ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) FINANCIAL REPORT YEAR ENDED JUNE 30, 2016

ROCKBRIDGE AREA SOCIAL SERVICES BOARD

(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

BOARD OF SOCIAL SERVICES

Geri Pryor – Chairman

Duaine Fitzgerald - Vice-Chairman

Billy Spence

Vicki Turner

Teresa Fainter

Betty Jones

David Dax

OFFICERS

Meredith Downey, Director

Betty S. Trovato, District Fiscal Officer

TABLE OF CONTENTS

		<u>P</u>	age
Independe	ent Auditors	s' Report	1-3
BASIC FI	NANCIAL S	STATEMENTS:	
Governme	ent-wide Fir	nancial Statements	
Exhib	it 1	Statement of Net Position	4
Exhib	it 2	Statement of Activities	5-6
Fund Fina	ncial State	ments	
Exhib	it 3	Balance Sheet – Governmental Funds	7
Exhib	it 4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhib	it 5	Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	9
Exhib	it 6	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Exhib	it 7	Statement of Fiduciary Net Position – Fiduciary Fund	11
Notes to F	inancial St	atements12	2-37
REQUIRE	D SUPPLE	EMENTARY INFORMATION:	
Exhib	oit 8	Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios	38
Exhib	it 9	Schedule of Employer Contributions	39
Exhib	it 10	Notes to Required Supplementary Information	40
OTHER S	UPPLEME	NTARY INFORMATION:	
Exhib	it 11	Agency Fund – Statement of Changes in Assets and Liabilities	41
COMPLIA	NCE:		
and Ot	her Matters	s' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with ting Standards	2-43
		s' Report on Compliance for Each Major Program and on Internal Control Required by the Uniform Guidance44	4-45
Schedule	of Expendi	tures of Federal Awards	46
Schedule	of Findings	and Questioned Costs47	7-48

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)
LEXINGTON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board'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 Authorities, Boards, and Commissions*, 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, each major fund, and the aggregate remaining fund information of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia), as of June 30, 2016, and the respective changes in financial position 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 2 to the financial statements, in 2016, the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia) adopted new accounting guidance, GASB Statement No. 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 schedules related to pension funding on pages 38-40 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s basic financial statements. The other supplementary information is presented for purposes of additional analysis and is 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 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, 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 Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s internal control over financial reporting and compliance.

Staunton, Virginia December 15, 2016

Robinson, Farmer, Cax Associates





Statement of Net Position June 30, 2016

	G 	overnmental Activities
ASSETS		
Cash and cash equivalents	\$	398,186
Accounts receivable		7,933
Due from other governmental units		715,233
Prepaid items		3,385
Capital assets (net of accumulated depreciation):		14,342
Net pension asset		3,237
Total assets	\$	1,142,316
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	\$	94,393
Total deferred outflows of resources	\$	94,393
LIABILITIES		
Accounts payable	\$	351,833
Due to participating jurisdictions	·	772,904
Long-term liabilities:		,
Due within one year		16,781
Due in more than one year		50,344
Total liabilities	\$	1,191,862
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$	218,796
Total deferred inflows of resources	\$	218,796
NET DOCITION		
NET POSITION Investment in capital assets	\$	14,342
Unrestricted	Ψ	(188,291)
Total net position	\$	(173,949)

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

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia)

Statement of Activities Year Ended June 30, 2016

			Program Revenues				
	_		Charges for		Operating Grants and	Capital Grants and	
Functions/Programs	 Expenses	_	Services		Contributions	Contributions	
Governmental activities:							
Health and welfare	\$ 6,031,408	\$_	- 9	\$_	6,354,727 \$	-	
Total governmental activities	\$ 6,031,408	\$	- (\$_	6,354,727 \$	-	

Change in net position Net position - beginning Net position - ending

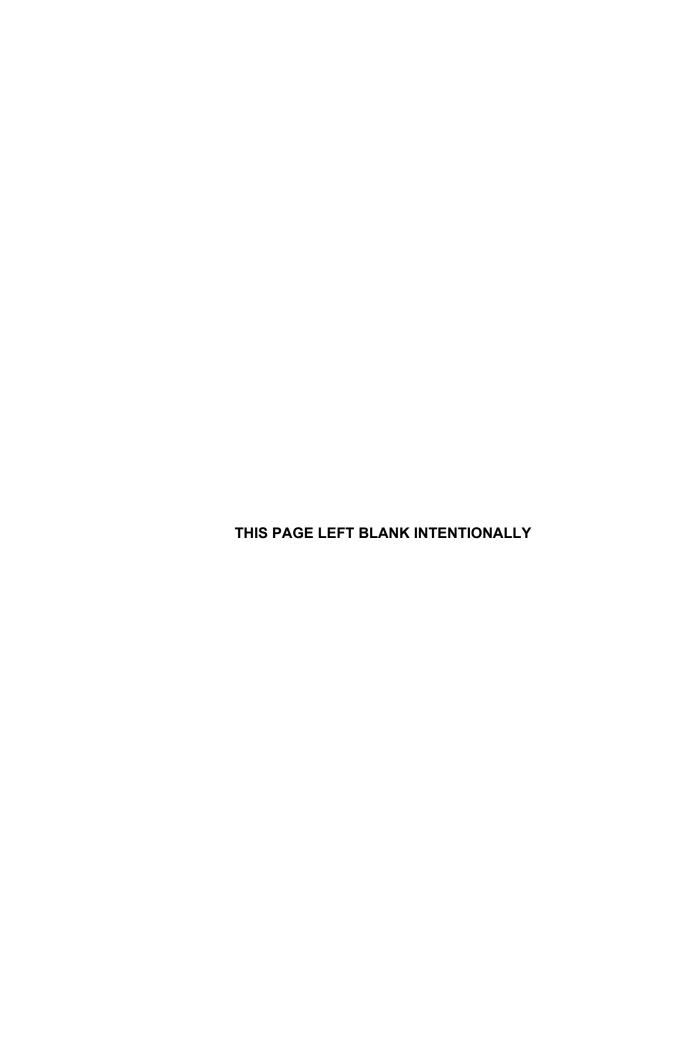
The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Governmental Activities

\$ 323,319
\$ 323,319
\$ 323,319
(497,268)
\$ (173,949)





Balance Sheet Governmental Funds June 30, 2016

ASSETS		County of Rockbridge	• -	City of Lexington	_ <u>!</u>	City of Buena Vista		Total
Current assets: Cash and cash equivalents Due from governmental units Accounts receivable Prepaid items Total assets	\$ \$_	398,186 517,406 7,928 3,385 926,905		20,321	\$ -	177,506 5 - 177,511	\$ - - - - -	398,186 715,233 7,933 3,385 1,124,737
LIABILITIES								
Current liabilities: Accounts payable Due to participating jurisdictions	\$	228,650 698,255	\$	14,824 5,497	\$	108,359 69,152	\$	351,833 772,904
Total liabilities	\$_	926,905	\$	20,321	_\$_	177,511	\$_	1,124,737
FUND BALANCE								
Committed: Social Services activities	\$_		\$		_\$_		\$_	
Total liabilities and fund balance	\$_	926,905	\$	20,321	_\$_	177,511	\$_	1,124,737

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

Amounts reported for governmental activities in the statement of net position are

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

different because:	
Total fund balance per Exhibit 3 - Balance Sheet	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,342
The net pension asset is not an available resource and, therefore, is not reported in the funds.	3,237
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(218,796)
Pension contributions subsequent to measurement date will be a reduction to the net pension asset in the next fiscal year and, therefore, are not reported in the funds.	94,393
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	 (67,125)
Net position of governmental activities	\$ (173,949)

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia)

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

	ı	County of Rockbridge		City of Lexington		City of Buena Vista		Total
Revenues:					• '			
Revenue from local sources:								
City of Lexingtonadministrative costs	\$	32,170	\$	84,144	\$	- \$	\$	116,314
City of Buena Vistaadministrative costs		85,999		-		367,019		453,018
County of Rockbridge assistance and administrative costs	_	1,028,040		-		-	_	1,028,040
Total revenue from local sources	\$_	1,146,209	\$	84,144	\$	367,019	₿	1,597,372
Intergovernmental:								
Revenue from the Commonwealth:								
Categorical aid:								
	\$	613,177	\$	17,052	\$	74,355 \$	\$	704,584
Comprehensive services act	_	1,911,554		97,109		783,948	_	2,792,611
Total revenue from the Commonwealth	\$_	2,524,731	\$	114,161	\$	858,303 \$	\$	3,497,195
Revenue from the federal government:								
Categorical aid:								
Public assistance grants	\$	1,192,553	\$	813	\$	50,072 \$	\$	1,243,438
Comprehensive services act	_	16,722		-		-	_	16,722
Total revenue from the federal government	\$_	1,209,275	\$	813	\$	50,072	§	1,260,160
Total revenues	\$_	4,880,215	\$	199,118	\$	1,275,394	\$ <u>_</u>	6,354,727
Expenditures:								
Health and welfare:								
Administration	\$	1,632,997	\$	32,170	\$	85,999 \$	\$	1,751,166
Public assistance		477,995		19,692		129,839		627,526
Comprehensive services act	_	2,590,450	-	147,256		1,059,556		3,797,262
Total expenditures	\$_	4,701,442	\$	199,118	\$	1,275,394	\$	6,175,954
Excess (deficiency) of revenues over (under) expenditures	\$_	178,773	\$	-	\$	\$	\$	178,773
Net change in fund balance	\$	178,773	\$	-	\$	- \$	\$	178,773
Fund balance, beginning of year	_	(178,773)	_		_			(178,773)
Fund balance, end of year	\$	-	\$	-	\$		\$	-

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

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia)

Exhibit 6

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

Amounts reported for governmental	I activities in the statement	of activities are different because:

Net change in fund balances - total governmental funds

\$ 178,773

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 expenses. This is the amount by which the depreciation exceeded capital outlays in the current period.

(5,981)

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

57,574

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.

92,953

Change in net position of governmental activities

323,319

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

ROCKBRIDGE AREA SOCIAL SERVICES (A Component Unit of the County of Rockbridge, Virginia)

Exhibit 7

Statement of Fiduciary Net Position Fiduciary Fund June 30, 2016

	_	Agency Fund
ASSETS		
Cash	\$	3,156
LIABILITIES		
Amounts held for others	\$	3,156

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

Notes to Financial Statements June 30, 2016

NOTE 1—BASIS OF PRESENTATION:

A. <u>Organization and Purpose:</u>

The Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia) was created by the Rockbridge County Board of Supervisors and the common Councils of the City of Lexington and the City of Buena Vista to consolidate the administrative payments of the three localities pursuant to Sections 63.1-44 of the *Code of Virginia*. The Board is a legally separate organization whose Board members are appointed by the Rockbridge County Board of Supervisors and the City Councils of Lexington and Buena Vista. Rockbridge County appoints three members to the Board and the Cities of Lexington and Buena Vista appoint two each. Assistance payments for the City of Lexington and the City of Buena Vista are included in each respective locality's records. Activity as reflected in these financial statements consists of all administration and assistance payments of the participating localities.

B. Financial Reporting Entity:

A separate report is prepared for the County of Rockbridge, Virginia which includes all agencies, boards, commissions, and authorities over which the County exercises or has the ability to exercise oversight authority. The Social Services Board is a component unit of the County of Rockbridge, Virginia and is included in the financial statements of the County.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. <u>Basis of Accounting:</u>

The Board's government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (i.e., the balance sheet and the statement of revenues, expenditures and changes in fund balances) are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Board reports the following major governmental funds:

Special revenue funds account for the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures. The Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia) is a major special revenue fund.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. <u>Basis of Accounting: (continued)</u>

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

The Board reports the following other funds:

Fiduciary (Agency) funds account for assets held by the Board as an agent or custodian of individuals, private organizations, other governmental units or other funds. The Special Welfare Fund is an agency fund of the Board.

B. Capital Assets:

Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Depreciation is calculated using the straight line method. All equipment is being depreciated over a five year life. Buildings are being depreciated over a forty year life. Construction-in-progress is not depreciated until complete and placed in service.

C. Accounts Receivable:

Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

D. <u>Cash and Cash Equivalents:</u>

The Board's cash and cash equivalents consist of cash on hand and demand deposits.

E. Use of Estimates:

The preparation of financial statements in conformity with U.S. 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.

F. 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.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Net Position Flow Assumption:

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

H. Fund Equity:

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

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

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

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

In the general fund, the Board strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. <u>Deferred Outflows/Inflows of Resources:</u>

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as reduction of the net pension liability (asset) next fiscal year. For more detailed information on this item, 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 Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability (asset) are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

J. <u>Pensions:</u>

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's Retirement Plan and the additions to/deductions from the Board'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.

K. <u>Adoption of Accounting Principles:</u>

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

The Board 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.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 3—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balances—total* governmental funds and net position—governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds." The detail of this (\$67,125) difference is as follows:

Compensated absences	\$_	(67,125)
Net adjustment to increase (decrease) fund balance-total	' -	
governmental funds to arrive at net position-governmental	'	
activities	\$_	(67,125)

Another element of that reconciliation states that "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The detail of this (\$218,796) difference is as follows:

Items related to measurement of net pension liability (asset)	\$	(218,796)
Net adjustment to increase (decrease) fund balance-total	-	
governmental funds to arrive at net position-governmental		
activities	\$_	(218,796)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$(5,981) difference is as follows:

Depreciation expense	\$ (5,981)
Net adjustment to increase (decrease) net changes fund balances-total governmental funds to arrive	
changes in net position of governmental activities	\$ (5,981)

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 3—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that "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 detail of this \$92,953 difference is as follows:

Compensated absences	\$ 35,363
Net pension liability/asset	70,101
Deferred outflows related to pension payments	
subsequent to the measurement date	 (12,511)
Net adjustment to (increase) decrease net changes in fund balances-total governmental funds to arrive at	
changes in net position of governmental activities	\$ 92,953

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2.-4400 et. seq. of the Code of Virginia. Under the Act banks and savings institutions holding public deposits in excess of the amount insurance 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 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). The Board had no investments at June 30, 2016.

Other

All of the Board's funds are in custody of the fiscal agent, the Treasurer of Rockbridge County, Virginia.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

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

Commonwealth of Virginia:	
Public assistance grants	\$ 70,475
Comprehensive Services Act	532,076
Federal Government:	
Public assistance grants	 112,682
Total	\$ 715,233

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

		Balance July 1, 2015		Additions		Deletions		Balance June 30, 2016
Capital assets being depreciated	_		•		•			
Equipment	\$	75,693	\$	-	\$	-	\$	75,693
Vehicles		96,939		-		-		96,939
Furniture and fixtures		8,857	_	-		-		8,857
Total capital assets being depreciated	\$	181,489	\$	-	\$	-	\$	181,489
Accumulated depreciation								
Equipment	\$	(74,492)	\$	(1,200)	\$	-	\$	(75,692)
Vehicles		(77,817)		(4,781)		-		(82,598)
Furniture and fixtures		(8,857)		-		-	_	(8,857)
Total Accumulated Depreciation	\$	(161,166)	\$	(5,981)	\$	-	\$	(167,147)
Net capital assets	\$	20,323	\$	(5,981)	\$	-	\$	14,342

Depreciation expense for the year ended June 30, 2016 was \$5,981. All depreciation expense was charged to the health and welfare department.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 7—LONG-TERM OBLIGTION:

	_	Balance July 1, 2015	 Increases/ Issuances	 Decreases/ Retirements	Balance June 30, 2016
Compensated Absences (payable from					
Rockbridge Area Social Services Board)	\$_	102,488	\$ 76,866	\$ 112,229	\$ 67,125
Total Long-term Obligations	\$_	102,488	\$ 76,866	\$ 112,229	\$ 67,125

Details of long-term obligations:

				Amount
		Total		Due Within
	_	Amount	_	One Year
Compensated absences	\$	67,125	\$	16,781
Total	\$	67,125	\$	16,781

NOTE 8—COMPENSATED ABSENCES:

Board employees earn vacation leave at a rate commensurate with years of service from 1 day to 1-3/4 days per month. All employees earn 1-1/4 days sick leave per month. Benefits or pay is received for unused sick leave upon termination at 25% of its carrying value to a maximum of \$2,500 per employee. Accumulated vacation is paid upon termination. The Board has outstanding accrued vacation and sick pay totaling \$67,125 at June 30, 2016.

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Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Board 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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RETIREMENT PLAN PROVISIONS						
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN				
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.	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.	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") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.				

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
		 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. 			
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. 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.	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. 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.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision 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.			
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.			

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
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.	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.	*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.			
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	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.			

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
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. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Defined Benefit Component: 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. Defined Contributions Component: 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. Members are always 100% vested in the contributions that they make.			

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (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. • 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. Distribution is not required by law until age 70½.			
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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1.			

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
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.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) Defined Contribution Component: 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.			
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.			
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%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	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. Sheriffs and regional jail superintendents: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. 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.			
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.	Political subdivision hazardous duty employees: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution component: Not applicable.			

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable.
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. 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.	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. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: 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. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)
Political subdivisions hazardous duty employees: 50 with at least five years of	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable.
creditable service.		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. Eligibility: 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. 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	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%. Eligibility: Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)									
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN							
Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)							
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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.	Exceptions to COLA Effective Dates: Same as Plan 1.	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.							

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)									
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN							
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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (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. 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.							
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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: 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. Defined Contribution Component: Not applicable.							

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—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.

Employee Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	20
Inactive members: Vested inactive members	1
Non-vested inactive members	5
Inactive members active elsewhere in VRS	5
Total inactive members	11
Active members	25
Total covered employees	56

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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 Board's contractually required contribution rate for the year ended June 30, 2016 was 10.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (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 Board were \$94,393 and \$94,988 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

The Board's net pension liability (asset) was measured as of June 30, 2015. The total pension liability (asset) used to calculate the net pension liability (asset) was 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 (asset) for General Employees in the Board'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% – 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 (assets).

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

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—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

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Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a lognormal 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 arithm	etic 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%.

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability (asset) 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 Rockbridge Area Social Services Board 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, 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 (asset).

		In	crease (Decrease))	
	Total Pension Liability (a)		Plan Fiduciary Net Position (b)	_	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2014	\$ 4,543,804	\$_	4,476,940	\$_	66,864
Changes for the year:					
Service cost	\$ 95,978	\$	-	\$	95,978
Interest	308,093		-		308,093
Differences between expected and actual experience	(136,247)		-		(136,247)
Contributions - employer	-		94,988		(94,988)
Contributions - employee	-		44,072		(44,072)
Net investment income Benefit payments, including refunds	-		201,776		(201,776)
of employee contributions	(284,943)		(284,943)		-
Administrative expenses	-		(2,868)		2,868
Other changes	 -		(43)	_	43
Net changes	\$ (17,119)	\$	52,982	\$	(70,101)
Balances at June 30, 2015	\$ 4,526,685	\$_	4,529,922	\$	(3,237)

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability (asset) using the discount rate of 7.00%, as well as what the Board's 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%)
Board's Net Pension Liability/(Asset)	\$ 467,848 \$	(3,237) \$	(405,299)

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

For the year ended June 30, 2016, the Board recognized pension expense of (\$32,687). At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	_	Deferred Outflows of Resources		Deferred Inflows of Resources		
Differences between expected and actual experience	\$	-	\$	96,640		
Net difference between projected and actual earnings on pension plan investments		-		122,156		
Employer contributions subsequent to the measurement date	_	94,393	. <u>-</u>	<u>-</u>		
Total	\$_	94,393	\$	218,796		

\$94,393 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) 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,	
2017	(87,419)
2018	(87,419)
2019	(65,240)
2020	21,282
Thereafter	-

Notes to Financial Statements June 30, 2016 (Continued)

NOTE 10—ALLOCATION OF COSTS:

Pursuant to Section 63.1-44 of the *Code of Virginia* (1950), as amended, each participating jurisdiction is responsible for the net local share of Administrative expenditure for the benefit of its citizens. Local costs of administration are apportioned on the basis of population according to the last decennial census and caseload, with each factor weighted equally.

NOTE 11—CONTINGENT LIABILITIES:

Federal programs in which the Board participates were audited in accordance with the provisions of the Uniform Guidance. Pursuant to the provisions of the circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the federal government may subject grant programs to additional compliance test 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 12—OPERATING LEASE AGREEMENTS:

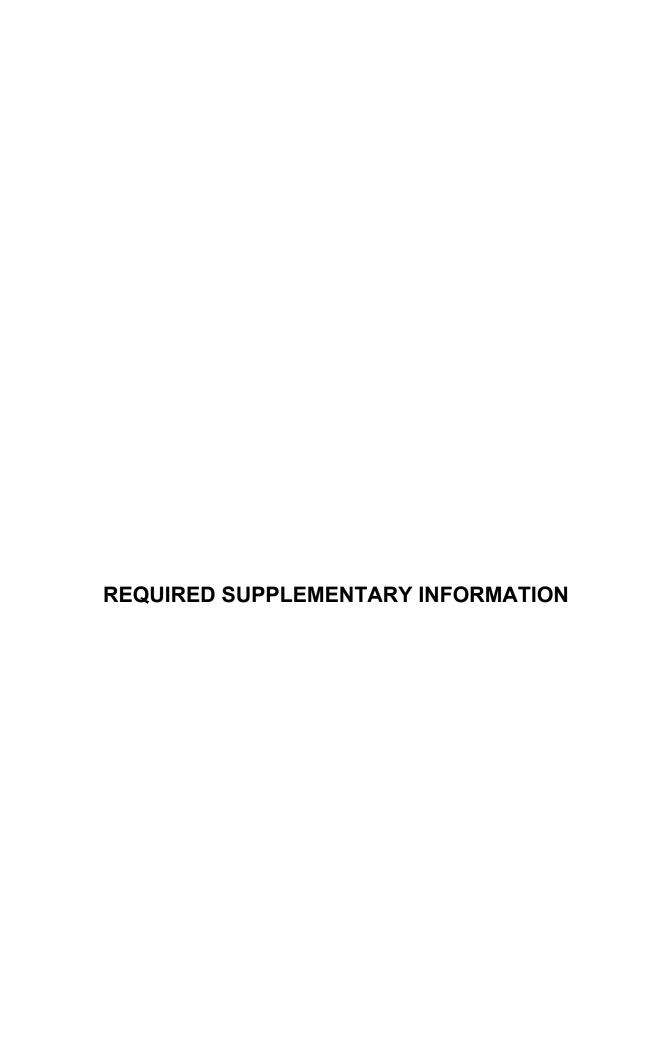
The Board entered into a lease agreement for their building on April 1, 2015. The term is for three years with monthly payments of \$3,200.

Minimum future lease payments are as follows:

Year Ended June 30,	_	Amount
2017	\$	38,400
2018	_	28,800
Total minimum future lease payments	\$	67,200

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ROCKBRIDGE AREA SOCIAL SERVICES BOARD

Exhibit 8

(A Compenent Unit of the County of Rockbridge, Virginia)

Schedule of Components of and Changes in Net Pension Liability/(Asset) and Related Ratios Year Ended June 30, 2016

	2015		2014
	_	-	
5	95,978	\$	99,383
	308,093		299,448
	(136,247)		-
_	(284,943)	_	(265,715)
5	(17,119)	\$	133,116
	4,543,804		4,410,688
5	4,526,685	\$	4,543,804
=		=	
5	94,988	\$	77,661
	44,072		42,460
	201,776		620,619
	(284,943)		(265,715)
	(2,868)		(3,439)
	(43)	_	33
5	52,982	\$	471,619
_	4,476,940	_	4,005,321
} _	4,529,922	\$	4,476,940
_		-	
5	(3,237)	\$	66,864
	100.07%		98.53%
5	904,378	\$	850,243
	-0.36%		7.86%
		95,978 308,093 (136,247) (284,943) (17,119) 4,543,804 4,526,685 94,988 44,072 201,776 (284,943) (2,868) (43) 52,982 4,476,940 4,529,922 (3,237) 100.07% 904,378	95,978 308,093 (136,247) (284,943) 3 (17,119) 4,543,804 4,526,685 \$ 94,988 44,072 201,776 (284,943) (2,868) (43) 52,982 4,476,940 4,529,922 \$ (3,237) \$ 100.07% 904,378 \$

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.

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia)

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)
2016	\$ 94,393	\$ 94,393	\$ -	\$ 887,984	10.63%
2015	94,988	94,988	-	904,378	10.50%
2014	77,661	77,661	-	850,243	9.13%
2013	75,830	75,830	-	829,645	9.14%
2012	60,610	60,610	-	835,994	7.25%
2011	61,217	61,217	-	844,376	7.25%
2010	64,388	64,388	-	857,359	7.51%
2009	63,321	63,321	-	843,159	7.51%
2008	61,309	61,309	-	843,320	7.27%
2007	58,072	58,072	-	798,795	7.27%

Current year contributions are from Rockbridge Area Social Services Board records and prior year contributions are from the VRS actuarial valuation performed each year.

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia) Notes to Required Supplementary Information June 30, 2016

Exhibit 10

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.

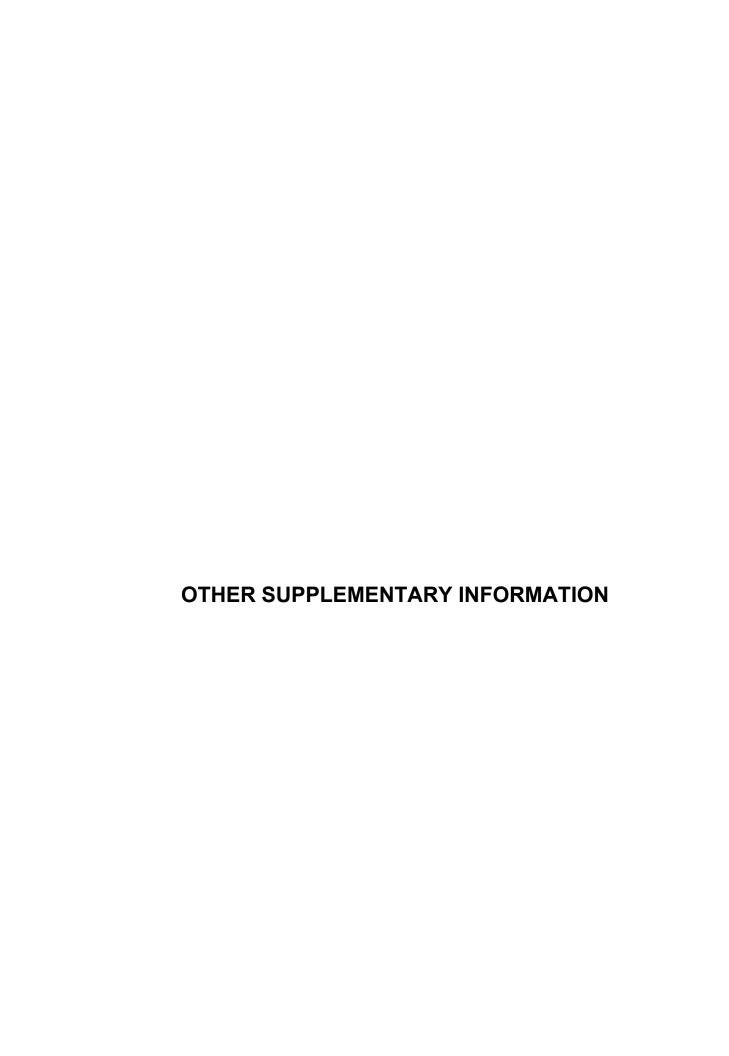
Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

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

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



AGENCY FUND Statement of Changes in Assets and Liabilities June 30, 2016

	_	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Special Welfare:					
Assets: Cash	\$ ₌	4,579 \$	5,541	\$\$	3,156
Liabilities: Amounts held for others	\$_	4,579_\$	5,541	\$ <u>6,964</u> \$	3,156



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

BOARD OF DIRECTORS ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) LEXINGTON, 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, 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 the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

Management's Response to Findings

Robinson, Farmer, Cox Associates

Rockbridge Area Social Services Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Staunton, Virginia

December 15, 2016

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

BOARD OF DIRECTORS
ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)
LEXINGTON, VIRGINIA

Report on Compliance for Each Major Federal Program

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rockbridge Area Social Services Board (a component unit of the County of Rockbridge, Virginia)'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Staunton, Virginia December 15, 2016

Robinson, Farmer, Cax Associates

ROCKBRIDGE AREA SOCIAL SERVICES BOARD (A Component Unit of the County of Rockbridge, Virginia)

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

Federal Grantor/Pass-through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
Department of Agriculture: Pass-through Payments Department of Social Services: State Administrative Matching Create for the Supplemental				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	not available	\$	205,546
Total Department of Agriculture			\$	205,546
Department of Health and Human Services: Pass-through Payments: Department of Social Services:				
Promoting Safe and Stable Families	93.556	not available	\$	8,134
Temporary Assistance for Needy Families (TANF)	93.558	not available		219,011
Refugee and Entrant Assistance - State Administered Programs	93.566	not available		246
Low Income Home Energy Assistance	93.568	not available		25,191
Child Care Development Fund Cluster:				
Child care and development block grant	93.575	not available	\$	(481)
Child Care Mandatory and Matching Funds of the Child Care				
and Development Fund	93.596	not available	_	32,502
Total Child Care Development Fund Cluster			\$_	32,021
Chaffee Education and Training Vouchers Program	93.599	not available		285
Stephanie Tubbs Jones Child Welfare Services Program	93.645	not available		1,123
Foster Care - Title IV-E	93.658	not available		236,973
Adoption Assistance	93.659	not available		86,703
Social Services Block Grant	93.667	not available		154,792
Chaffee Foster Care Independence Program	93.674	not available		1,532
Children's Health Insurance Program	93.767	not available		9,675
Medical Assistance Program	93.778	not available	_	278,928
Total Department of Health and Human Services			\$_	1,054,614
Total Expenditures of Federal Awards			\$_	1,260,160

NOTE A - BASIS OF PRESENTATION

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

NOTE B - 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 identifying numbers are presented where available.
- (3) Rockbridge Area Social Services Board (a Component Unit of the County of Rockbridge, Virginia) has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The Board did not have any subrecipients for the year ended June 30, 2016.

Rockbridge Area Social Services Board (A Component Unit of the County of Rockbridge, 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				
nternal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified?	yes _x_no yes _x_none reported				
Noncompliance material to financial statements noted?	x yesno				
Federal Awards					
nternal control over major programs: Material weakness(es) identified? Significant deficiency(ies) identified?	yes _x_no yes _x_none reported				
Type of auditors' report issued on compliance for major programs:	unmodified				
ny audit findings disclosed that are required to be reported accordance with 2 CFR section 200.516(a)? yes _x _ no					
dentification of major programs:					
CFDA Numbers Name of Federal Program or Cluster					
10.561 State Administrative Matching Grants for Nutrition Assistance Program 93.667 Social Services Block Grant	the Supplemental				
93.778Medical Assistance Program					
Dollar threshold used to distinguish between type A and type B programs:	\$750,000				
Auditee qualified as low-risk auditee?	yes <u>x</u> no				
Section II-Financial Statement Findings					

2016-001 Audit Finding

Condition: The Board did not timely terminate separated employee access to all Virginia Department of Social Services (VDSS) electronic systems within the established three working day time period.

Cause: The Board did not adequately monitor the electronic systems and accessibility for separated employees.

Criteria: The Virginia Department of Social Services requires that when an employee leaves a local department of social services, their access privileges must be immediately removed from all systems they had been granted access to. The Board should monitor employee accessibility to electronic systems and terminate all separated employee access to these systems in a timely manner to prevent misuse of confidential and financial information. To prevent inappropriate access to VDSS systems, the Board should remove access privileges within three working days of the employee's separation.

Effect: There is a chance that inappropriate access could be gained to the Board's information through the use of the separated employee's accessibility.

Rockbridge Area Social Services Board (A Component Unit of the County of Rockbridge, Virginia)

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

Section II-Financial Statement Findings (Continued)

2016-001 Audit Finding (Continued)

Recommendation: In order to safeguard the Board's confidential and financial information, employees' accessibility to the VDSS electronic systems should be monitored to ensure that separated employees' accessibility is terminated within the required three working days following separation.

Views of Responsible Officials and Planned Corrective Actions: The Board's management agrees that monitoring access to the electronic systems is essential to safeguarding its confidential and financial information. The Board's senior management has been made fully aware of the time period defined as "timely termination" to be three working days following employee separation and plan to more closely monitor the accessibility of employees to the VDSS electronic systems subsequent to separation.

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary Schedule of Prior Year Findings

There were no prior year findings.