	(8,579,591)	(10,279,946)	(2,147,149)
Issuance of debt	7,500,000	-	7,500,000
Premium on bonds issued	-	-	-
Payment to bond escrow agent	-	-	-
Retirement of temporary financing	-	-	(7,500,000)
Total other financing sources (uses)	\$ 4,640,039	\$ (6,253,652)	\$ (1,889,649)
Net changes in fund balances	\$ 2,993,429	\$ (12,737,029)	\$ (6,058,171)
Debt service as a percentage of noncapital expenditures	9.33%	9.21%	10.83%

Table 5

	2010	2011	2012	2013	2014	2015	2016
\$	45,440,793	\$ 46,509,646	\$ 46,323,781	\$ 51,137,567	\$ 52,737,696	\$ 54,872,724	\$ 56,741,652
	8,791,222	6,766,837	6,850,753	7,952,164	8,044,660	8,238,331	8,242,421
	563,189	569,944	428,957	735,097	678,813	765,036	857,772
	77,962	62,947	89,089	170,555	57,565	50,048	53,638
	449,462	300,580	317,143	463,480	485,177	499,326	511,220
	2,369,853	2,377,101	3,040,470	3,181,102	3,424,649	3,806,619	3,425,438
	677,791	293,577	338,516	223,984	434,414	899,723	828,463
	258,658	270,126	368,617	417,539	385,588	37,133	42,656
	4,910,289	317,073	-	97,676	10,333,914	4,409,912	809,724
	12,815,210	14,091,483	14,086,945	14,355,605	14,805,147	14,576,767	15,995,003
	5,087,717	5,252,576	4,852,237	4,347,752	4,405,596	4,798,809	7,660,923
\$	<u>81,442,146</u>	<u>\$ 76,811,890</u>	<u>\$ 76,696,508</u>	<u>\$ 83,082,521</u>	<u>\$ 95,793,219</u>	<u>\$ 92,954,428</u>	<u>\$ 95,168,910</u>
\$	3,736,033	\$ 3,556,229	\$ 3,748,509	\$ 3,882,047	\$ 4,058,789	\$ 4,350,632	\$ 4,953,548
	2,434,963	2,788,266	2,618,326	2,758,190	2,835,743	3,171,912	3,383,748
	13,684,548	13,708,943	14,695,407	15,635,912	17,139,178	17,611,122	17,779,124
	2,353,642	2,115,634	2,232,883	1,078,434	2,133,552	2,432,381	5,838,019
	15,004,065	13,826,298	14,448,935	14,198,860	14,925,935	15,569,457	18,214,297
	29,906,138	28,611,381	28,699,942	27,313,953	38,997,695	33,323,986	29,758,919
	1,776,126	1,737,378	1,629,557	1,576,636	1,951,229	2,040,179	1,922,212
	1,441,024	1,590,180	1,444,933	1,642,414	1,698,483	1,763,992	2,046,156
	-	359,157	378,310	299,721	-	-	-
	4,369,831	4,415,162	13,329,095	10,623,730	5,592,400	10,888,917	5,996,910
	4,125,385	4,189,053	4,212,005	4,226,801	4,258,043	5,518,903	3,413,085
\$	<u>78,831,755</u>	<u>\$ 76,897,681</u>	<u>\$ 87,437,902</u>	<u>\$ 83,236,698</u>	<u>\$ 93,591,047</u>	<u>\$ 96,671,481</u>	<u>\$ 93,306,018</u>
\$	<u>2,610,391</u>	<u>\$ (85,791)</u>	<u>\$ (10,741,394)</u>	<u>\$ (154,177)</u>	<u>\$ 2,202,172</u>	<u>\$ (3,717,053)</u>	<u>\$ 1,862,892</u>
\$	288,933	\$ 288,933	\$ 30,000	\$ 1,300,000	\$ 1,471,250	\$ 3,207,913	\$ 5,762,903
	(1,989,375)	(1,989,375)	(1,290,291)	(2,556,691)	(3,216,683)	(4,768,351)	(8,414,178)
	11,425,000	11,425,000	11,544,800	3,762,350	2,212,098	49,745,000	-
	142,513	142,513	-	1,941,057	-	4,006,776	-
	-	-	-	-	-	(47,085,223)	-
	(7,500,000)	(7,500,000)	-	-	-	-	-
\$	<u>2,367,071</u>	<u>\$ 2,367,071</u>	<u>\$ 10,284,509</u>	<u>\$ 4,446,716</u>	<u>\$ 466,665</u>	<u>\$ 5,106,115</u>	<u>\$ (2,651,275)</u>
\$	<u>4,977,462</u>	<u>\$ 2,281,280</u>	<u>\$ (456,885)</u>	<u>\$ 4,292,539</u>	<u>\$ 2,668,837</u>	<u>\$ 1,389,062</u>	<u>\$ (788,383)</u>
	<u>11.05%</u>	<u>11.61%</u>	<u>20.49%</u>	<u>18.91%</u>	<u>12.11%</u>	<u>18.11%</u>	<u>10.55%</u>

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Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes (1)	Total
2007	\$ 44,232,779	\$ 5,071,523	\$ 2,020,722	\$ 804,259	\$ 1,246,208	\$ 522,458	\$ 115,546	\$ 54,013,495
2008	44,178,683	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,334,052
2009	48,035,130	4,518,626	2,020,957	747,563	760,296	648,490	148,335	56,879,397
2010	45,440,793	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483
2012	46,323,781	4,782,750	753,893	-	554,087	724,866	35,157	53,174,534
2013	51,137,567	5,675,646	776,370	-	669,957	791,114	39,077	59,089,731
2014	52,737,696	5,721,942	793,620	-	589,489	924,867	14,742	60,782,356
2015	54,872,724	5,824,383	778,733	-	658,320	962,847	14,048	63,111,055
2016	56,741,652	5,836,450	784,328	-	762,765	842,419	16,459	64,984,073

(1) - Starting in fiscal year 2011 communications tax is reported as an intergovernmental revenue.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total	Direct Tax Rate
2006-07	\$ 3,569,349,706	\$ 461,389,729	\$ 4,328,700	\$ 69,929,639	\$ 70,651,384	\$ 4,175,649,158	6.39
2007-08	5,684,632,826	465,336,481	3,258,200	78,284,880	130,007,368	6,361,519,755	6.06
2008-09	5,747,238,496	482,347,707	3,129,900	84,569,648	145,637,364	6,462,923,115	6.11
2009-10	5,169,795,493	436,200,596	2,988,600	85,458,768	163,102,988	5,857,546,445	6.15
2010-11	5,144,951,484	459,950,654	2,942,500	80,056,700	183,217,885	5,871,119,223	6.15
2011-12	4,400,186,016	487,572,092	2,817,700	66,468,588	190,638,752	5,147,683,148	6.24
2012-13	4,425,676,576	521,285,475	2,789,500	70,437,097	211,146,356	5,231,335,004	6.30
2013-14	4,467,220,827	545,845,762	2,415,300	72,671,619	258,417,645	5,346,571,153	6.33
2014-15	4,564,280,180	661,189,332	2,395,100	71,043,729	178,726,950	5,477,635,291	6.33
2015-16	5,102,653,639	726,629,228	2,448,568	70,237,404	218,994,108	6,120,962,947	6.23

(1) All amounts are at 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Total Direct Tax Rate
2006-07 (2)	\$ 0.89	\$ 3.50	\$ 2.00	\$ 6.39
2007-08 (2)	0.56	3.50	2.00	6.06
2008-09 (2)	0.61	3.50	2.00	6.11
2009-10 (2)	0.65	3.50	2.00	6.15
2010-11 (2)	0.65	3.50	2.00	6.15
2011-12 (2)	0.74	3.50	2.00	6.24
2012-13 (2)	0.80	3.50	2.00	6.30
2013-14 (2)	0.83	3.50	2.00	6.33
2014-15 (2)	0.83	3.50	2.00	6.33
2015-16 (2)	0.73	3.50	2.00	6.23

(1) Per \$100 of assessed value.

(2) In fiscal year 2006-07 the Board of Supervisors split the personal property rate between recreational, aircraft and non-recreational. The recreational PP rate is \$1.50; the aircraft rate is \$.63 and the non-recreational rate is \$3.50.

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
NAP of the Capital Region, LLC	Managed Data Services	\$ 48,757,300	1	0.89%	\$ n/a	n/a	n/a
SWIFT, Inc.	Communications	20,984,500	2	0.38%	52,285,320	1	1.36%
Dominion Square	Retail	15,681,000	3	0.29%	15,362,520	3	0.40%
Culpeper Regency LLC	Retail	15,409,500	4	0.28%	n/a	n/a	n/a
Continental Teves	Manufacturing	12,632,900	5	0.23%	15,317,552	4	0.40%
Friendship Heights, LLC	Developer	11,963,400	6	0.22%	n/a	n/a	n/a
Wal-Mart	Retail	11,213,900	7	0.20%	12,979,384	5	0.34%
Culpeper Marketplace Assoc, LLC	Retail	9,848,700	8	0.18%	n/a	n/a	n/a
Culpeper Shopping Center	Retail	9,282,400	9	0.17%	n/a	n/a	n/a
Centex Homes	Developer	9,269,600	10	0.17%	n/a	n/a	n/a
Merillat	Manufacturing	n/a	n/a	n/a	6,398,032	6	0.17%
Rochester Corp.	Manufacturing	n/a	n/a	n/a	3,425,827	7	0.09%
Communications Corp of America	Consulting/Mail Services	n/a	n/a	n/a	3,022,731	8	0.08%
Ricky L Brown & Sons, Inc.	Gas station/market	n/a	n/a	n/a	2,361,996	10	0.06%
Merchants Grocery	Grocery	n/a	n/a	n/a	1,815,406	9	0.05%
Packard Humanities Institute	Manufacturing	n/a	n/a	n/a	1,757,800	2	0.05%
Totals		<u>\$ 165,043,200</u>		<u>3.01%</u>	<u>\$ 114,726,568</u>		<u>2.98%</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent (1) Tax (2) Collections	Total Collections to Date	
		Amount (1)(3)	Percent of Levy		Amount (1)	Percent of Levy
2006-07	\$ 47,041,990	\$ 45,981,659	97.75%	904,810	\$ 46,886,469	99.67%
2007-08	47,790,504	45,702,905	95.63%	1,813,445	47,516,350	99.43%
2008-09	51,559,488	49,120,376	95.27%	1,993,596	51,113,972	99.14%
2009-10	48,609,356	46,285,974	95.22%	1,958,504	48,244,478	99.25%
2010-11	49,411,286	47,149,308	95.42%	1,875,617	49,024,925	99.22%
2011-12	49,497,125	47,041,042	95.04%	1,812,219	48,853,261	98.70%
2012-13	53,633,638	51,788,087	96.56%	1,791,047	53,579,134	99.90%
2013-14	53,749,811	53,389,369	99.33%	1,725,018	55,114,387	102.54%
2014-15	57,165,955	55,335,680	96.80%	1,372,982	56,708,662	99.20%
2015-16	59,234,910	57,205,748	96.57%	-	57,205,748	96.57%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						
	County General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Literary Loans	Capital Leases	School Lease Revenue Bonds	School General Obligation Bonds
2007	\$ 3,191,917	\$ 7,807,970	\$ 15,000,000	\$ -	\$ -	\$ 54,200,000	\$ 24,170,890
2008	3,058,050	7,482,945	15,000,000	-	-	54,200,000	21,976,836
2009	2,918,998	7,145,882	7,500,000	7,500,000	-	52,955,000	19,752,998
2010	2,774,560	10,721,334	-	14,625,000	-	51,670,000	17,537,153
2011	2,624,526	10,228,841	-	13,875,000	-	50,340,000	15,844,518
2012	2,546,000	12,431,262	-	13,125,000	-	49,713,575	14,194,590
2013	2,363,500	11,761,136	-	12,375,000	-	48,242,691	31,965,364
2014	2,176,800	12,524,010	-	11,625,000	555,323	46,716,807	29,386,611
2015	1,985,600	11,731,884	-	5,250,000	378,649	52,520,893	26,771,842
2016	1,790,000	10,912,758	-	4,875,000	193,671	50,245,010	24,125,479

(1) Weldon Cooper Website

Table 11

<u>Business-Type Activities</u>			Total Primary Government	Personal Income (1) (amounts expressed in thousands)	Percentage of Personal Income	Population (1)	Per Capita
Lease Revenue Bonds	Notes Payable						
\$ 1,747,201	\$ 90,000	\$ 106,207,978	\$ 1,453,905	7.31%	48,074	2,209	
1,566,896	60,000	103,344,727	1,512,062	6.83%	46,085	2,242	
1,376,837	30,000	99,179,715	1,491,076	6.65%	47,517	2,087	
1,176,496	-	98,504,543	1,540,742	6.39%	47,938	2,055	
965,316	-	93,878,201	1,553,966	6.04%	47,040	1,996	
742,712	-	92,753,139	1,762,003	5.26%	47,114	1,969	
508,065	-	107,215,756	1,814,249	5.91%	47,732	2,246	
260,723	-	103,245,274	1,840,445	5.61%	48,506	2,129	
-	-	98,638,868	1,959,118	5.03%	49,166	2,006	
-	-	92,141,918	1,948,412	4.73%	49,432	1,864	

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)(1)	Gross Bonded Debt	Less Business Type Activities Lease Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	48,074	\$ 4,175,649,158	\$ 106,117,978	\$ 1,747,201	\$ 104,370,777	2.50%	\$ 2,171
2007-08	46,085	6,361,519,755	103,284,727	1,566,896	101,717,831	1.60%	2,207
2008-09	47,517	6,462,923,115	99,149,715	1,376,837	97,772,878	1.51%	2,058
2009-10	47,938	5,857,546,445	98,504,543	1,176,496	97,328,047	1.66%	2,030
2010-11	47,040	5,871,119,223	93,878,201	965,316	92,912,885	1.58%	1,975
2011-12	47,114	5,147,683,148	92,753,139	742,712	92,010,427	1.79%	1,953
2012-13	47,732	5,231,335,004	107,215,756	508,065	106,707,691	2.04%	2,236
2013-14	48,506	5,346,571,153	103,245,274	260,723	102,984,551	1.93%	2,123
2014-15	49,166	5,477,635,291	98,638,868	-	98,638,868	1.80%	2,006
2015-16	49,432	6,120,962,947	92,141,918	-	92,141,918	1.51%	1,864

(1) Bureau of the Census.

(2) From Table 7

(3) Includes all long-term General Obligation Bonded Debt, Bond Anticipation Notes, and Literary Fund loans. Excludes revenue bonds, capital leases, and compensated absences.

Computation of Direct and Overlapping Bonded Debt
At June 30, 2016

Direct:(1)

County of Culpeper, Virginia	\$	92,141,918	100%	\$	92,141,918
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(1) The County of Culpeper has no overlapping debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>	<u>Personal Income (3) (amounts expressed in thousands)</u>	<u>Per Capita Personal Income (2)</u>
2006-07	48,074	7,194	3.20%	1,453,905	32,915
2007-08	46,085	7,232	5.10%	1,512,062	34,232
2008-09	47,517	7,223	8.30%	1,491,076	32,703
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035
2011-12	47,114	7,612	6.50%	1,762,003	35,850
2012-13	47,732	7,731	5.50%	1,814,249	37,867
2013-14	48,506	7,841	5.80%	1,840,445	37,943
2014-15	49,166	7,965	5.00%	1,959,118	39,847
2015-16	49,432	7,974	3.70%	1,948,412	39,416

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers
Current Year and Five Years Ago

Employer	Fiscal Year 2016			Fiscal Year 2011		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,245	8.23%	1	1,490	9.74%	1
Culpeper Regional Hospital	589	3.89%	2	600	3.92%	2
County of Culpeper	568	3.75%	3	400	2.61%	4
Walmart	512	3.38%	4	598	3.91%	3
Va. Dept. of Transportation	442	2.92%	5	284	1.86%	9
Merillat Industries, Inc.	340	2.25%	6	340	2.22%	7
Coffeewood Correctional Center	300	1.98%	7	350	2.29%	6
Builder's First Source	300	1.98%	8	370	2.42%	5
Rochester (Tyco)	235	1.55%	9	N/A	2.07	8
Continental Automotive	230	1.52%	10	316	2.07%	10
Total	<u>4,761</u>			<u>5,088</u>		
Total County	<u>15,133</u>			<u>15,298</u>		

Source: Virginia Employment Commission

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	40	45	44	40	39	42	43	43	44	45
Judicial administration	33	33	33	34	33	34	35	37	36	40
Public safety										
Sheriffs department	90	90	90	83	84	83	85	85	85	84
E911	20	20	18	19	19	22	22	22	22	22
Fire & rescue/emergency services	24	24	24	24	24	24	24	24	24	24
Building inspections	17	17	14	14	3	6	6	6	7	7
Animal control	10	10	10	10	8	8	8	8	8	8
Public works										
General maintenance	5	5	3	3	3	3	3	3	3	6
Landfill	6	6	6	6	6	6	5	5	5	4
Water & Sewer	1	2	5	7	3	2	3	3	3	6
Health and welfare (Options/CSA)										
Department of social services	3	4	3	4	4	3	4	4	4	4
	98	100	100	94	89	87	84	84	89	89
Culture and recreation										
Parks and recreation	5	5	5	5	3	3	3	4	4	5
Library	7	7	7	7	7	7	7	7	7	7
Community development										
Planning	7	7	7	6	6	5	5	5	5	5
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	2	2	1	1	1	2	2	2	2	2
Totals	<u>370</u>	<u>379</u>	<u>372</u>	<u>359</u>	<u>334</u>	<u>339</u>	<u>341</u>	<u>344</u>	<u>350</u>	<u>360</u>

Source: FY adopted budgets

Operating Indicators by Function
Last Ten Fiscal Years

		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sheriff	Physical arrests	2,908	1,273	1,612	730	922	1,254	1,814	1,184	1,356	1,148
	Traffic violations	2,011	1,248	2,651	1,914	1,287	2,240	2,788	2,342	1,546	622
Fire Protection	Number of stations - Fire	7	7	7	7	7	7	7	7	7	7
	Number of stations - EMS	1	1	1	1	1	1	1	1	1	1
Community Development	Residential building permits	1,440	167	163	66	117	288	370	451	483	526
Parks & Recreation	Number of parks & recreation facilities	3	3	7	7	7	8	8	8	8	8
	Number of libraries	1	1	1	1	1	1	1	1	1	1

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	42	51	50	65	84	88	91	107	98	99
Animal control:										
Buildings	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	3	4	4	3	5	5	5	5	8	8
Landfill:										
Vehicles	1	1	1	2	1	2	2	2	2	2
Equipment	5	5	5	7	12	13	13	13	13	13
Sites	1	1	1	1	1	1	1	1	1	1
Health and welfare										
Department of Social Services:										
Vehicles	3	3	3	3	4	4	4	4	2	3
Culture and recreation										
Parks and recreation:										
Vehicles	4	4	2	2	2	5	5	5	2	2
Parks acreage (or playing fields)	3	3	3	3	3	8	8	8	8	8
Community development										
Planning:										
Vehicles	0	0	0	0	0	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	8	8	8	10	10	10	10	10	10	10
School buses	NA	NA	NA	129	136	131	131	135	120	125

NA - Not available

Source: Individual county departments

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Supervisors
County of Culpeper, Virginia
Culpeper, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Culpeper, Virginia's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Culpeper, 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 Culpeper, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Culpeper, Virginia's internal control.

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

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

Compliance and Other Matters

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

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, Farnell, Cox Associates

Charlottesville, Virginia
November 22, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Supervisors
County of Culpeper, Virginia
Culpeper, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Culpeper, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Culpeper Virginia's major federal programs for the year ended June 30, 2016. County of Culpeper, 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 Culpeper, 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 Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Culpeper, 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 County of Culpeper, 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, Farnell, Cox Associates

Charlottesville, Virginia
November 22, 2016

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Agriculture:			
Direct payments:			
Community Facilities Loans and Grants	10.766		\$ 2,269,577
Pass through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	\$ 447,628
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Not Available	88,013
Child and Adult Care Food Program	10.558	Not Available	<u>130,288</u>
Total Department of Agriculture			<u>\$ 2,935,506</u>
Department of Housing and Community Development:			
Pass through payments:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CAMS 14PG23	<u>\$ 9,000</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start	93.600	N/A	\$ 3,985,570
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	4,894
Temporary Assistance for Needy Families	93.558	0400109/0400110	361,212
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	341
Low Income Home Energy Assistance	93.568	0600409/0600410	33,261
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	(238)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	<u>51,158</u>
Total Child Care and Development Fund Cluster			\$ 50,920
Chafee Education and Training Vouchers Program	93.599	9160108/9160109	1,349
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	0900109	2,045
Foster Care - Title IV-E	93.658	1100109/1100110	649,507
Adoption Assistance	93.659	1120109/1120110	602,268
Social Services Block Grant	93.667	1000109/1000110	414,670
Chafee Foster Care Independence Program	93.674	915108/9150109/9150110	4,508
Children's Health Insurance Program	93.767	0540109/0540110	20,670
Medical Assistance Program	93.778	1200109/1200110	<u>597,344</u>
Total pass through payments			<u>\$ 2,742,989</u>
Total Department of Health and Human Services			<u>\$ 6,728,559</u>
Department of Labor:			
Pass Through Payments:			
Central Virginia Partnership for Economic Development: WIA/WIOA Adult Program	17.258	Not Available	<u>\$ 58</u>
Total Department of Labor			<u>\$ 58</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Internet Crimes Against Children Task Force Program	16.800	Not Available	\$ 4,445
Crime Victim Assistance	16.575	11VAGX0001	66,566
Asset Forfeiture	16.000	N/A	11,987
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Available	15,567
Violence Against Women Formula Grants	16.588	10WFAX0041	<u>36,638</u>
Total Department of Justice			<u>\$ 135,203</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (Continued)			
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	\$ 4,148
Pass through payments:			
Virginia Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1151137	17,633
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	Not Available	116,430
Federal Transit Capital Investment Grants	20.500	Not Available	43,697
Public Transportation Research, Technical Assistance, and Training	20.514	Not Available	<u>7,502</u>
Total Department of Transportation			\$ <u>189,410</u>
U.S. Election Assistance Commission:			
Pass through payments:			
Virginia Election Commission:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ <u>887</u>
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	Not Available	\$ <u>10,751</u>
Total Department of Homeland Security			\$ <u>10,751</u>
Total Expenditures of Federal Awards-Primary Government			\$ <u><u>10,009,374</u></u>
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution -- Schools	10.555	Not Available	\$ 234,745
Department of Education:			
National School Lunch Program	10.555	2013IN109941/2014IN109941	<u>1,792,953</u>
			\$ <u>2,027,698</u>
School Breakfast Program	10.553	2013IN109941/2014IN109941	<u>338,464</u>
Total Department of Agriculture/Child Nutrition Cluster			\$ <u>2,366,162</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A130046/S010A140046	\$ 1,374,206
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A130107/H027A140107	1,521,678
Special Education - Preschool Grants	84.173	H173A130112/H173A140112	<u>49,143</u>
Total Special Education Cluster			\$ <u>1,570,821</u>
Career and Technical Education -- Basic Grants to States	84.048	V048A130046/VA048A140046	78,950
English Language Acquisition State Grants	84.365	S365A140046	72,713
Investing in Innovation (i3) Fund	84.411	Not Available	22,349
Supporting Effective Instruction State Grant	84.367	S367A130044/S367A140044	<u>162,678</u>
Total Department of Education			\$ <u>3,281,717</u>
Total Expenditures of Federal Awards-Component Unit School Board			\$ <u>5,647,879</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>15,657,253</u></u>

COUNTY OF CULPEPER, 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 Culpeper, 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 7,600,724
Capital Projects Fund	60,199
Loans - Community Facilities Loans and Grants	2,269,577
Airport Fund	<u>120,578</u>
Total primary government	<u>\$ 10,051,078</u>
Component Unit School Board:	
School Operating Fund	\$ 3,281,716
School Cafeteria Fund	<u>2,366,163</u>
Total component unit school board	<u>\$ 5,647,879</u>
Total federal expenditures per basic financial statements	<u>\$ 15,698,957</u>
Less federal subsidy	<u>\$ 41,704</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 15,657,253</u></u>

COUNTY OF CULPEPER, 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)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	State Administration Matching Grants for Supplemental Nutrition Assistance Program
10.766	Community Facilities Loans and Grants
84.027/84.173	Special Education Cluster

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Audit Findings

None