

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

County of Culpeper, Virginia

Comprehensive Annual
Financial Report

Year Ended June 30, 2017

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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County of Culpeper
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November 3, 2017

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year which ended June 30, 2017. The County's Department of Finance prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

BUDGETARY CONTROLS

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. *The audit for the fiscal year ended June 30, 2017 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.*

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

The Consumer Price Index in the United States for 2016 increased by 1.4% from 2015. On the state level, the unemployment rate for Virginia as of June 2017 was 3.9% compared to 4.0% as of June 2016 and the unemployment rate for Culpeper County as of 2017 was 3.6% vs. a year earlier when the rate was 3.7%. On a national level, unemployment exceeds both the state and local unemployment level at 4.4%.

MAJOR INITIATIVES

For fiscal year 2017: Following the goals and objectives established by the Culpeper County Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies, the County implemented and continued a number of specific programs designed to provide County residents with cost efficient government while enhancing their home and employment environment.

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

- Implementation of electronic document management system
- Construction of the Western Outer Loop Road
- Secondary road paving projects
- Implementation of Zoning and Building Permit Software
- Airport Hangar Development
- Public Safety Radio System Upgrades
- Expanded Head Start Building
- Renovated the Machine Shop Building on the Carver Campus

Implementation of Electronic Document Management System

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

The second phase was to improve processes in departments by utilizing workflow, automated forms, and existing software integration. This phase was completed in the Finance Department for the Accounts Payable process. The next department to utilize the EDMS was Human Resources beginning with on-boarding of new employees in May 2017. At the recommendation of the EDMS vendor this was accomplished with third party software. The vendor is now working with the HR Department to upload data from the third party software into the EDMS Employee File Manager. Initially the on-boarding will be strictly for new hires, but as the HR department becomes more adept in the process, existing employees will be allowed to make various changes and view their own employee file. By making these forms part of the Employee File Manager it also allows for proper records retention and disposal within the EDMS.

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

Construction of the Western Outer Loop Road

The County, through VDOT's Revenue Sharing Program, has compiled approximately \$16M for the construction of the Western Outer Loop, a connector road from Route 729 to Route 522 West of the Town of Culpeper. At this time, the project construction has been completed and the road is open to traffic. However, final right-of-way purchases are not complete but are expected to be completed by the end of FY 2018.

Secondary Road Paving Projects

Due to an ongoing shortage of state funds for secondary road improvements, the County has begun to utilize the VDOT Revenue Sharing Program to fund the hard surfacing of a number of unpaved secondary roads throughout the County. This practice began in FY14 and has continued to date; with fourteen (14) projects completed in FY14, FY15 and FY16. There is funding for three additional projects for FY17. FY 18 applications were made with VDOT, however matching monies were not granted. The County will reapply for these roads and other roads for the FY 2019-2020 cycle.

Implementation of Zoning and Building Permit Software

In order to better organize and track the progress of violations, zoning cases, erosion and sediment control and building permits, new software was purchased and is currently in the development stage. The implementation of this software was not completed by the end of FY 2017. It is anticipated, however, that it will be completed by FY 2018.

Airport Hangar Development

The County completed hangar design in FY14 at the Culpeper Regional Airport. The County also utilized state and federal funds (2% local) for the cost of surveying and appraising approximately 60 acres for land acquisition to enhance the Airport. To date, 39 acres have been purchased. The remaining land acquisition is anticipated in FY 2018.

The Board approved the construction of new hangars at the Airport. Using a combination of \$1.725M in state funds plus a USDA loan of \$2.650M, this \$4M project was completed in December 2016. The rental payments from the new hangars are covering the repayment of the debt service on the USDA loan. The project started in April 2015 with substantially all work completed and hangars open for rent as of July 1, 2016.

Public Safety Radio System Upgrade

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

In FY14 Motorola notified Culpeper, Fauquier, and Rappahannock Counties with information regarding the radio system and equipment lifecycle for several components of the SmartZone 4.1 radio system and subscribers being used by all three Counties. The infrastructure equipment end of support for Zone Controller is 2016, Gold Elite consoles 2018, and Quantar base stations 2020. According to Motorola, the Zone Controller is supported until 2016. Beyond that point, support will be best effort rather than guaranteed.

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

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

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

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

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

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

Expanded Head Start Building

The Daycare Program received a \$2,600,000 Federal Grant to expand the County's Galbreath Marshall Building which houses Day Care and Head Start. The funding provided additional classroom space for 100 infants in the Daycare Program. The County managed the construction project and maintains the space.

Renovated the Machine Shop Building on the Carver Campus

The County contracted with Lantz Construction to demolish the former Small Engine Repair building and renovate the former Masonry Building at the Carver Center. The Masonry building was stripped down to the steel frame and rebuilt with a new roof, siding, insulation, electrical and mechanical systems, and a classroom was added to house a vocational training school for adults operated by the non-profit organization, New Pathways, Inc. New Pathways will train adults to be entry level machinists so they can pursue careers with local machine companies and industry. The renovation cost was \$399,700.

PROSPECTS FOR THE FUTURE

For the fiscal year 2017-2018, the Board of Supervisors has approved a General Fund Operating Budget of \$86,526,817.

The FY18 budget continues with our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a merit increase for performance, based upon annual evaluation results.

Included in the FY18 adopted budget are six (6) new full time positions and one new part time position.

- ◆ There is a position in the County Administration budget which created a Grant Writer/Special Projects Manager. Due to the increase of departments trying to find grants for the efficient operation of government functions, a full time grant writer/special projects manager will greatly benefit the County.
- ◆ The Commonwealth's Attorney requested a new deputy Commonwealth Attorney. This position is be 100% locally funded. The request stemmed from the increase in cases, which must be prosecuted. The last attorney position added in this department was in FY08.
- ◆ There is one new SRO (School Resource Officer) requested by the Sheriff in his Law Enforcement budget. The addition of this SRO would allow for one SRO on each school campus.
- ◆ The Animal Services Department requested to reinstate one new Animal Control Officer. The department added this position in FY08. However, in FY16 a new schedule was implemented in hopes of reducing staff. However, the new schedule has created more overtime for all ACO's. Reinstating the position allows for more flexibility within the department schedule and less over time worked by the current ACO's.
- ◆ The Fire and Rescue Association began billing for services towards the end of FY16. Due to the requirements of this billing, they requested an Administrative Assistant to assist with those duties, thereby allowing the volunteers to focus on running calls. This position will also allow better oversight and understanding of the operating cost needs of each department. This position will fall under the Department of Emergency Services. Further, the Training Coordinator of the Fire and Rescue Association is being moved from the F&R Association budget to the Department of Emergency Services and will report to the Director of EMS.
- ◆ Finally, this budget includes an additional maintenance technician for Parks and Recreation. Due to the number of fields at multiple park locations, which require maintenance, another position was requested.
- ◆ The adopted budget included a request from the Finance Department for a part time position. This position will assist with the answering of the County switchboard and greeting the public visiting the Administration building. The addition of this part time position will be an assistant to our single Payroll position. Continued increases in County staff, and in the Culpeper Department of Human Services, for which the County finance department also processes payroll, has created the need for additional payroll help.

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

Cash Management. Cash temporarily idle during the year, was invested in time deposits and various authorized money market instruments. The amount of interest received was \$55,684. This is an increase from interest earned on temporary investments in fiscal year 2015-2016 when the interest on investments totaled \$24,807.

OTHER INFORMATION

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

Independent Audit. The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements which have been complied with, and the auditor's opinion is included in this report.

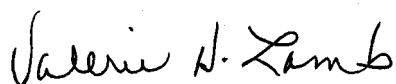
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year, which ended June 30, 2016. In order to receive the award of Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

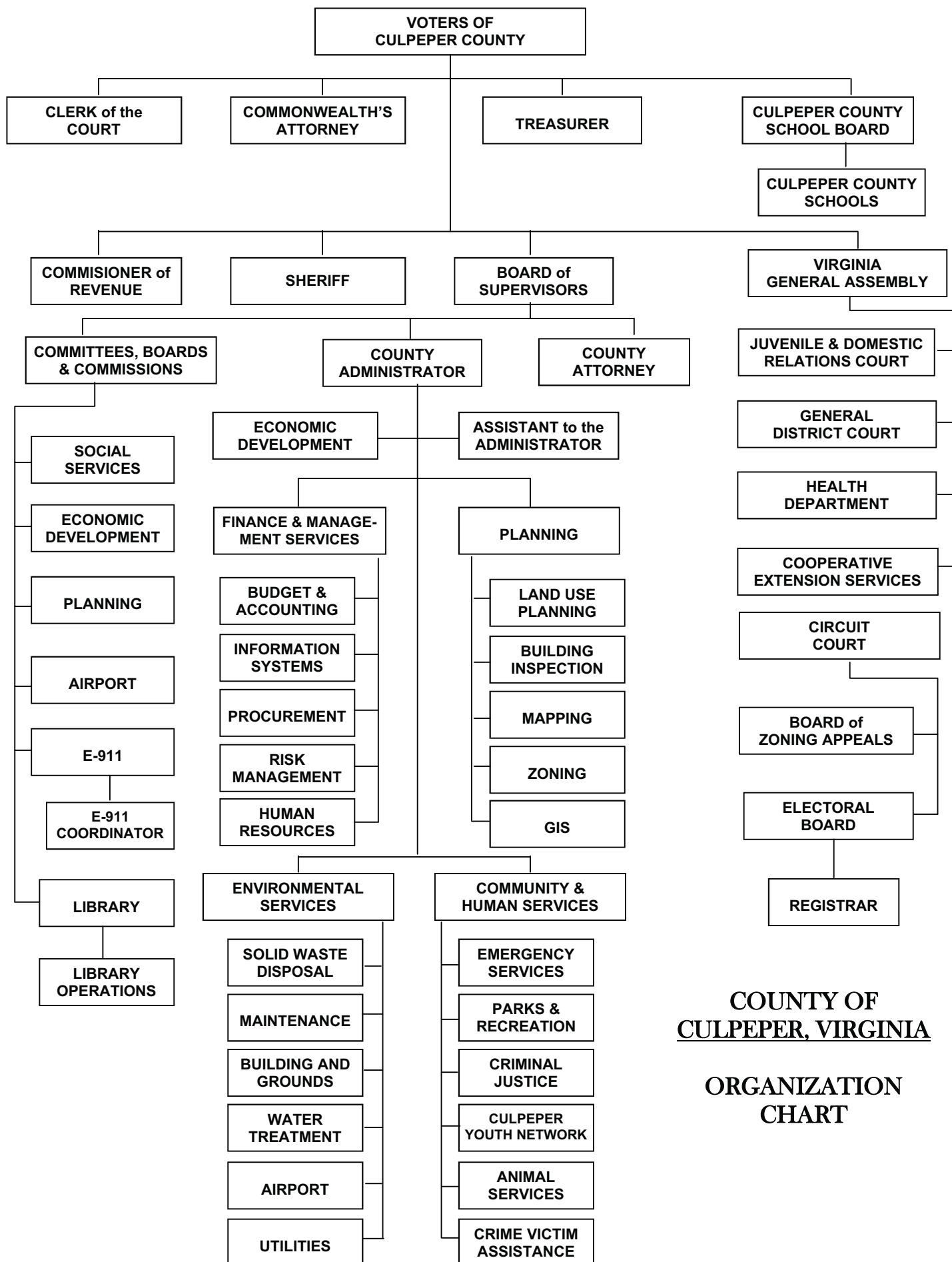


John C. Egertson
County Administrator



Valerie H. Lamb
Director of Finance

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**COUNTY OF
CULPEPER, VIRGINIA**

**ORGANIZATION
CHART**

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COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2017

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

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

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

CONSTITUTIONAL OFFICERS

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

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

ADMINISTRATIVE OFFICERS

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

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

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

Administrative Officers

Dr. Anthony S. Brads	Superintendent
Michelle Metzgar	Director of Personnel
Jeffrey R. Shomo	Executive Director of Business

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Government Finance Officers Association

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

Presented to

**County of Culpeper
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Culpeper, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 21, 2017

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

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$89,190,962 (net position). Of this amount, \$32,137,305 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,471,674 an increase of \$2,002,149 in comparison with the prior year. Approximately 81 percent of this amount, \$30,530,937, is available for spending at Culpeper, Virginia's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$30,530,937, or 34 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$89,190,962 at year-end.

The largest portion of the County's net position (64 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 42,274,016	\$ 42,907,084	\$ 1,883,594	\$ 2,734,258	\$ 44,157,610	\$ 45,641,342
Capital assets	105,612,894	112,719,243	39,125,533	39,859,416	144,738,427	152,578,659
Total assets	\$ 147,886,910	\$ 155,626,327	\$ 41,009,127	\$ 42,593,674	\$ 188,896,037	\$ 198,220,001
Deferred Outflows of Resources	\$ 3,539,661	\$ 2,118,281	\$ 107,265	\$ 54,948	\$ 3,646,926	\$ 2,173,229
Long-term liabilities outstanding	\$ 90,420,190	\$ 93,833,956	\$ 3,394,752	\$ 2,552,696	\$ 93,814,942	\$ 96,386,652
Current liabilities	9,069,470	12,320,015	148,728	1,253,965	9,218,198	13,573,980
Total liabilities	\$ 99,489,660	\$ 106,153,971	\$ 3,543,480	\$ 3,806,661	\$ 103,033,140	\$ 109,960,632
Deferred Inflows of Resources	\$ 310,286	\$ 1,453,571	\$ 8,575	\$ 30,418	\$ 318,861	\$ 1,483,989
Net Position:						
Invested in capital assets						
Net investment in capital assets	\$ 20,476,394	\$ 21,001,499	\$ 36,577,263	\$ 38,066,796	\$ 57,053,657	\$ 59,068,295
Unrestricted	31,150,231	29,135,567	987,074	744,747	32,137,305	29,880,314
Total Net Position	\$ 51,626,625	\$ 50,137,066	\$ 37,564,337	\$ 38,811,543	\$ 89,190,962	\$ 88,948,609

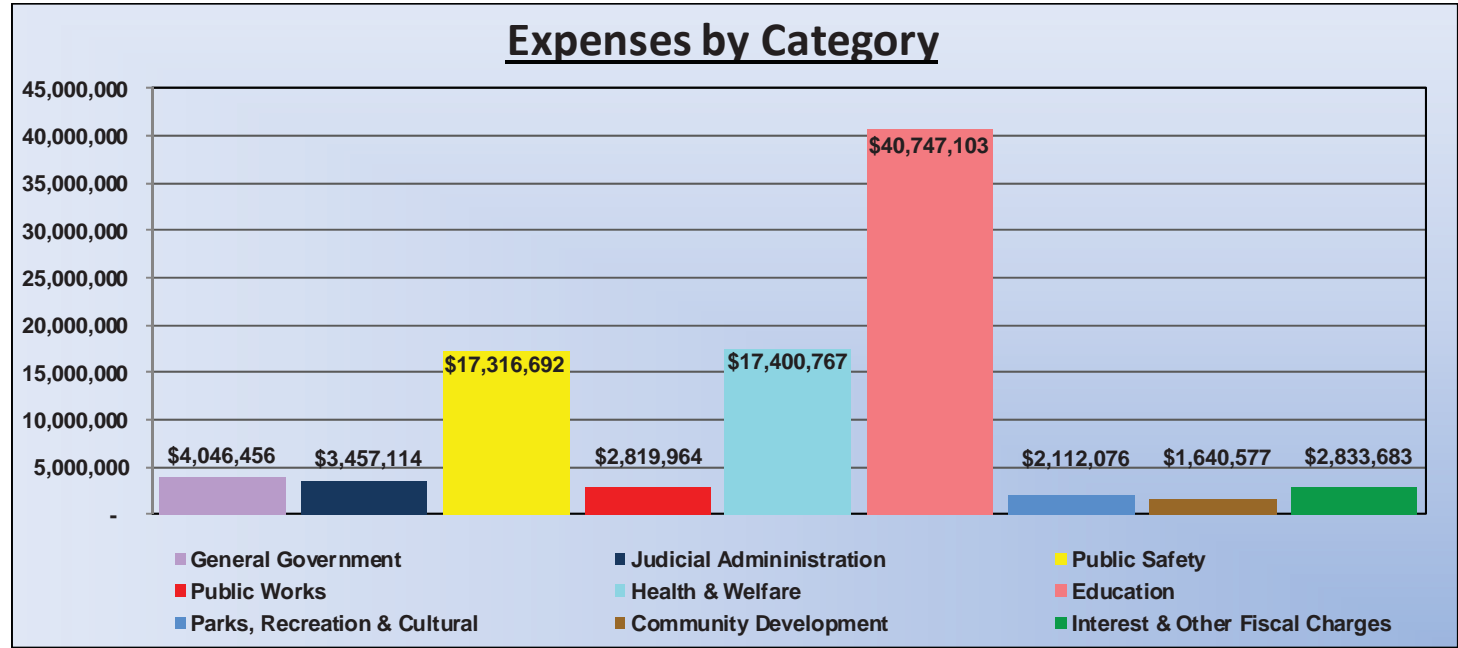
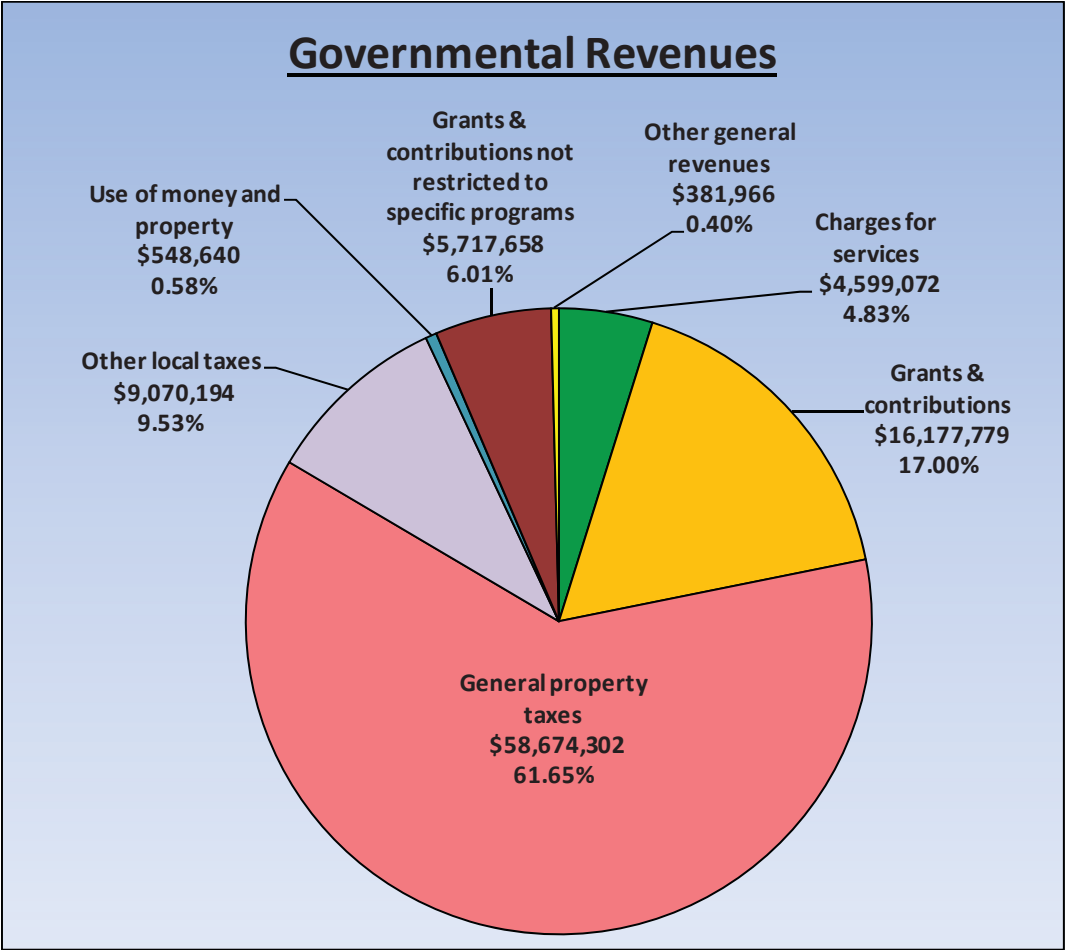
Overview of the Financial Statements: (Continued)

Governmental Activities - Governmental activities increased the County's net position by \$1,489,559 and the Business-type activities decreased \$1,247,206. Key elements of the changes in net position are as follows:

Changes in Net Position For the Years Ended June 30, 2015 and 2014						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 4,599,072	\$ 4,336,848	\$ 3,727,701	\$ 3,225,760	\$ 8,326,773	\$ 7,562,608
Operating grants and contributions	15,969,775	17,701,708	36,887	26,400	16,006,662	17,728,108
Capital grants and contributions	208,004	1,075,856	473,031	1,617,157	681,035	2,693,013
General revenues:						
General property taxes	58,674,302	56,828,062	-	-	58,674,302	56,828,062
Other local taxes	9,070,194	8,242,421	-	-	9,070,194	8,242,421
Use of money and property	548,640	511,220	7,852	3,213	556,492	514,433
C/VA non-categorical aid	5,717,658	5,688,086	-	-	5,717,658	5,688,086
Other general revenues	381,966	828,463	-	-	381,966	828,463
Total revenues	\$ 95,169,611	\$ 95,212,664	\$ 4,245,471	\$ 4,872,530	\$ 99,415,082	\$ 100,085,194
Expenses:						
General government administration	\$ 4,046,456	\$ 4,547,939	\$ -	\$ -	\$ 4,046,456	\$ 4,547,939
Judicial administration	3,457,114	3,344,654	-	-	3,457,114	3,344,654
Public safety	17,316,692	17,603,365	-	-	17,316,692	17,603,365
Public works	2,819,964	5,880,173	-	-	2,819,964	5,880,173
Health and welfare	17,400,767	16,346,871	-	-	17,400,767	16,346,871
Education	40,747,103	33,452,127	-	-	40,747,103	33,452,127
Parks, recreation, and cultural	2,112,076	1,974,084	-	-	2,112,076	1,974,084
Community development	1,640,577	1,994,738	-	-	1,640,577	1,994,738
Interest and other fiscal charges	2,833,683	3,078,129	-	-	2,833,683	3,078,129
Landfill	-	-	2,844,365	2,405,621	2,844,365	2,405,621
Water and Sewer	-	-	1,354,845	3,616,354	1,354,845	3,616,354
Airport	-	-	1,765,017	1,626,017	1,765,017	1,626,017
Water and Sewer Authority	-	-	834,070	901,092	834,070	901,092
Total expenses	\$ 92,374,432	\$ 88,222,080	\$ 6,798,297	\$ 8,549,084	\$ 99,172,729	\$ 96,771,164
Increase(decrease) in net position before transfers	\$ 2,795,179	\$ 6,990,584	\$ (2,552,826)	\$ (3,676,554)	\$ 242,353	\$ 3,314,030
Transfers	(1,305,620)	(2,651,275)	1,305,620	2,651,275	-	-
Increase in net position	\$ 1,489,559	\$ 4,339,309	\$ (1,247,206)	\$ (1,025,279)	\$ 242,353	\$ 3,314,030
Net position, beginning of year	50,137,066	45,797,757	38,811,543	39,836,822	88,948,609	85,634,579
Net position, end of year	\$ 51,626,625	\$ 50,137,066	\$ 37,564,337	\$ 38,811,543	\$ 89,190,962	\$ 88,948,609

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

Overview of the Financial Statements: (Continued)



Total government spending increased in FY17 from FY16 by approximately \$700K. General Government expenditures decreased by approximately \$600K; Public Safety expenditures increased by \$700K; Public Works expenditures decreased by approximately \$2.9M; Health and welfare expenditures decreased by approximately \$300K; expenditures for Education increased by \$3.0M; Parks and Recreation expenditures decreased by approximately \$400K; expenditures in the Community Development area increased by \$400K, and, debt service decreased by approximately \$100K.

Overview of the Financial Statements: (Continued)

Business-Type Activities - Business-type activities decreased the County's net position by \$1,247,206. Key elements of this decrease are as follows:

- Transfers in to Business-type activities decreased from FY16 by \$1,345,655, and capital contributions and construction grants also decreased by \$1,144,126. These items along with a continuing loss of approximately \$2.95 vs. \$3.85M in FY2016, continued the decrease in net position.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,471,674, an increase of \$2,002,149 in comparison with the prior year. Approximately 81 percent of this total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$30,530,937, while total fund balance reached \$32,730,648, an increase from the prior year of \$142,075. Key factors in the net increase are as follows:

- \$2.43M decrease in transfer of funds out; the primary transfer was to the County Capital Improvements Fund for "pay as we go" capital funding.

The County's Capital Projects Fund balance increased by \$1,860,074 during FY17; the Capital Projects Fund had revenues of \$4,905,469, which included a transfer from the General Fund of \$4,678,875, while it expended \$3,045,395, \$4,089,947 less than FY16 in various projects from the prior year. Expenditures for capital projects were as follows:

1. New radio system, \$933,401;
2. Contribution to Fire & Rescue Assn for capital needs, \$231,957;
3. New generator at the Jail, \$32,397;
4. Addition of Human Resources Dept. for records management process, \$19,079;
5. Aerial photos of county, \$26,950;
6. Continuation of IT upgrades, \$9,005;
7. Carver Center projects, \$485,980;
8. Purchase of 130 W. Cameron St. from the Town \$56,446;
9. Wolford Street Improvements \$98,526;
10. Secondary road plan \$999,500;
11. Other general government projects \$152,154.

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

Net position of the Airport Fund at the end of the year was \$10,172,107, a decrease from the prior year of \$276,677. Revenues decreased from FY16 by \$984,830, but expenses also decreased by \$139,000. Further in FY17, the General Fund did not support the Airport as it did in FY16 with a transfer in of \$69,612.

Financial Analysis of the County's Funds: (Continued)

Net position of the Landfill Fund totaled \$4,381,270, an increase from prior the year of \$239,338. Revenues increased over the prior year by \$367,846, and expenses also increased by \$438,744. The General Fund transfer into the Landfill Fund increased in FY17 by \$77,519 over FY16.

The Water and Sewer Fund net position decreased by \$376,397 for the year ending June 30, 2017 and totaled \$2,043,230. The primary reason for the decrease was a reduction in the General Fund transfers into the Water and Sewer Fund of \$1,763,466 for capital projects.

During 2005, the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County, which we call Clevenger's Corner. At June 30, 2017, net position totaled \$20,967,730.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$2,090,154 and can be briefly summarized as follows:

- \$32,225 in Electoral Board;
- \$52,147 in Clerk of the Court;
- \$95,168 in Public safety;
- \$77,966 in Animal Services;
- \$33,918 in Emergency Services;
- \$188,777 in Buildings & Grounds;
- \$108,869 in Parks & Recreation;
- \$45,552 in Library;
- \$85,625 in Planning and Zoning;
- \$1,239,508 in Social Services (health/welfare); and
- \$130,399 in other

Of this increase, \$1,560,087 was funded from intergovernmental revenues. The remaining \$530,067 was funded from available fund balance.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$144,738,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$80,587,922. Of this amount, \$80,587,922 represents debt backed by the full faith and credit of the County.

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

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

Economic Factors and Next Year's Budget and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. The FY18 budget continued with our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a merit increase for performance, based upon annual evaluation results.

Included in the FY18 adopted budget were six (6) new full time positions and one new part time position.

- There is a position in the County Administration budget which created a Grant Writer/Special Projects Manager. Due to the increase of departments trying to find grants for the efficient operation of government functions, a full time grant writer/special projects manager will greatly benefit the County.
- The Commonwealth's Attorney requested a new deputy Commonwealth Attorney. This position is to be 100% locally funded. The request stemmed from the increase in cases, which must be prosecuted. The last attorney position added in this department was in FY08.
- There is one new SRO (School Resource Officer) requested by the Sheriff in his Law Enforcement budget. The addition of this SRO would allow for one SRO on each school campus.
- The Animal Services Department requested to reinstate one new Animal Control Officer. The department added this position in FY08. However, in FY16 a new schedule was implemented in hopes of reducing staff. However, the new schedule has created more overtime for all ACO's. Reinstating the position allows for more flexibility within the department schedule and less over time worked by the current ACO's.
- The Fire and Rescue Association began billing for services towards the end of FY16. Due to the requirements of this billing, they requested an Administrative Assistant to assist with those duties, thereby allowing the volunteers to focus on running calls. This position will also allow better oversight and understanding of the operating cost needs of each department. This position will fall under the Department of Emergency Services. Further, the Training Coordinator of the Fire and Rescue Association is being moved from the F&R Association budget to the Department of Emergency Services and will report to the Director of EMS.
- Finally, this budget includes an additional maintenance technician for Parks and Recreation. Due to the number of fields at multiple park locations, which require maintenance, another position was requested.
- The adopted budget included a request from the Finance Department for a part time position. This position will assist with the answering of the County switchboard and greeting the public visiting the Administration building. The addition of this part time position will be an assistant to our single Payroll position. Continued increases in County staff, and in the Culpeper Department of Human Services, for which the County finance department also processes payroll, has created the need for additional payroll help.

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

The FY18 budget submission included a general reassessment. Due to that recent general reassessment, the total value of real property, excluding additional assessments due to new construction or improvements to property, increased from last year's total assessed value by 8.20% percent.

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

The assessment increase required an adjusted tax rate to offset the increased assessment. This resulted in a need to adjust the General fund real estate tax rate to achieve an equalization rate of \$.61 from the prior rate of \$.66. The FY18 adopted budget maintained the current real estate tax rate at the equalized rate of \$0.61 per \$100 of assessed value. The assessment increase also required an adjusted tax rate for the Fire & Rescue levy. The equalized rate for the Fire & Rescue levy was \$.06 per \$100 of assessed value from the prior rate of \$.07 per \$100 of assessed value and the adopted budget maintained the equalized rate. As such, the overall adopted tax rate was adopted at a reduced rate of 0.67 down from 0.73.

The adopted budget also maintained the current personal property tax rates of:

- \$1.50 per \$100 of assessed value for recreational personal property;
- \$1.00 per \$100 of assessed value for Passenger Carrier vehicles (30 or more passengers);
- \$.0001 per \$100 of assessed value for airplanes;
- \$3.50 per \$100 of assessed value for all other personal property; and
- \$2.00 per \$100 of assessed value for Machinery & tools.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2017

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 30,280,050	\$ 5,687,875	\$ 35,967,925	\$ 5,150,544	\$ 94,857
Receivables (net of allowance for uncollectibles):					
Property taxes	2,601,363	-	2,601,363	-	-
Accounts receivable	870,833	459,956	1,330,789	241,058	-
Prepaid items	-	-	-	454,251	-
Inventory	-	54,455	54,455	-	-
Due from primary government	-	-	-	1,459,591	-
Internal balances	4,318,692	(4,318,692)	-	-	-
Due from other governments	4,203,078	-	4,203,078	2,202,297	-
Total Current Assets	\$ 42,274,016	\$ 1,883,594	\$ 44,157,610	\$ 9,507,741	\$ 94,857
Noncurrent Assets					
Net pension asset	\$ -	\$ -	\$ -	\$ 466,623	\$ -
Capital assets (net of depreciation):					
Land and land improvements	\$ 10,428,807	\$ 2,955,371	\$ 13,384,178	\$ 2,500,050	\$ -
Construction in progress	3,584,654	496,605	4,081,259	3,350,207	-
Buildings and improvements	26,455,982	35,298,742	61,754,724	2,547,668	-
Equipment	1,978,113	374,815	2,352,928	3,263,557	-
Jointly owned assets	63,165,338	-	63,165,338	39,808,304	-
Total Capital Assets	\$ 105,612,894	\$ 39,125,533	\$ 144,738,427	\$ 51,469,786	\$ -
Total Assets	\$ 147,886,910	\$ 41,009,127	\$ 188,896,037	\$ 61,444,150	\$ 94,857
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 373,973	\$ -	\$ 373,973	\$ -	\$ -
Pension deferrals	3,165,688	107,265	3,272,953	12,765,051	-
Total Deferred Outflows of Resources	\$ 3,539,661	\$ 107,265	\$ 3,646,926	\$ 12,765,051	\$ -
Total Assets and Deferred Outflows of Resources	\$ 151,426,571	\$ 41,116,392	\$ 192,542,963	\$ 74,209,201	\$ 94,857
LIABILITIES					
Current Liabilities					
Accounts payable and other current liabilities	\$ 340,287	\$ 62,266	\$ 402,553	\$ 4,482,230	\$ -
Amounts held for others	247,054	-	247,054	-	-
Due to component unit	1,459,591	-	1,459,591	-	-
Accrued interest payable	671,674	3,177	674,851	-	-
Current portion of long-term obligations	6,350,864	83,285	6,434,149	106,709	-
Total Current Liabilities	\$ 9,069,470	\$ 148,728	\$ 9,218,198	\$ 4,588,939	\$ -
Noncurrent Liabilities					
Net pension liability	\$ 8,619,079	\$ 279,558	\$ 8,898,637	\$ 77,450,000	\$ -
Noncurrent portion of long-term obligations	81,801,111	3,115,194	84,916,305	1,687,378	-
Total Noncurrent Liabilities	\$ 90,420,190	\$ 3,394,752	\$ 93,814,942	\$ 79,137,378	\$ -
Total Liabilities	\$ 99,489,660	\$ 3,543,480	\$ 103,033,140	\$ 83,726,317	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues - taxes	\$ 206,708	\$ -	\$ 206,708	\$ -	\$ -
Items related to measurement of net pension liability	103,578	8,575	112,153	3,934,282	-
Total deferred inflows of resources	\$ 310,286	\$ 8,575	\$ 318,861	\$ 3,934,282	\$ -
NET POSITION					
Net investment in capital assets	\$ 20,476,394	\$ 36,577,263	\$ 57,053,657	\$ 51,469,786	\$ -
Unrestricted	31,150,231	987,074	32,137,305	(64,921,184)	94,857
Total Net Position	\$ 51,626,625	\$ 37,564,337	\$ 89,190,962	\$ (13,451,398)	\$ 94,857
Total Liabilities, Deferred inflows of resources and Net Position	\$ 151,426,571	\$ 41,116,392	\$ 192,542,963	\$ 74,209,201	\$ 94,857

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

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,046,456	\$ -	\$ 338,893	\$ -
Judicial administration	3,457,114	245,394	738,963	-
Public safety	17,316,692	1,760,350	3,636,924	107,847
Public works	2,819,964	-	-	100,157
Health and welfare	17,400,767	2,372,851	11,101,707	-
Education	40,747,103	-	-	-
Parks, recreation, and cultural	2,112,076	216,603	153,288	-
Community development	1,640,577	3,874	-	-
Interest on long-term debt	2,833,683	-	-	-
Total governmental activities	\$ 92,374,432	\$ 4,599,072	\$ 15,969,775	\$ 208,004
Business-type activities:				
Landfill	\$ 2,844,365	\$ 1,975,783	\$ -	\$ -
Water and sewer	1,354,845	773,496	-	-
Airport	1,765,017	978,422	36,887	473,031
Water and sewer authority	834,070	-	-	-
Total business-type activities	\$ 6,798,297	\$ 3,727,701	\$ 36,887	\$ 473,031
Total primary government	\$ 99,172,729	\$ 8,326,773	\$ 16,006,662	\$ 681,035
COMPONENT UNITS:				
School Board	\$ 85,046,567	\$ 1,558,903	\$ 50,908,547	\$ 8,174,994
Culpeper County EDA	300,250	86,680	-	-
Total component units	\$ 85,346,817	\$ 1,645,583	\$ 50,908,547	\$ 8,174,994
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
County contribution to EDA				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
\$ (3,707,563)	\$ -	\$ (3,707,563)	\$ -	\$ -
(2,472,757)	-	(2,472,757)	-	-
(11,811,571)	-	(11,811,571)	-	-
(2,719,807)	-	(2,719,807)	-	-
(3,926,209)	-	(3,926,209)	-	-
(40,747,103)	-	(40,747,103)	-	-
(1,742,185)	-	(1,742,185)	-	-
(1,636,703)	-	(1,636,703)	-	-
(2,833,683)	-	(2,833,683)	-	-
<u>\$ (71,597,581)</u>	<u>\$ -</u>	<u>\$ (71,597,581)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (868,582)	\$ (868,582)	\$ -	\$ -
-	(581,349)	(581,349)	-	-
-	(276,677)	(276,677)	-	-
-	(834,070)	(834,070)	-	-
<u>\$ -</u>	<u>\$ (2,560,678)</u>	<u>\$ (2,560,678)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (71,597,581)</u>	<u>\$ (2,560,678)</u>	<u>\$ (74,158,259)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (24,404,123)	\$ -
-	-	-	-	(213,570)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,404,123)</u>	<u>\$ (213,570)</u>
\$ 58,674,302	\$ -	\$ 58,674,302	\$ -	\$ -
6,561,608	-	6,561,608	-	-
799,701	-	799,701	-	-
885,276	-	885,276	-	-
804,588	-	804,588	-	-
19,021	-	19,021	-	-
-	-	-	30,761,590	-
-	-	-	-	301,744
548,640	7,852	556,492	144,006	-
381,966	-	381,966	1,783,357	-
5,717,658	-	5,717,658	-	-
(1,305,620)	1,305,620	-	-	-
<u>\$ 73,087,140</u>	<u>\$ 1,313,472</u>	<u>\$ 74,400,612</u>	<u>\$ 32,688,953</u>	<u>\$ 301,744</u>
\$ 1,489,559	\$ (1,247,206)	\$ 242,353	\$ 8,284,830	\$ 88,174
50,137,066	38,811,543	88,948,609	(21,736,228)	6,683
<u>\$ 51,626,625</u>	<u>\$ 37,564,337</u>	<u>\$ 89,190,962</u>	<u>\$ (13,451,398)</u>	<u>\$ 94,857</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2017

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 25,024,699	\$ 4,749,268	\$ 29,773,967
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	2,601,363	-	2,601,363
Accounts	870,833	-	870,833
Due from other funds	4,318,692	-	4,318,692
Due from other governmental units	4,189,773	13,305	4,203,078
Total assets	<u>\$ 37,005,360</u>	<u>\$ 4,762,573</u>	<u>\$ 41,767,933</u>
LIABILITIES			
Accounts payable	\$ 245,915	\$ 21,547	\$ 267,462
Unearned revenue	72,825	-	72,825
Amounts held for others	247,054	-	247,054
Due to component unit	1,459,591	-	1,459,591
Total liabilities	<u>\$ 2,025,385</u>	<u>\$ 21,547</u>	<u>\$ 2,046,932</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	\$ 2,249,327	\$ -	\$ 2,249,327
FUND BALANCES			
Restricted	\$ 110,427	\$ -	\$ 110,427
Committed	1,860,834	4,741,026	6,601,860
Assigned	228,450	-	228,450
Unassigned	30,530,937	-	30,530,937
Total fund balances	<u>\$ 32,730,648</u>	<u>\$ 4,741,026</u>	<u>\$ 37,471,674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,005,360</u>	<u>\$ 4,762,573</u>	

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the County as a whole.

105,612,894

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(671,674)

Internal service funds are used by the County to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are:

506,083

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

Unavailable revenue - property taxes

2,042,619

Deferred inflows related to measurement of net pension liability

(103,578)

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

3,165,688

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term-are reported in the Statement of Net Position.

(96,397,081)

Net position of General Governmental Activities

\$ 51,626,625

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

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2017

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 59,087,406	\$ -	\$ 59,087,406
Other local taxes	9,070,194	-	9,070,194
Permits, privilege fees and regulatory licenses	963,959	-	963,959
Fines and forfeitures	42,749	-	42,749
Revenue from use of money and property	532,550	16,090	548,640
Charges for services	3,592,364	-	3,592,364
Miscellaneous	379,466	2,500	381,966
Recovered costs	350,621	-	350,621
Intergovernmental:			
Commonwealth	14,763,599	100,157	14,863,756
Federal	6,923,834	107,847	7,031,681
Total revenues	\$ 95,706,742	\$ 226,594	\$ 95,933,336
Expenditures:			
Current:			
General government administration	\$ 4,284,201	\$ 55,219	\$ 4,339,420
Judicial administration	3,371,500	-	3,371,500
Public safety	17,290,450	1,197,755	18,488,205
Public works	1,302,334	1,642,919	2,945,253
Health and welfare	17,721,868	107,847	17,829,715
Education	32,757,601	-	32,757,601
Parks, recreation, and cultural	1,920,015	41,655	1,961,670
Community development	1,634,352	-	1,634,352
Debt service:			
Principal retirement	6,122,712	-	6,122,712
Interest and other fiscal charges	3,175,139	-	3,175,139
Total expenditures	\$ 89,580,172	\$ 3,045,395	\$ 92,625,567
Excess (deficiency) of revenues over (under) expenditures	\$ 6,126,570	\$ (2,818,801)	\$ 3,307,769
Other financing sources (uses):			
Transfers in	\$ -	\$ 4,678,875	\$ 4,678,875
Transfers (out)	(5,984,495)	-	(5,984,495)
Total other financing sources (uses)	\$ (5,984,495)	\$ 4,678,875	\$ (1,305,620)
Changes in fund balances	\$ 142,075	\$ 1,860,074	\$ 2,002,149
Fund balances at beginning of year	32,588,573	2,880,952	35,469,525
Fund balances at end of year	\$ 32,730,648	\$ 4,741,026	\$ 37,471,674

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

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

		Primary Government Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	2,002,149
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period:		
Capital outlays	\$	2,742,982
Depreciation expense		(3,576,837)
		(833,855)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.		(1,500)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(6,270,994)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue - property taxes	\$	(413,104)
Increase (decrease) in deferred inflows related to the measurement of the net pension liability		1,203,967
		790,863
Internal service funds are used by the County to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities.		416,300
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:		
Principal retired on long-term debt	\$	6,316,383
Amortization of premium on bonds issued		315,062
Amortization of deferred charge on refunding		(50,201)
		6,581,244
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$	(112,767)
Change in net OPEB obligation		(59,000)
Decrease (increase) in net pension liability		(2,571,057)
Decrease (increase) in deferred outflows related to pensions subsequent to the measurement date		1,471,581
Change in accrued interest payable		76,595
		(1,194,648)
Change in net position of governmental activities	\$	1,489,559

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

Statement of Net Position
Proprietary Funds
At June 30, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,384,270	\$ -	\$ -	\$ 1,303,605	\$ 5,687,875	\$ 506,083
Receivables (net of allowance for uncollectibles):						
Accounts receivable	221,929	139,483	98,544	-	459,956	-
Due from other funds	-	61,455	-	-	61,455	-
Inventory	-	-	54,455	-	54,455	-
Total Current Assets	\$ 4,606,199	\$ 200,938	\$ 152,999	\$ 1,303,605	\$ 6,263,741	\$ 506,083
Noncurrent Assets						
Capital assets (net of depreciation):						
Land	\$ 401,073	\$ 235,200	\$ 849,978	\$ 1,469,120	\$ 2,955,371	\$ -
Construction in progress	-	84,216	412,389	-	496,605	-
Buildings and improvements	6,193	1,583,922	12,752,167	20,956,460	35,298,742	-
Equipment	18,640	82,272	273,903	-	374,815	-
Total Capital Assets	\$ 425,906	\$ 1,985,610	\$ 14,288,437	\$ 22,425,580	\$ 39,125,533	\$ -
Total Assets	\$ 5,032,105	\$ 2,186,548	\$ 14,441,436	\$ 23,729,185	\$ 45,389,274	\$ 506,083
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	\$ 38,773	\$ 45,159	\$ 23,333	\$ -	\$ 107,265	\$ -
Total assets and deferred outflows of resources	\$ 5,070,878	\$ 2,231,707	\$ 14,464,769	\$ 23,729,185	\$ 45,496,539	\$ 506,083
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	\$ 2,682	\$ 14,606	\$ 44,978	\$ -	\$ 62,266	\$ -
Accrued Interest payable	-	-	3,177	-	3,177	-
Due to other funds	-	-	1,618,692	2,761,455	4,380,147	-
Current portion of long-term obligations	42,315	3,288	37,682	-	83,285	-
Total Current Liabilities	\$ 44,997	\$ 17,894	\$ 1,704,529	\$ 2,761,455	\$ 4,528,875	\$ -
Noncurrent Liabilities						
Net pension liability	\$ 85,042	\$ 134,111	\$ 60,405	\$ -	\$ 279,558	\$ -
Noncurrent portion of long-term obligations	558,600	29,595	2,526,999	-	3,115,194	-
Total Noncurrent Liabilities	\$ 643,642	\$ 163,706	\$ 2,587,404	\$ -	\$ 3,394,752	\$ -
Total Liabilities	\$ 688,639	\$ 181,600	\$ 4,291,933	\$ 2,761,455	\$ 7,923,627	\$ -
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	\$ 969	\$ 6,877	\$ 729	\$ -	\$ 8,575	\$ -
NET POSITION						
Net investment in capital assets	\$ 425,906	\$ 1,985,610	\$ 11,740,167	\$ 22,425,580	\$ 36,577,263	\$ -
Unrestricted (deficit)	3,955,364	57,620	(1,568,060)	(1,457,850)	987,074	506,083
Total Net Position	\$ 4,381,270	\$ 2,043,230	\$ 10,172,107	\$ 20,967,730	\$ 37,564,337	\$ 506,083
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,070,878	\$ 2,231,707	\$ 14,464,769	\$ 23,729,185	\$ 45,496,539	\$ 506,083

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

Statement of Revenues, Expenses and Changes in Net Position --
 Proprietary Funds
 Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
Operating revenues:						
Charges for services	\$ 1,975,783	\$ 773,496	\$ 978,422	\$ -	\$ 3,727,701	\$ 2,492,424
Maintenance grants	-	-	36,887	-	36,887	-
Total operating revenues	\$ 1,975,783	\$ 773,496	\$ 1,015,309	\$ -	\$ 3,764,588	\$ 2,492,424
Operating expenses:						
Personal services	\$ 226,376	\$ 382,434	\$ 206,970	\$ -	\$ 815,780	\$ -
Fringe benefits	67,974	84,460	46,091	-	198,525	2,076,124
Contractual services	2,473,715	149,532	172,353	-	2,795,600	-
Other charges	69,647	636,584	414,436	207,967	1,328,634	-
Depreciation	6,653	101,835	836,913	626,103	1,571,504	-
Total operating expenses	\$ 2,844,365	\$ 1,354,845	\$ 1,676,763	\$ 834,070	\$ 6,710,043	\$ 2,076,124
Operating income (loss)	\$ (868,582)	\$ (581,349)	\$ (661,454)	\$ (834,070)	\$ (2,945,455)	\$ 416,300
Nonoperating revenues (expenses):						
Interest income	\$ 7,252	\$ -	\$ -	\$ 600	\$ 7,852	\$ -
(Loss) on disposal of assets	-	-	-	-	-	-
Interest expense	-	-	(88,254)	-	(88,254)	-
Total nonoperating revenues (expenses)	\$ 7,252	\$ -	\$ (88,254)	\$ 600	\$ (80,402)	\$ -
Income (loss) before contributions and transfers	\$ (861,330)	\$ (581,349)	\$ (749,708)	\$ (833,470)	\$ (3,025,857)	\$ 416,300
Capital contributions and construction grants	\$ -	\$ -	\$ 473,031	\$ -	\$ 473,031	\$ -
Transfers:						
Transfers in	\$ 1,100,668	\$ 204,952	\$ -	\$ -	\$ 1,305,620	\$ -
Total transfers	\$ 1,100,668	\$ 204,952	\$ -	\$ -	\$ 1,305,620	\$ -
Change in net position	\$ 239,338	\$ (376,397)	\$ (276,677)	\$ (833,470)	\$ (1,247,206)	\$ 416,300
Net position at beginning of year	4,141,932	2,419,627	10,448,784	21,801,200	38,811,543	89,783
Net position at end of year	\$ 4,381,270	\$ 2,043,230	\$ 10,172,107	\$ 20,967,730	\$ 37,564,337	\$ 506,083

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

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,944,317	\$ 776,938	\$ 1,027,785	\$ -	\$ 3,749,040	\$ -
Receipts from insured	-	-	-	-	-	2,492,424
Payments to suppliers	(2,578,825)	(852,333)	(1,611,040)	(207,967)	(5,250,165)	(2,076,124)
Payments to employees	(284,577)	(454,954)	(252,018)	-	(991,549)	-
Net cash provided by (used for) operating activities	\$ (919,085)	\$ (530,349)	\$ (835,273)	\$ (207,967)	\$ (2,492,674)	\$ 416,300
Cash flows from capital and related financing activities:						
Purchases of capital assets	\$ -	\$ (19,393)	\$ (818,228)	\$ -	\$ (837,621)	\$ -
Capital grants and contributions	-	-	1,331,866	-	1,331,866	-
Issuance of long-term debt	-	-	846,555	-	846,555	-
Interest expense	-	-	(85,077)	-	(85,077)	-
Retirement of indebtedness	-	-	(90,905)	-	(90,905)	-
Net cash provided by (used for) capital and related financing activities	\$ -	\$ (19,393)	\$ 1,184,211	\$ -	\$ 1,164,818	\$ -
Cash flows from noncapital financing activities:						
Transfers in	\$ 1,100,668	\$ 204,952	\$ -	\$ -	\$ 1,305,620	\$ -
Increase(decrease) in due to/from other funds	-	344,790	(348,938)	(344,790)	(348,938)	-
Net cash provided by (used for) noncapital financing activities	\$ 1,100,668	\$ 549,742	\$ (348,938)	\$ (344,790)	\$ 956,682	\$ -
Cash flows from investing activities:						
Interest income	\$ 7,252	\$ -	\$ -	\$ 600	\$ 7,852	\$ -
Increase (decrease) in cash and cash equivalents	\$ 188,835	\$ -	\$ -	\$ (552,157)	\$ (363,322)	\$ 416,300
Cash and cash equivalents at beginning of year	4,195,435	-	-	1,855,762	6,051,197	89,783
Cash and cash equivalents at end of year	\$ 4,384,270	\$ -	\$ -	\$ 1,303,605	\$ 5,687,875	\$ 506,083
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (868,582)	\$ (581,349)	\$ (661,454)	\$ (834,070)	\$ (2,945,455)	\$ 416,300
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation	\$ 6,653	\$ 101,835	\$ 836,913	\$ 626,103	\$ 1,571,504	\$ -
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(31,466)	3,442	12,476	-	(15,548)	-
(Increase) decrease in inventory	-	-	(7,007)	-	(7,007)	-
(Increase) decrease in deferred outflows of resources	(22,058)	(18,799)	(11,460)	-	(52,317)	-
Increase (decrease) in accounts payable	77	(66,217)	(1,017,244)	-	(1,083,384)	-
Increase (decrease) in deferred inflows of resources	(5,053)	(12,286)	(4,504)	-	(21,843)	-
Increase (decrease) in net pension liability	27,571	33,717	17,159	-	78,447	-
Increase (decrease) in compensated absences	9,313	9,308	(152)	-	18,469	-
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)	-
Total adjustments	\$ (50,503)	\$ 51,000	\$ (173,819)	\$ 626,103	\$ 452,781	\$ -
Net cash provided by (used for) operating activities	\$ (919,085)	\$ (530,349)	\$ (835,273)	\$ (207,967)	\$ (2,492,674)	\$ 416,300

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>408,335</u>
Total assets	\$ <u><u>408,335</u></u>
LIABILITIES	
Amounts held for others	\$ 273,183
Amounts held for inmates	64,452
Amounts held for social services clients	<u>70,700</u>
Total liabilities	\$ <u><u>408,335</u></u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements At June 30, 2017

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and its governing body is the same as the governing body of the Primary Government and there is a financial benefit relationship between the County and Authority. These are the basis for blending the component unit. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2017.

Discretely Presented Component Units - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Culpeper County Economic Development Authority was created by the Board of Supervisors to administer the issuance of economic development revenue bonds. The County appoints all members of Authority's Board of Directors. The primary funding is from the General Fund of the County. The Economic Development Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

Rappahannock-Rapidan Planning District Commission

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

Rappahannock-Rapidan Community Services Board

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

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

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

Enterprise Funds

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

The County reports the following major enterprise funds:

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

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

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

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

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

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

2. Proprietary Funds: (Continued)

Internal Service Funds

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Projects Fund, School Operating Fund, School Cafeteria Fund, and School Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

E. Cash and Cash Equivalents

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

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

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

F. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,406,267 at June 30, 2017, and is comprised solely of property taxes.

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

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

H. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2017 was immaterial.

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

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

I. Compensated Absences

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

J. Long-term Obligations

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

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

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

K. Fund Balances

Financial Policies

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

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

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

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

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

K. Fund Balances (Continued)

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

The following is detail of County's Fund Balances:

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ 454,251
Total Nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,251</u>
Restricted:				
School Athletic Programs	\$ 3,052	\$ -	\$ 3,052	\$ -
USDA Debt Service Reserve	14,543	-	14,543	-
Historic markers	521	-	521	-
School Capital Projects	4,724	-	4,724	-
Community Pool	1,131	-	1,131	-
Parks and Recreation Multi Use Trails	2,840	-	2,840	-
DSS Children's Programs	2,745	-	2,745	-
DSS Senior Citizen Programs	2,418	-	2,418	-
4th of July	346	-	346	-
Animal shelter	7,653	-	7,653	-
Drug forfeitures	70,454	-	70,454	-
Total Restricted	<u>\$ 110,427</u>	<u>\$ -</u>	<u>\$ 110,427</u>	<u>\$ -</u>
Committed:				
School Capital Projects	\$ 1,039,609	\$ -	\$ 1,039,609	\$ -
Library	224,802	-	224,802	-
Proffers	490,723	-	490,723	-
Lenn Park fees	21,060	-	21,060	-
Courthouse construction fees	84,640	-	84,640	-
Capital Projects	-	4,741,026	4,741,026	934,322
Total Committed	<u>\$ 1,860,834</u>	<u>\$ 4,741,026</u>	<u>\$ 6,601,860</u>	<u>\$ 934,322</u>
Assigned:				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Eurocomposites easement	7,500	-	7,500	-
E911	216,775	-	216,775	-
Cafeteria	-	-	-	2,461,749
Total Assigned	<u>\$ 228,450</u>	<u>\$ -</u>	<u>\$ 228,450</u>	<u>\$ 2,461,749</u>
Unassigned	<u>\$ 30,530,937</u>	<u>\$ -</u>	<u>\$ 30,530,937</u>	<u>\$ (454,251)</u>
Total Fund Balance	<u>\$ 32,730,648</u>	<u>\$ 4,741,026</u>	<u>\$ 37,471,674</u>	<u>\$ 3,396,071</u>

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

L. Use of Estimates

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

M. Net Position

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

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

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

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

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

O. Net Position Flow Assumption

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

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

P. Deferred Outflows/Inflows of Resources

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

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

Q. Pensions

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

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

Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAf
Local Government Investment Pool	\$ 7,330,482	\$ -
Virginia Investment Pool		2,000,209
Money Market Funds (SNAP)	109,014	-
Total	\$ <u>7,439,496</u>	\$ <u>2,000,209</u>
Investment maturities in years:		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 7,330,482	\$ 7,330,482
Virginia Investment Pool	2,000,209	2,000,209
Money Market Funds (SNAP)	109,014	109,014
Total	\$ <u>9,439,705</u>	\$ <u>9,439,705</u>

Redemption Restrictions: County is limited to two withdrawals per month.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities: (Continued)

Fair Value Measurements: Fair value of the Virginia Investment Pool is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above investments at the net asset value (NAV).

External Investment Pool:

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

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

Note 3—Due from Other Governments:

At June 30, 2017 the County and School Board have receivables from other governments as follows:

	Primary Government	Discretely Presented Component Unit School Board
Commonwealth of Virginia:		
Shared expenses	\$ 337,409	\$ -
State sales taxes	-	1,649,233
Local sales taxes	1,592,096	-
Communication taxes	315,704	-
Public assistance	220,358	-
Comprehensive services	694,871	-
Airport		
Miscellaneous	133,797	-
Federal Government:		
School funds	-	539,151
Public assistance	296,415	-
Headstart	587,473	-
Cafeteria	-	13,913
Miscellaneous	24,955	-
Total	\$ 4,203,078	\$ 2,202,297

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

Individual fund and interfund receivable and payable balances relating to working capital loans at June 30, 2017 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 4,318,692	\$ -
Water and Sewer Fund	61,455	-
Water and Sewer Authority	-	2,761,455
Airport	-	1,618,692
Total	<u>\$ 4,380,147</u>	<u>\$ 4,380,147</u>

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 1,459,591
School	1,459,591	-
Total	<u>\$ 1,459,591</u>	<u>\$ 1,459,591</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 5,984,495
Landfill Fund	1,100,668	-
Water & Sewer Fund	204,952	-
Capital Projects Fund	4,678,875	-
Airport Fund	-	-
Total	<u>\$ 5,984,495</u>	<u>\$ 5,984,495</u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,428,807	\$ -	\$ -	\$ 10,428,807
Construction in Progress	3,830,138	2,228,039	2,473,523	3,584,654
Construction in Progress-jointly owned assets	19,877,550	-	19,877,550	-
Total capital assets not being depreciated	<u>\$ 34,136,495</u>	<u>\$ 2,228,039</u>	<u>\$ 22,351,073</u>	<u>\$ 14,013,461</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,459,921	\$ 2,473,523	\$ -	\$ 38,933,444
Equipment	10,398,824	514,943	338,394	10,575,373
Jointly owned assets	61,897,332	19,877,550	7,923,841	73,851,041
Total capital assets being depreciated	<u>\$ 108,756,077</u>	<u>\$ 22,866,016</u>	<u>\$ 8,262,235</u>	<u>\$ 123,359,858</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 11,339,330	\$ 1,138,132	\$ -	\$ 12,477,462
Equipment	8,213,957	720,197	336,894	8,597,260
Jointly owned assets	10,620,042	1,718,508	1,652,847	10,685,703
Total accumulated depreciation	<u>\$ 30,173,329</u>	<u>\$ 3,576,837</u>	<u>\$ 1,989,741</u>	<u>\$ 31,760,425</u>
Total capital assets being depreciated, net	<u>\$ 78,582,748</u>	<u>\$ 19,289,179</u>	<u>\$ 6,272,494</u>	<u>\$ 91,599,433</u>
Governmental activities capital assets, net	<u>\$ 112,719,243</u>	<u>\$ 21,517,218</u>	<u>\$ 28,623,567</u>	<u>\$ 105,612,894</u>

The following is a summary of changes in construction in progress for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Galbreath Marshall improvements	\$ 1,805,221	\$ 668,302	\$ 2,473,523	\$ -
Laurel Valley bike trail project	4,605	-	-	4,605
Wachovia Bank renovation	1,520,420	2,358	-	1,522,778
130 W. Cameron	302,508	49,466	-	351,974
Radio system upgrade	88,860	933,401	-	1,022,261
Renovate old sheriff's office	108,524	-	-	108,524
Jail - New generator	-	32,397	-	32,397
Lenn Park improvements	-	3,695	-	3,695
Carver Center demolition	-	435,286	-	435,286
Carver Center upgrades	-	57,466	-	57,466
Pretrial office space	-	108	-	108
VBAF Piedmont abatement project	-	45,560	-	45,560
Total	<u>\$ 3,830,138</u>	<u>\$ 2,228,039</u>	<u>\$ 2,473,523</u>	<u>\$ 3,584,654</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities, Capital Assets:

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	78,366	5,850	-	84,216
Total capital assets not being depreciated	<u>\$ 313,566</u>	<u>\$ 5,850</u>	<u>\$ -</u>	<u>\$ 319,416</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,049,796	\$ -	\$ -	\$ 3,049,796
Equipment	462,017	13,543	-	475,560
Total capital assets being depreciated	<u>\$ 3,511,813</u>	<u>\$ 13,543</u>	<u>\$ -</u>	<u>\$ 3,525,356</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 1,387,888	\$ 77,986	\$ -	\$ 1,465,874
Equipment	369,439	23,849	-	393,288
Total accumulated depreciation	<u>\$ 1,757,327</u>	<u>\$ 101,835</u>	<u>\$ -</u>	<u>\$ 1,859,162</u>
Total capital assets being depreciated, net	<u>\$ 1,754,486</u>	<u>\$ (88,292)</u>	<u>\$ -</u>	<u>\$ 1,666,194</u>
Net capital assets	<u><u>\$ 2,068,052</u></u>	<u><u>\$ (82,442)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,985,610</u></u>
Landfill Fund:				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	290,758	-	-	290,758
Total capital assets being depreciated	<u>\$ 299,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,297</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,133	\$ 213	\$ -	\$ 2,346
Equipment	265,678	6,440	-	272,118
Total accumulated depreciation	<u>\$ 267,811</u>	<u>\$ 6,653</u>	<u>\$ -</u>	<u>\$ 274,464</u>
Total capital assets being depreciated, net	<u>\$ 31,486</u>	<u>\$ (6,653)</u>	<u>\$ -</u>	<u>\$ 24,833</u>
Net capital assets	<u><u>\$ 432,559</u></u>	<u><u>\$ (6,653)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 425,906</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities, Capital Assets: (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 516,929	\$ 333,049	\$ -	\$ 849,978
Construction in Progress	<u>5,043,360</u>	<u>360,473</u>	<u>4,991,444</u>	<u>412,389</u>
Total capital assets, not being depreciated	<u>\$ 5,560,289</u>	<u>\$ 693,522</u>	<u>\$ 4,991,444</u>	<u>\$ 1,262,367</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,659,361	\$ 4,892,438	\$ -	\$ 21,551,799
Equipment	<u>318,220</u>	<u>223,712</u>	<u>29,613</u>	<u>512,319</u>
Total capital assets being depreciated	<u>\$ 16,977,581</u>	<u>\$ 5,116,150</u>	<u>\$ 29,613</u>	<u>\$ 22,064,118</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 7,987,892	\$ 811,740	\$ -	\$ 8,799,632
Equipment	<u>242,856</u>	<u>25,173</u>	<u>29,613</u>	<u>238,416</u>
Total accumulated depreciation	<u>\$ 8,230,748</u>	<u>\$ 836,913</u>	<u>\$ 29,613</u>	<u>\$ 9,038,048</u>
Total capital assets being depreciated, net	<u>\$ 8,746,833</u>	<u>\$ 4,279,237</u>	<u>\$ -</u>	<u>\$ 13,026,070</u>
Net capital assets	<u><u>\$ 14,307,122</u></u>	<u><u>\$ 4,972,759</u></u>	<u><u>\$ 4,991,444</u></u>	<u><u>\$ 14,288,437</u></u>
Water and Sewer Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,026,130	\$ -	\$ -	\$ 25,026,130
Equipment	<u>17,983</u>	<u>-</u>	<u>-</u>	<u>17,983</u>
Total capital assets being depreciated	<u>\$ 25,044,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,044,113</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,443,567	\$ 626,103	\$ -	\$ 4,069,670
Equipment	<u>17,983</u>	<u>-</u>	<u>-</u>	<u>17,983</u>
Total accumulated depreciation	<u>\$ 3,461,550</u>	<u>\$ 626,103</u>	<u>\$ -</u>	<u>\$ 4,087,653</u>
Total capital assets being depreciated, net	<u>\$ 21,582,563</u>	<u>\$ (626,103)</u>	<u>\$ -</u>	<u>\$ 20,956,460</u>
Net capital assets	<u><u>\$ 23,051,683</u></u>	<u><u>\$ (626,103)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,425,580</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities, Capital Assets: (Continued)

The following is a summary of construction in progress changes for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Airport Fund:				
Hangar Sewer Line Extension	\$ 20,785	\$ -	\$ 20,785	\$ -
Hangar Design	158,575	-	158,575	-
Corporate/T-Hangar construction	4,471,332	262,531	4,733,863	-
Land acquisition - design	78,221	-	78,221	-
Apron Lighting-Taxiway/Apron	-	45,550	-	45,550
Hangar area pavement rehab	4,446	52,392	-	56,838
Airport terminal facility - design	310,001	-	-	310,001
Total	<u>\$ 5,043,360</u>	<u>\$ 360,473</u>	<u>\$ 4,991,444</u>	<u>\$ 412,389</u>
Water and Sewer Fund:				
Automated Meter Reading System	\$ 78,366	\$ 5,850	\$ -	\$ 84,216
Total	<u>\$ 78,366</u>	<u>\$ 5,850</u>	<u>\$ -</u>	<u>\$ 84,216</u>

Component Unit-School Board

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,972,726	327,173	-	2,299,899
Construction in progress	2,925,583	3,226,651	2,802,027	3,350,207
Total capital assets, not being depreciated	<u>\$ 5,098,460</u>	<u>\$ 3,553,824</u>	<u>\$ 2,802,027</u>	<u>\$ 5,850,257</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,702,947	\$ 1,692,173	\$ -	\$ 30,395,120
Equipment	12,167,762	1,772,862	198,974	13,741,650
Jointly owned assets	41,485,381	7,923,841	-	49,409,222
Total capital assets being depreciated	<u>\$ 82,356,090</u>	<u>\$ 11,388,876</u>	<u>\$ 198,974</u>	<u>\$ 93,545,992</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 25,988,504	\$ 1,858,948	\$ -	\$ 27,847,452
Equipment	9,784,476	892,591	198,974	10,478,093
Jointly owned assets	7,948,071	1,652,847	-	9,600,918
Total accumulated depreciation	<u>\$ 43,721,051</u>	<u>\$ 4,404,386</u>	<u>\$ 198,974</u>	<u>\$ 47,926,463</u>
Total capital assets being depreciated, net	<u>\$ 38,635,039</u>	<u>\$ 6,984,490</u>	<u>\$ -</u>	<u>\$ 45,619,529</u>
School Board capital assets, net	<u>\$ 43,733,499</u>	<u>\$ 10,538,314</u>	<u>\$ 2,802,027</u>	<u>\$ 51,469,786</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

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

Governmental activities:		
General government administration	\$	89,069
Judicial administration		68,707
Public safety		748,532
Public works		511,761
Health and welfare		274,528
Education		1,718,508
Parks, recreation and cultural		165,491
Community development		241
Total governmental activities	\$	<u>3,576,837</u>
Enterprise Funds:		
Landfill	\$	6,653
Water & sewer		101,835
Airport		836,913
Water & sewer authority		626,103
Total enterprise funds	\$	<u>1,571,504</u>
Component Unit-School Board	\$	<u>4,404,386</u> (1)
(1) Depreciation Expense	\$	2,751,539
Joint tenancy transfer of accumulated depreciation		<u>1,652,847</u>
Total additions to accumulated depreciation, previous page	\$	<u>4,404,386</u>

Note 6—Deferred/Unavailable/Unearned Revenue:

The following is a summary of unavailable/unearned revenue at June 30, 2017:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred/Unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 2,042,619
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>206,708</u>	<u>206,708</u>
Total primary government	\$ <u>206,708</u>	\$ <u>2,249,327</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
School lease revenue refunding bonds	\$ 46,660,000	\$ -	\$ 2,130,000	\$ 44,530,000	\$ 2,200,000
Premium on school bonds	3,585,010	-	210,883	3,374,127	210,883
Total school lease revenue and refunding bonds	<u>\$ 50,245,010</u>	<u>\$ -</u>	<u>\$ 2,340,883</u>	<u>\$ 47,904,127</u>	<u>\$ 2,410,883</u>
School general obligation bonds	\$ 22,572,634	\$ -	\$ 2,581,512	\$ 19,991,122	\$ 2,184,352
Premium on general obligation bonds	1,552,845	-	97,053	1,455,792	97,053
Total school general obligation bonds	<u>\$ 24,125,479</u>	<u>\$ -</u>	<u>\$ 2,678,565</u>	<u>\$ 21,446,914</u>	<u>\$ 2,281,405</u>
Compensated absences	\$ 1,942,735	\$ 307,041	\$ 194,274	\$ 2,055,502	\$ 205,550
Net OPEB obligation	527,000	221,000	162,000	586,000	-
Net pension liability	6,048,022	5,859,339	3,288,282	8,619,079	-
Literary fund loans	4,875,000	-	375,000	4,500,000	375,000
General obligation bonds	1,790,000	-	200,200	1,589,800	204,900
Capital lease	193,671	-	193,671	-	-
Lease revenue bonds	\$ 10,813,000	\$ -	\$ 836,000	\$ 9,977,000	\$ 866,000
Premium on lease revenue bonds	99,758	-	7,126	92,632	7,126
Total lease revenue bonds	<u>\$ 10,912,758</u>	<u>\$ -</u>	<u>\$ 843,126</u>	<u>\$ 10,069,632</u>	<u>\$ 873,126</u>
Total Governmental Activities	<u>\$ 100,659,675</u>	<u>\$ 6,387,380</u>	<u>\$ 10,276,001</u>	<u>\$ 96,771,054</u>	<u>\$ 6,350,864</u>
Business-type Activities:					
Compensated absences	\$ 98,575	\$ 28,327	\$ 9,858	\$ 117,044	\$ 11,704
Lease revenue bonds	1,792,620	846,555	90,905	2,548,270	36,041
Net pension liability	201,111	192,138	113,691	279,558	-
Landfill closure and postclosure costs	568,705	-	35,540	533,165	35,540
Total Enterprise Funds	<u>\$ 2,661,011</u>	<u>\$ 1,067,020</u>	<u>\$ 249,994</u>	<u>\$ 3,478,037</u>	<u>\$ 83,285</u>
Total Primary Government	<u>\$ 103,320,686</u>	<u>\$ 7,454,400</u>	<u>\$ 10,525,995</u>	<u>\$ 100,249,091</u>	<u>\$ 6,434,149</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities:

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

Year Ending June 30,	Lease Revenue Bonds		School Lease Revenue Refunding Bonds		School General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 866,000	\$ 316,987	\$ 2,200,000	\$ 1,720,775	\$ 2,184,352	\$ 731,824
2019	895,000	293,054	2,255,000	1,654,775	2,212,862	636,412
2020	922,000	268,033	2,300,000	1,587,125	2,252,082	539,694
2021	953,000	241,163	2,385,000	1,495,125	2,284,506	448,768
2022	980,000	213,077	2,460,000	1,399,725	1,682,320	356,454
2023	974,000	184,101	2,570,000	1,276,725	940,000	309,325
2024	998,000	155,082	2,685,000	1,148,225	940,000	281,125
2025	721,000	125,472	2,800,000	1,013,975	940,000	252,925
2026	468,000	103,703	2,900,000	901,975	940,000	224,725
2027	484,000	83,418	3,005,000	785,975	940,000	196,525
2028	501,000	62,377	3,080,000	695,825	935,000	163,625
2029	517,000	40,559	3,155,000	603,425	935,000	130,900
2030	413,000	17,993	3,260,000	477,225	935,000	98,175
2031	141,000	6,641	3,040,000	346,825	935,000	65,450
2032	144,000	3,355	3,165,000	225,225	935,000	32,725
2033	-	-	3,270,000	114,450	-	-
Total	\$ <u>9,977,000</u>	\$ <u>2,115,015</u>	\$ <u>44,530,000</u>	\$ <u>15,447,375</u>	\$ <u>19,991,122</u>	\$ <u>4,468,652</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loan	
	Principal	Interest	Principal	Interest
2018	\$ 204,900	\$ 36,004	\$ 375,000	\$ 135,000
2019	209,800	31,179	375,000	123,750
2020	214,800	26,240	375,000	112,500
2021	219,800	21,186	375,000	101,250
2022	224,900	16,013	375,000	90,000
2023	230,200	10,720	375,000	78,750
2024	235,700	5,299	375,000	67,500
2025	49,700	581	375,000	56,250
2026	-	-	375,000	45,000
2027	-	-	375,000	33,750
2028	-	-	375,000	22,500
2029	-	-	375,000	11,250
Total	\$ <u>1,589,800</u>	\$ <u>147,222</u>	\$ <u>4,500,000</u>	\$ <u>877,500</u>

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 36,041	\$ 88,615
2019	37,323	87,333
2020	38,650	86,006
2021	40,025	84,631
2022	41,449	83,207
2023	42,923	81,733
2024	44,449	80,207
2025	46,030	78,626
2026	47,668	76,988
2027	49,363	75,293
2028	51,119	73,538
2029	52,937	71,719
2030	54,820	69,836
2031	56,769	67,887
2032	58,788	65,868
2033	60,879	63,777
2034	63,045	61,611
2035	65,287	59,369
2036	67,609	57,047
2037	70,014	54,642
2038	72,504	52,152
2039	75,083	49,573
2040	77,753	46,903
2041	80,519	44,137
2042	83,382	41,274
2043	86,348	38,308
2044	89,419	35,237
2045	92,599	32,057
2046	95,893	28,763
2047	99,304	25,352
2048	102,836	21,820
2049	106,493	18,163
2050	110,281	14,375
2051	114,203	10,453
2052	118,265	6,391
2054	118,200	2,185
Total	\$ 2,548,270	\$ 1,935,076

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
<u>County Lease Revenue Bonds:</u>		
\$1,454,000 Lease Revenue Bonds Series 2013 issued December 19, 2013 payable in various semi-annual payments through January 15, 2029, interest payable semi-annually at 2.940%	\$ 1,213,000	\$ 86,000
\$2,457,000 IDA Lease Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through January 15, 2032, interest payable semi-annually at 2.330%	1,962,000	118,000
\$6,433,000 IDA Lease Refunding Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.220%	3,907,000	487,000
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 payable in various semi-annual payments through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	2,895,000	175,000
Premium on bonds	<u>92,632</u>	<u>7,126</u>
Total County lease revenue bonds	\$ <u>10,069,632</u>	\$ <u>873,126</u>
<u>County General Obligation Bonds:</u>		
\$2,654,000 General Obligation Refunding Bonds Series 2011 issued November 17, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.34%	\$ <u>1,589,800</u>	\$ <u>204,900</u>
Total County general obligation bonds	\$ <u>1,589,800</u>	\$ <u>204,900</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities: (Continued)		
<u>School Lease Revenue Refunding Bonds:</u>		
\$49,745,000 Lease Revenue Refunding Bonds, Series 2014, issued August 19, 2014 payable in various annual installments through June 1, 2033, interest at rates ranging from 3.00% to 5.00%	\$ 44,530,000	\$ 2,200,000
Premium on bonds	<u>3,374,127</u>	<u>210,883</u>
Total school lease revenue refunding bonds	<u>\$ 47,904,127</u>	<u>\$ 2,410,883</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, payable in various annual payments through July 15, 2021, interest payable semi-annually at 4.57%	\$ 3,616,122	\$ 699,352
\$23,520,000 General Obligation School and Refunding Bond, Series 2012 dated October 18, 2012, principal payable annually in various incremental amounts through January 15, 2032, interest payable semi-annually at rates ranging from 3.00% to 4.00%	\$ 16,375,000	\$ 1,485,000
Premium on general obligation bonds	<u>1,455,792</u>	<u>97,053</u>
Total school general obligation bonds	<u>\$ 21,446,914</u>	<u>\$ 2,281,405</u>
<u>Literary Fund Loans:</u>		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 4,500,000	\$ 375,000
Total literary fund loans	<u>\$ 4,500,000</u>	<u>\$ 375,000</u>
<u>Compensated absences</u>	<u>\$ 2,055,502</u>	<u>\$ 205,550</u>
<u>Net OPEB obligation</u>	<u>\$ 586,000</u>	<u>\$ -</u>
<u>Net pension liability</u>	<u>\$ 8,619,079</u>	<u>\$ -</u>
Total governmental activities	<u><u>\$ 96,771,054</u></u>	<u><u>\$ 6,350,864</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Business-type Activities:		
<u>Airport Revenue Bond:</u>		
\$2,650,000 revenue bonds series 2015 issued July 2015, payable in annual principal and interest installments of \$10,388 through February 2056, interest payable semi-annually at 3.5%	\$ 2,548,270	\$ 36,041
<u>Compensated absences</u>	117,044	11,704
<u>Net pension liability</u>	279,558	-
<u>Landfill closure and postclosure costs</u>	533,165	35,540
Total business-type activities	\$ 3,478,037	\$ 83,285
Total Primary Government	\$ 100,249,091	\$ 6,434,149

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2017.

	<u>Balance July 1, 2016</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 1,202,987	\$ 120,299	\$ 256,199	\$ 1,067,087	\$ 106,709
Net pension liability	70,768,000	18,241,000	11,559,000	77,450,000	-
Net OPEB obligation	676,000	180,000	129,000	727,000	-
Total	\$ 72,646,987	\$ 18,541,299	\$ 11,944,199	\$ 79,244,087	\$ 106,709

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 8—Landfill Closure and Postclosure Care Cost:

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$533,165 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

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

Note 9—Commitments and Contingencies:

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

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

Note 10—Pension Plan:

Plan Description

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: (Cont.)</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: (Cont.)</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: (Cont.)</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage 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 <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	159	77
Inactive members:		
Vested inactive members	48	18
Non-vested inactive members	83	87
Inactive members active elsewhere in VRS	164	33
Total inactive members	295	138
Active members	347	195
Total covered employees	801	410

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,742,407 and \$1,749,055 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 3.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$170,910 and \$249,382 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 53,899,039	\$ 47,649,905	\$ 6,249,134
Changes for the year:			
Service cost	\$ 2,004,919	\$ -	\$ 2,004,919
Interest	3,694,889	-	3,694,889
Differences between expected and actual experience	315,239	-	315,239
Contributions - employer	-	1,724,735	(1,724,735)
Contributions - employee	-	825,798	(825,798)
Net investment income	-	844,406	(844,406)
Benefit payments, including refunds of employee contributions	(2,229,824)	(2,229,824)	-
Administrative expenses	-	(29,039)	29,039
Other changes	-	(356)	356
Net changes	\$ 3,785,223	\$ 1,135,720	\$ 2,649,503
Balances at June 30, 2016	\$ 57,684,262	\$ 48,785,625	\$ 8,898,637

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 11,463,047	\$ 12,324,038	\$ (860,991)
Changes for the year:			
Service cost	\$ 415,482	\$ -	\$ 415,482
Interest	781,183	-	781,183
Differences between expected and actual experience	(155,229)	-	(155,229)
Contributions - employer	-	242,403	(242,403)
Contributions - employee	-	198,355	(198,355)
Net investment income	-	214,020	(214,020)
Benefit payments, including refunds of employee contributions	(606,570)	(606,570)	-
Administrative expenses	-	(7,620)	7,620
Other changes	-	(90)	90
Net changes	\$ 434,866	\$ 40,498	\$ 394,368
Balances at June 30, 2016	\$ 11,897,913	\$ 12,364,536	\$ (466,623)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 17,207,071	\$ 8,898,637	\$ 2,070,107
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 946,872	\$ (466,623)	\$ (1,656,572)

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2017, County and Component Unit School Board (nonprofessional) recognized pension expense of \$1,617,881 and \$71,344, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 237,210	\$ 105,387	\$ -	\$ 164,282
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,286,571	-	324,996	-
Employer contributions subsequent to the measurement date	1,742,407	-	170,910	-
Total	\$ 3,266,188	\$ 105,387	\$ 495,906	\$ 164,282

\$1,742,407 and \$170,910 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction or Component of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ 60,165	\$ (78,066)
2019	60,163	(57,313)
2020	(794,688)	167,575
2021	503,378	128,518
Thereafter	-	-

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$6,356,145 and \$6,115,059 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$77,450,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .55266% as compared to .56226% at June 30, 2015.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$6,739,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016 measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,510,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	4,424,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,489,000	1,260,000
Employer contributions subsequent to the measurement date	<u>6,356,145</u>	<u>-</u>
Total	<u>\$ 12,269,145</u>	<u>\$ 3,770,000</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

\$6,356,145 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (439,000)
2019	(439,000)
2020	2,078,000
2021	1,212,000
2022	(269,000)
Thereafter	-

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,184,326
Plan Fiduciary Net Position		30,168,211
Employer's Net Pension Liability (Asset)		14,012,115
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

		Rate		
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability (Asset)	\$	110,405,000	\$ 77,450,000	\$ 50,303,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Risk Management:

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

Employee Health Insurance:

The County and School Board have contracted with private carriers to administer this activity. The County's Health Insurance Fund recognizes revenue from other fund charges and from other localities and agencies which participate in the County program. The interfund charges are reported as fund expenditures in the funds that have employees participating in the program. The Health Insurance Fund expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Employee Dental Insurance:

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

Note 12—Litigation:

At June 30, 2017, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13—Surety Bonds:

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

Note 14—Other Postemployment Benefits—Health Insurance:

County:

A. Plan Description

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

B. Funding Policy

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 238,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	(35,000)
Annual OPEB cost (expense)	\$ 221,000
Contribution made	162,000
Increase in net OPEB obligation	\$ 59,000
Net OPEB obligation-beginning of year	527,000
Net OPEB obligation-end of year	\$ 586,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 221,000	73%	\$ 586,000
June 30, 2016	230,000	64%	527,000
June 30, 2015	220,000	59%	444,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

County: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,745,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,745,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	17,441,631
UAAL as a percentage of covered payroll	10.00%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.3% inflation rate and an annual healthcare cost trend rate of 4.7 percent initially, reduced by decrements to an ultimate rate of 5.50 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was thirty years.

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

School Board:

A. Plan Description

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

B. Funding Policy

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 200,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	(47,000)
Annual OPEB cost (expense)	\$ 180,000
Contribution made	129,000
Increase in net OPEB obligation	\$ 51,000
Net OPEB obligation-beginning of year	676,000
Net OPEB obligation-end of year	\$ 727,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 180,000	72%	\$ 727,000
June 30, 2016	255,000	74%	676,000
June 30, 2015	249,000	82%	610,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

School Board: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,521,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,521,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	47,777,122
UAAI as a percentage of covered payroll	3.18%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.3% inflation rate and an annual healthcare cost trend rate of 5.80 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after forty-eight years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was thirty years.

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

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

A. Plan Description

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2017 (Continued)

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2017 was .17% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2017, the School Board's contribution of \$7,514 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 7,514	100%	\$ -
June 30, 2016	8,114	100%	-
June 30, 2015	7,983	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 223,909
Actuarial value of plan assets	220,636
Unfunded actuarial accrued liability	3,273
Funded ratio (actuarial value of plan assets / AAL)	98.54%
Covered payroll (active plan members)	4,046,140
UAAL as a percentage of covered payroll	0.08%

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

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

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2016 was 27 years.

F. Professional Employees - Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$481,263, \$446,747, and \$443,009, respectively and equaled the required contributions for each year.

Note 16—Upcoming Pronouncements:

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 58,105,953	\$ 58,105,953	\$ 59,087,406	\$ 981,453
Other local taxes	8,415,248	8,415,248	9,070,194	654,946
Permits, privilege fees and regulatory licenses	746,500	747,285	963,959	216,674
Fines and forfeitures	50,000	50,000	42,749	(7,251)
Revenue from use of money and property	323,674	323,674	532,550	208,876
Charges for services	4,140,537	4,266,922	3,592,364	(674,558)
Miscellaneous	138,000	176,911	379,466	202,555
Recovered costs	420,001	420,001	350,621	(69,380)
Intergovernmental:				
Commonwealth	16,750,331	17,190,196	14,763,599	(2,426,597)
Federal	3,894,544	4,857,811	6,923,834	2,066,023
Total revenues	\$ 92,984,788	\$ 94,554,001	\$ 95,706,742	\$ 1,152,741
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 264,506	\$ 259,685	\$ 227,809	\$ 31,876
General and financial administration:				
County administration	\$ 407,059	\$ 408,309	\$ 366,970	\$ 41,339
County attorney	256,422	261,306	240,877	20,429
Human resources	216,582	245,110	216,415	28,695
Procurement	295,692	306,528	281,699	24,829
Auditor	56,000	52,200	48,500	3,700
Commissioner of the Revenue	680,001	681,101	536,814	144,287
Reassessment	501,105	501,105	461,159	39,946
Board of equalization	14,757	14,757	7,542	7,215
Treasurer	600,560	600,810	507,819	92,991
Department of finance and budget	486,886	492,386	491,590	796
Information systems	478,932	481,332	383,957	97,375
Records management	217,872	241,728	210,179	31,549
Other general and financial administration	17,000	17,000	(1,292)	18,292
Total general and financial administration	\$ 4,228,868	\$ 4,303,672	\$ 3,752,229	\$ 551,443
Board of Elections:				
Electoral board and officials	\$ 135,455	\$ 167,680	\$ 146,289	\$ 21,391
Registrar	166,031	167,331	157,874	9,457
Total board of elections	\$ 301,486	\$ 335,011	\$ 304,163	\$ 30,848
Total general government administration	\$ 4,794,860	\$ 4,898,368	\$ 4,284,201	\$ 614,167

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2017 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 91,563	\$ 91,563	\$ 84,434	\$ 7,129
Clerk of the circuit court	717,165	737,694	676,481	61,213
Victim assistance program	153,649	157,493	154,711	2,782
Sheriff	1,204,460	1,179,632	1,125,502	54,130
Other courts	61,930	104,462	69,927	34,535
Total courts	\$ 2,228,767	\$ 2,270,844	\$ 2,111,055	\$ 159,789
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,187,406	\$ 1,174,620	\$ 789,601	\$ 385,019
Criminal justice services	552,925	553,925	470,844	83,081
Total commonwealth attorney	\$ 1,740,331	\$ 1,728,545	\$ 1,260,445	\$ 468,100
Total judicial administration	\$ 3,969,098	\$ 3,999,389	\$ 3,371,500	\$ 627,889
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 6,196,910	\$ 6,447,980	\$ 6,253,539	\$ 194,441
Other law enforcement and traffic control	92,658	161,666	141,298	20,368
E-911	2,202,831	2,204,431	1,925,911	278,520
Total law enforcement and traffic control	\$ 8,492,399	\$ 8,814,077	\$ 8,320,748	\$ 493,329
Fire and rescue services:				
Fire and rescue	\$ 2,005,607	\$ 2,006,107	\$ 1,831,820	\$ 174,287
EMS council	14,223	14,223	14,223	-
State forest fire extinction	9,085	9,085	9,085	-
Total fire and rescue services	\$ 2,028,915	\$ 2,029,415	\$ 1,855,128	\$ 174,287
Correction and detention:				
Jail	\$ 2,755,598	\$ 2,671,556	\$ 2,591,445	\$ 80,111
Outside jail services	1,000,000	886,394	825,942	60,452
Supervision plan services	52,921	52,921	36,781	16,140
Probation office	460,500	460,500	394,763	65,737
Total correction and detention	\$ 4,269,019	\$ 4,071,371	\$ 3,848,931	\$ 222,440
Inspections:				
Building	\$ 568,921	\$ 570,706	\$ 530,150	\$ 40,556

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2017 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 696,034	\$ 774,000	\$ 695,282	\$ 78,718
Medical examiner	750	750	680	70
Emergency services	2,047,440	2,081,358	2,039,531	41,827
Total other protection	\$ 2,744,224	\$ 2,856,108	\$ 2,735,493	\$ 120,615
Total public safety	\$ 18,103,478	\$ 18,341,677	\$ 17,290,450	\$ 1,051,227
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,552,612	\$ 1,741,389	\$ 1,302,334	\$ 439,055
Total public works	\$ 1,552,612	\$ 1,741,389	\$ 1,302,334	\$ 439,055
Health and welfare:				
Health:				
Local health department	\$ 364,954	\$ 364,954	\$ 364,954	\$ -
Mental health and community services:				
Community services	\$ 502,393	\$ 506,160	\$ 506,160	\$ -
Welfare:				
Community youth services	\$ 4,380,583	\$ 4,380,283	\$ 4,137,266	\$ 243,017
Culpeper cable commission	104,990	104,990	104,990	-
Options	254,018	254,543	237,564	16,979
Social services administration	6,524,997	6,832,422	6,498,486	333,936
Full circle thrift	241,236	241,236	238,226	3,010
Wheels for work	5,100	5,100	32,474	(27,374)
Cosmetology center	384,000	384,000	371,629	12,371
Daycare	1,476,643	1,476,643	1,880,371	(403,728)
Families first	198,335	198,435	205,350	(6,915)
Early Headstart	1,270,003	2,078,328	2,022,513	55,815
Headstart	1,329,860	1,453,518	1,121,885	331,633
Total welfare	\$ 16,169,765	\$ 17,409,498	\$ 16,850,754	\$ 558,744
Total health and welfare	\$ 17,037,112	\$ 18,280,612	\$ 17,721,868	\$ 558,744
Education:				
Contributions to community colleges	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Contributions to Piedmont Tech	128,358	128,358	91,011	37,347
Contributions to Component Unit School Board	33,623,883	33,623,883	32,665,590	958,293
Total education	\$ 33,753,241	\$ 33,753,241	\$ 32,757,601	\$ 995,640

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2017 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 457,910	\$ 505,179	\$ 435,472	\$ 69,707
Community complex	445,866	507,466	438,016	69,450
Total parks and recreation	\$ 903,776	\$ 1,012,645	\$ 873,488	\$ 139,157
Library:				
Library	\$ 1,049,764	\$ 1,095,316	\$ 1,046,527	\$ 48,789
Total parks, recreation and cultural	\$ 1,953,540	\$ 2,107,961	\$ 1,920,015	\$ 187,946
Community development:				
Planning and community development:				
Planning	\$ 695,345	\$ 780,970	\$ 591,882	\$ 189,088
Chamber of commerce	1,000	1,000	1,000	-
Zoning board	4,500	4,500	381	4,119
Economic development	827,703	829,678	779,101	50,577
Total planning and community development	\$ 1,528,548	\$ 1,616,148	\$ 1,372,364	\$ 243,784
Environmental management:				
Soil and water conservation district	\$ 66,111	\$ 82,651	\$ 82,651	\$ -
Cooperative extension program:				
VPI extension	\$ 200,660	\$ 200,660	\$ 179,337	\$ 21,323
Total community development	\$ 1,795,319	\$ 1,899,459	\$ 1,634,352	\$ 265,107
Nondepartmental:				
Employee benefits	\$ 123,782	\$ 151,100	\$ -	\$ 151,100
Total nondepartmental	\$ 123,782	\$ 151,100	\$ -	\$ 151,100
Debt service:				
Principal retirement	\$ 6,122,712	\$ 6,122,712	\$ 6,122,712	\$ -
Interest and fiscal charges	3,181,158	3,181,158	3,175,139	6,019
Total debt service	\$ 9,303,870	\$ 9,303,870	\$ 9,297,851	\$ 6,019
Total expenditures	\$ 92,386,912	\$ 94,477,066	\$ 89,580,172	\$ 4,896,894
Excess (deficiency) of revenues over (under) expenditures	\$ 597,876	\$ 76,935	\$ 6,126,570	\$ 6,049,635
Other financing sources (uses):				
Transfers (out)	\$ (6,191,473)	\$ (6,341,473)	\$ (5,984,495)	\$ 356,978
Total other financing sources (uses)	\$ (6,191,473)	\$ (6,341,473)	\$ (5,984,495)	\$ 356,978
Changes in fund balances	\$ (5,593,597)	\$ (6,264,538)	\$ 142,075	\$ 6,406,613
Fund balances at beginning of year	5,593,597	6,264,538	32,588,573	26,324,035
Fund balances at end of year	\$ -	\$ -	\$ 32,730,648	\$ 32,730,648

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Years Ended June 30, 2015 through June 30, 2017

	2014	2015	2016
Total pension liability			
Service cost	\$ 1,773,851	\$ 1,919,125	\$ 2,004,919
Interest	3,283,915	3,486,386	3,694,889
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(208,709)	315,239
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)	(2,229,824)
Net change in total pension liability	\$ 2,933,675	\$ 2,990,250	\$ 3,785,223
Total pension liability - beginning	47,975,114	50,908,789	53,899,039
Total pension liability - ending (a)	\$ 50,908,789	\$ 53,899,039	\$ 57,684,262
Plan fiduciary net position			
Contributions - employer	\$ 1,854,477	\$ 1,648,227	\$ 1,724,735
Contributions - employee	777,107	788,770	825,798
Net investment income	6,152,389	2,089,804	844,406
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)	(2,229,824)
Administrative expense	(32,421)	(27,937)	(29,039)
Other	324	(445)	(356)
Net change in plan fiduciary net position	\$ 6,627,785	\$ 2,291,867	\$ 1,135,720
Plan fiduciary net position - beginning	38,730,253	45,358,038	47,649,905
Plan fiduciary net position - ending (b)	\$ 45,358,038	\$ 47,649,905	\$ 48,785,625
County's net pension liability - ending (a) - (b)	\$ 5,550,751	\$ 6,249,134	\$ 8,898,637
Plan fiduciary net position as a percentage of the total pension liability	89.10%	88.41%	84.57%
Covered payroll	\$ 15,180,815	\$ 15,950,558	\$ 16,817,837
County's net pension liability as a percentage of covered payroll	36.56%	39.18%	52.91%

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

Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Years Ended June 30, 2015 through June 30, 2017

	2014	2015	2016
Total pension liability			
Service cost	\$ 411,690	\$ 416,073	\$ 415,482
Interest	707,097	748,220	781,183
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(130,169)	(155,229)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)	(606,570)
Net change in total pension liability	\$ 576,058	\$ 514,243	\$ 434,866
Total pension liability - beginning	10,372,746	10,948,804	11,463,047
Total pension liability - ending (a)	\$ 10,948,804	\$ 11,463,047	\$ 11,897,913
Plan fiduciary net position			
Contributions - employer	\$ 290,747	\$ 246,237	\$ 242,403
Contributions - employee	190,739	203,046	198,355
Net investment income	1,621,774	540,962	214,020
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)	(606,570)
Administrative expense	(8,704)	(7,356)	(7,620)
Other	85	(112)	(90)
Net change in plan fiduciary net position	\$ 1,551,912	\$ 462,896	\$ 40,498
Plan fiduciary net position - beginning	10,309,230	11,861,142	12,324,038
Plan fiduciary net position - ending (b)	\$ 11,861,142	\$ 12,324,038	\$ 12,364,536
School Division's net pension liability(asset) - ending (a) - (b)	\$ (912,338)	\$ (860,991)	\$ (466,623)
Plan fiduciary net position as a percentage of the total pension liability	108.33%	107.51%	103.92%
Covered payroll	\$ 3,816,863	\$ 3,991,722	\$ 4,061,591
School Division's net pension liability as a percentage of covered payroll	-23.90%	-21.57%	-11.49%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Years Ended June 30, 2015 through June 30, 2017

	2014	2015	2016
Employer's Proportion of the Net Pension Liability (Asset)	0.55%	0.56%	0.62%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 65,904,000	\$ 70,768,000	\$ 77,450,000
Employer's Covered Payroll	39,847,538	41,793,330	43,492,596
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%	178%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.68%	70.68%

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

Schedule of Employer Contributions
 Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 1,742,407	\$ 1,742,407	\$ -	\$ 17,962,959	9.70%
2016	1,749,055	1,749,055	-	16,817,837	10.40%
2015	1,658,858	1,658,858	-	15,950,558	10.40%
2014	1,855,096	1,855,096	-	15,180,815	12.22%
2013	1,788,622	1,788,622	-	14,636,845	12.22%
2012	1,294,749	1,294,749	-	13,744,685	9.42%
2011	1,314,180	1,314,180	-	13,950,960	9.42%
2010	1,147,393	1,147,393	-	14,218,007	8.07%
2009	1,200,499	1,200,499	-	14,876,075	8.07%
2008	939,508	939,508	-	15,056,223	6.24%
Component Unit School Board (nonprofessional)					
2017	\$ 170,910	\$ 170,910	\$ -	\$ 4,416,279	3.87%
2016	249,382	249,382	-	4,061,591	6.14%
2015	245,092	245,092	-	3,991,722	6.14%
2014	290,845	290,845	-	3,816,863	7.62%
2013	295,510	295,510	-	3,878,090	7.62%
2012	269,653	269,653	-	3,891,100	6.93%
2011	274,255	274,255	-	3,957,500	6.93%
2010	314,324	314,324	-	4,152,227	7.57%
2009	319,522	319,522	-	4,220,904	7.57%
2008	260,199	260,199	-	4,052,475	6.42%
Component Unit School Board (professional)					
2017	\$ 6,356,145	\$ 6,356,145	\$ -	\$ 43,357,060	14.66%
2016	6,115,059	6,115,059	-	43,492,596	14.06%
2015	6,060,033	6,060,033	-	41,793,330	14.50%

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

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

Notes to Required Supplementary Information
Year Ended June 30, 2017

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

Other Postemployment Benefits						
County						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2016	\$ -	\$ 1,745,000	\$ 1,745,000	0.00%	\$ 17,441,631	10.00%
7/1/2015	-	1,913,000	1,913,000	0.00%	16,761,271	11.41%
7/1/2014	-	1,866,000	1,866,000	0.00%	15,824,652	11.79%

Discretely Presented Component Unit - School Board

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2016	\$ -	\$ 1,521,000	\$ 1,521,000	0.00%	\$ 47,777,122	3.18%
7/1/2015	-	2,107,000	2,107,000	0.00%	46,195,400	4.56%
7/1/2014	-	2,106,000	2,106,000	0.00%	45,785,052	4.60%

Virginia Retirement System - Health Insurance Credit

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2016	\$ 220,636	\$ 223,909	\$ 3,273	98.54%	\$ 4,046,140	0.08%
6/30/2015	223,402	219,470	(3,932)	101.79%	4,034,341	-0.10%
6/30/2014	216,894	216,451	(443)	100.20%	3,815,660	-0.01%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Financial Statements and Schedules

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Miscellaneous	-	2,500	2,500	-
Intergovernmental:				
Commonwealth	40,000	90,000	100,157	10,157
Federal Government	-	107,847	107,847	-
Total revenues	<u>\$ 40,000</u>	<u>\$ 200,347</u>	<u>\$ 226,594</u>	<u>\$ 26,247</u>
Expenditures:				
Current:				
General government administration	\$ 350,000	\$ 1,393,558	\$ 55,219	\$ 1,338,339
Judicial administration	-	-	-	-
Public safety	2,400,000	6,390,195	1,197,755	5,192,440
Public works	1,584,500	2,096,773	1,642,919	453,854
Health and Welfare	-	107,847	107,847	-
Parks, recreation, and cultural	234,375	327,021	41,655	285,366
Total expenditures	<u>\$ 4,568,875</u>	<u>\$ 10,315,394</u>	<u>\$ 3,045,395</u>	<u>\$ 7,269,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,528,875)</u>	<u>\$ (10,115,047)</u>	<u>\$ (2,818,801)</u>	<u>\$ 7,296,246</u>
Other financing sources (uses):				
Transfers in	<u>\$ 4,528,875</u>	<u>\$ 4,678,875</u>	<u>\$ 4,678,875</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 4,528,875</u>	<u>\$ 4,678,875</u>	<u>\$ 4,678,875</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (5,436,172)	\$ 1,860,074	\$ 7,296,246
Fund balances at beginning of year	<u>-</u>	<u>5,436,172</u>	<u>2,880,952</u>	<u>(2,555,220)</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,741,026</u></u>	<u><u>\$ 4,741,026</u></u>

Combining Statement of Net Position
Internal Service Funds
At June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 418,237	\$ 87,846	\$ 506,083
Total Assets	<u>\$ 418,237</u>	<u>\$ 87,846</u>	<u>\$ 506,083</u>
NET POSITION			
Unrestricted (deficit)	\$ 418,237	\$ 87,846	\$ 506,083
Total Net Position	<u>\$ 418,237</u>	<u>\$ 87,846</u>	<u>\$ 506,083</u>
Total Liabilities and Net Position	<u>\$ 418,237</u>	<u>\$ 87,846</u>	<u>\$ 506,083</u>

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

Combining Statement of Revenues, Expenses and Changes in Net Position --
Internal Service Funds
Year Ended June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Totals
Operating revenues:			
Charges for services	\$ 2,333,887	\$ 158,537	\$ 2,492,424
Total operating revenues	\$ 2,333,887	\$ 158,537	\$ 2,492,424
Operating expenses:			
Fringe benefits	\$ 1,915,650	\$ 160,474	\$ 2,076,124
Total operating expenses	\$ 1,915,650	\$ 160,474	\$ 2,076,124
Change in net position	\$ 418,237	\$ (1,937)	\$ 416,300
Net position at beginning of year	-	89,783	89,783
Net position at end of year	\$ 418,237	\$ 87,846	\$ 506,083

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

Combining Statement of Cash Flows --
Internal Service Funds
Year Ended June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Totals
Cash flows from operating activities:			
Receipts from insured	\$ 2,333,887	\$ 158,537	\$ 2,492,424
Payments to suppliers	<u>(1,915,650)</u>	<u>(160,474)</u>	<u>(2,076,124)</u>
Net cash provided by (used for) operating activities	\$ 418,237	\$ (1,937)	\$ 416,300
Increase (decrease) in cash and cash equivalents	\$ 418,237	\$ (1,937)	\$ 416,300
Cash and cash equivalents at beginning of year	<u>-</u>	<u>89,783</u>	<u>89,783</u>
Cash and cash equivalents at end of year	<u>\$ 418,237</u>	<u>\$ 87,846</u>	<u>\$ 506,083</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 418,237	\$ (1,937)	\$ 416,300
Net cash provided by (used for) operating activities	<u>\$ 418,237</u>	<u>\$ (1,937)</u>	<u>\$ 416,300</u>

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

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

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Healthy Culpeper Fund	Thrift Store	Totals
Assets:						
Cash and cash equivalents	\$ 70,700	\$ 64,452	\$ -	\$ 41,721	\$ 231,462	\$ 408,335
Total assets	<u>\$ 70,700</u>	<u>\$ 64,452</u>	<u>\$ -</u>	<u>\$ 41,721</u>	<u>\$ 231,462</u>	<u>\$ 408,335</u>
Liabilities:						
Amounts held for others	\$ -	\$ -	\$ -	\$ 41,721	\$ 231,462	\$ 273,183
Amounts held for inmates	-	64,452	-	-	-	64,452
Amounts held for social services clients	<u>70,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,700</u>
Total liabilities	<u>\$ 70,700</u>	<u>\$ 64,452</u>	<u>\$ -</u>	<u>\$ 41,721</u>	<u>\$ 231,462</u>	<u>\$ 408,335</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 84,178	\$ 112,494	\$ 125,972	\$ 70,700
Liabilities:				
Amounts held for social services clients	\$ 84,178	\$ 112,494	\$ 125,972	\$ 70,700
Sheriff Commissary Fund:				
Assets:				
Cash and cash equivalents	\$ 59,135	\$ 252,126	\$ 246,809	\$ 64,452
Liabilities:				
Amounts held for inmates	\$ 59,135	\$ 252,126	\$ 246,809	\$ 64,452
Piedmont Tech Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 152,211	\$ 152,211	\$ -
Total assets	\$ -	\$ 152,211	\$ 152,211	\$ -
Liabilities:				
Amounts held for others	\$ -	\$ 152,211	\$ 152,211	\$ -
Healthy Culpeper Fund:				
Assets:				
Cash and cash equivalents	\$ 47,202	\$ 27,101	\$ 32,582	\$ 41,721
Liabilities:				
Amounts held for others	\$ 47,202	\$ 27,101	\$ 32,582	\$ 41,721
Thrift Store:				
Assets:				
Cash and cash equivalents	\$ 221,989	\$ 372,122	\$ 362,649	\$ 231,462
Liabilities:				
Amounts held for others	\$ 221,989	\$ 372,122	\$ 362,649	\$ 231,462
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 412,504	\$ 916,054	\$ 920,223	\$ 408,335
Total assets	\$ 412,504	\$ 916,054	\$ 920,223	\$ 408,335
Liabilities:				
Amounts held for social services clients	\$ 84,178	\$ 112,494	\$ 125,972	\$ 70,700
Amounts held for inmates	59,135	252,126	246,809	64,452
Amounts held for others	269,191	551,434	547,442	273,183
Total liabilities	\$ 412,504	\$ 916,054	\$ 920,223	\$ 408,335

OTHER SUPPLEMENTARY INFORMATION

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Discretely Presented Component Unit-School Board

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

	Governmental Funds			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Assets:				
Cash and cash equivalents	\$ 275,369	\$ 2,552,471	\$ 693,264	\$ 3,521,104
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	241,058	241,058
Due from other governmental units	2,188,384	13,913	-	2,202,297
Prepaid expenditures	454,251	-	-	454,251
Due from primary government	1,459,591	-	-	1,459,591
Total assets	<u>\$ 4,377,595</u>	<u>\$ 2,566,384</u>	<u>\$ 934,322</u>	<u>\$ 7,878,301</u>
Liabilities:				
Accounts payable	\$ 408,768	\$ -	\$ -	\$ 408,768
Accrued liabilities	3,968,827	104,635	-	4,073,462
Total liabilities	<u>\$ 4,377,595</u>	<u>\$ 104,635</u>	<u>\$ -</u>	<u>\$ 4,482,230</u>
Fund Balances:				
Nonspendable	\$ 454,251	\$ -	\$ -	\$ 454,251
Committed	-	-	934,322	934,322
Assigned	-	2,461,749	-	2,461,749
Unassigned	(454,251)	-	-	(454,251)
Total fund balances	<u>\$ -</u>	<u>\$ 2,461,749</u>	<u>\$ 934,322</u>	<u>\$ 3,396,071</u>
Total liabilities and fund balances	<u>\$ 4,377,595</u>	<u>\$ 2,566,384</u>	<u>\$ 934,322</u>	

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the School Board as a whole.

\$ 51,469,786

Internal service funds are used by the School Board to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are:

1,629,440

The net pension asset is not an available resource and, therefore, is not reported in the funds.

466,623

Deferred inflows related to measurement of net pension liability not available to pay for current-period expenditures

(3,934,282)

Deferred outflows related to pensions

12,765,051

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net position.

(79,244,087)

Net position of Government Activities

\$ (13,451,398)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --
 Governmental Funds - Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2017

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 118,854	\$ 19,403	\$ 5,749	\$ 144,006
Charges for services	118,608	1,440,295	-	1,558,903
Miscellaneous	1,487,039	55,260	241,058	1,783,357
Intergovernmental:				
County contribution to School Board	30,761,590	-	1,904,000	32,665,590
Commonwealth	44,944,617	45,480	66,074	45,056,171
Federal	3,396,868	2,455,508	-	5,852,376
Total revenues	<u>\$ 80,827,576</u>	<u>\$ 4,015,946</u>	<u>\$ 2,216,881</u>	<u>\$ 87,060,403</u>
Expenditures:				
Current:				
Education	\$ 80,827,576	\$ 3,837,000	\$ -	\$ 84,664,576
Capital projects	-	-	2,905,605	2,905,605
Total expenditures	<u>\$ 80,827,576</u>	<u>\$ 3,837,000</u>	<u>\$ 2,905,605</u>	<u>\$ 87,570,181</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 178,946	\$ (688,724)	\$ (509,778)
Changes in fund balances	\$ -	\$ 178,946	\$ (688,724)	\$ (509,778)
Fund balances at beginning of year	-	2,282,803	1,623,046	3,905,849
Fund balances at end of year	<u>\$ -</u>	<u>\$ 2,461,749</u>	<u>\$ 934,322</u>	<u>\$ 3,396,071</u>

COUNTY OF CULPEPER, VIRGINIA

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

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 118,854	\$ 63,854
Charges for services	662,326	662,326	118,608	(543,718)
Miscellaneous	1,430,342	1,430,342	1,487,039	56,697
Intergovernmental:				
County contribution to School Board	31,719,883	31,719,883	30,761,590	(958,293)
Commonwealth	45,707,525	45,707,525	44,944,617	(762,908)
Federal	3,382,717	3,382,717	3,396,868	14,151
Total revenues	\$ 82,957,793	\$ 82,957,793	\$ 80,827,576	\$ (2,130,217)
Expenditures:				
Current:				
Education:				
Instruction	\$ 64,236,884	\$ 63,686,784	\$ 62,386,125	\$ 1,300,659
Administration, attendance and health	3,604,289	3,600,689	3,420,453	180,236
Pupil transportation	4,349,236	4,899,336	4,445,039	454,297
Operation and maintenance of school plant	8,279,751	8,279,751	8,084,756	194,995
Facilities	55,082	55,082	66,008	(10,926)
Technology instruction	2,432,551	2,436,151	2,425,195	10,956
School food service	-	-	-	-
Total education	\$ 82,957,793	\$ 82,957,793	\$ 80,827,576	\$ 2,130,217
Capital Projects	-	-	-	-
Total expenditures	\$ 82,957,793	\$ 82,957,793	\$ 80,827,576	\$ 2,130,217
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Projects Fund			
Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ 1,500	\$ 1,500	\$ 19,403	\$ 17,903	\$ -	\$ -	\$ 5,749	\$ 5,749
1,716,045	1,716,045	1,440,295	(275,750)	-	-	-	-
51,819	51,819	55,260	3,441	-	234,070	241,058	6,988
-	-	-	-	1,904,000	1,904,000	1,904,000	-
40,738	40,738	45,480	4,742	-	66,074	66,074	-
2,011,777	2,011,777	2,455,508	443,731	-	-	-	-
<u>\$ 3,821,879</u>	<u>\$ 3,821,879</u>	<u>\$ 4,015,946</u>	<u>\$ 194,067</u>	<u>\$ 1,904,000</u>	<u>\$ 2,204,144</u>	<u>\$ 2,216,881</u>	<u>\$ 12,737</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,821,879	3,821,879	3,837,000	(15,121)	-	-	-	-
<u>\$ 3,821,879</u>	<u>\$ 3,821,879</u>	<u>\$ 3,837,000</u>	<u>\$ (15,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	1,904,000	5,305,924	2,905,605	2,400,319
<u>\$ 3,821,879</u>	<u>\$ 3,821,879</u>	<u>\$ 3,837,000</u>	<u>\$ (15,121)</u>	<u>\$ 1,904,000</u>	<u>\$ 5,305,924</u>	<u>\$ 2,905,605</u>	<u>\$ 2,400,319</u>
\$ -	\$ -	\$ 178,946	\$ 178,946	\$ -	\$ (3,101,780)	\$ (688,724)	\$ 2,413,056
\$ -	\$ -	\$ 178,946	\$ 178,946	\$ -	\$ (3,101,780)	\$ (688,724)	\$ 2,413,056
-	-	2,282,803	2,282,803	-	3,101,780	1,623,046	(1,478,734)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,461,749</u>	<u>\$ 2,461,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,322</u>	<u>\$ 934,322</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds	\$	(509,778)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period:

Capital asset additions	\$	4,216,832	
Depreciation expense		<u>(2,751,539)</u>	1,465,293

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

1,507,748

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

2,059,431

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave and other post employment benefits:

Compensated absences	\$	135,900	
Decrease (increase) in net pension liability/asset		(7,076,368)	
Decrease (increase) in deferred outflows related to pensions		4,482,610	
Net OPEB obligation		<u>(51,000)</u>	(2,508,858)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board

6,270,994

Change in net position of governmental activities

\$ 8,284,830

Statement of Net Position

Internal Service Funds -- Discretely Presented Component Unit -- School Board

At June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,514,804	\$ 114,636	\$ 1,629,440
Total Assets	\$ 1,514,804	\$ 114,636	\$ 1,629,440
NET POSITION			
Unrestricted	\$ 1,514,804	\$ 114,636	\$ 1,629,440
Total Net Position	\$ 1,514,804	\$ 114,636	\$ 1,629,440
Total Liabilities and Net Position	\$ 1,514,804	\$ 114,636	\$ 1,629,440

Statement of Revenues, Expenses and Changes in Net Position --
 Internal Service Funds -- Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Total Fund
Operating revenues:			
Charges for services	\$ 6,173,023	\$ 433,867	\$ 6,606,890
Operating expenses:			
Fringe benefits	\$ 4,658,219	\$ 440,923	\$ 5,099,142
Change in net position	\$ 1,514,804	\$ (7,056)	\$ 1,507,748
Net position at beginning of year	-	121,692	121,692
Net position at end of year	\$ 1,514,804	\$ 114,636	\$ 1,629,440

Statement of Cash Flows

Internal Service Funds -- Discretely Presented Component Unit -- School Board

Year Ended June 30, 2017

	Health Insurance Fund	Dental Insurance Fund	Total
Cash flows from operating activities:			
Receipts from insured	\$ 6,173,023	\$ 433,867	\$ 6,606,890
Payments to suppliers	<u>(4,658,219)</u>	<u>(440,923)</u>	<u>(5,099,142)</u>
Net cash provided by (used for) operating activities	\$ 1,514,804	\$ (7,056)	\$ 1,507,748
Increase (decrease) in cash and cash equivalents	\$ 1,514,804	\$ (7,056)	\$ 1,507,748
Cash and cash equivalents at beginning of year	<u>-</u>	<u>121,692</u>	<u>121,692</u>
Cash and cash equivalents at end of year	<u>\$ 1,514,804</u>	<u>\$ 114,636</u>	<u>\$ 1,629,440</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 1,514,804	\$ (7,056)	\$ 1,507,748
Net cash provided by (used for) operating activities	<u>\$ 1,514,804</u>	<u>\$ (7,056)</u>	<u>\$ 1,507,748</u>

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Discretely Presented Component Unit-EDA

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Discretely Presented Component Unit - Culpeper County EDA
Statement of Net Position
At June 30, 2017

Assets

Current assets:

Cash and cash equivalents	\$	<u>94,857</u>
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Total assets	\$	<u><u>94,857</u></u>
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Net Position

Unrestricted	\$	<u>94,857</u>
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Total net position	\$	<u><u>94,857</u></u>
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Discretely Presented Component Unit - Culpeper County EDA
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017

Operating revenues	
Application fees	\$ <u>86,680</u>
Operating Expenses	
Economic development grants	\$ <u>300,250</u>
Operating income (loss)	\$ <u>(213,570)</u>
Nonoperating revenues	
Contribution from Culpeper County	\$ <u>301,744</u>
Total nonoperating revenues	\$ <u>301,744</u>
Change in net position	\$ 88,174
Net position, beginning of year	<u>6,683</u>
Net position, end of year	\$ <u><u>94,857</u></u>

Discretely Presented Component Unit - Culpeper County EDA
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities

Receipts from customers	\$ 86,680
Payments to suppliers	<u>(296,250)</u>

Net cash provided by (used for) by operating activities \$ (209,570)

Cash flows from noncapital financing activities

Contribution from Culpeper County	\$ <u>301,744</u>
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Net increase (decrease) in cash and cash equivalents \$ 92,174

Cash and cash equivalents, beginning of year 2,683

Cash and cash equivalents, end of year \$ 94,857

**Reconciliation of operating income (loss) to net cash
provided by (used for) operating activities:**

Operating income (loss)	\$ (213,570)
Change in assets and liabilities:	
Accounts receivable	4,000

Net cash provided by (used for) by operating activities \$ (209,570)

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Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 33,256,574	\$ 33,256,574	\$ 33,406,054	\$ 149,480
Real and personal public service corporation property taxes	1,677,579	1,677,579	1,577,652	(99,927)
Personal property taxes	20,921,424	20,921,424	21,062,352	140,928
Mobile home taxes	19,677	19,677	49,266	29,589
Machinery and tools taxes	1,347,294	1,347,294	1,716,620	369,326
Recreational property taxes	183,405	183,405	199,903	16,498
Penalties	350,000	350,000	562,606	212,606
Interest	350,000	350,000	512,953	162,953
Total general property taxes	\$ 58,105,953	\$ 58,105,953	\$ 59,087,406	\$ 981,453
Other local taxes:				
Local sales and use taxes	\$ 6,250,000	\$ 6,250,000	\$ 6,561,608	\$ 311,608
Transient occupancy tax	14,048	14,048	19,021	4,973
Consumer utility taxes	766,200	766,200	799,701	33,501
Motor vehicle licenses tax	750,000	750,000	804,588	54,588
Taxes on recordation and wills	635,000	635,000	885,276	250,276
Total other local taxes	\$ 8,415,248	\$ 8,415,248	\$ 9,070,194	\$ 654,946
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 17,500	\$ 17,500	\$ 21,660	\$ 4,160
Building and related permits	600,000	600,785	665,897	65,112
Other permits and licenses	129,000	129,000	276,402	147,402
Total permits, privilege fees and regulatory licenses	\$ 746,500	\$ 747,285	\$ 963,959	\$ 216,674
Fines and Forfeitures:				
Court fines and forfeitures	\$ 50,000	\$ 50,000	\$ 42,749	\$ (7,251)
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 55,684	\$ 45,684
Revenue from use of property	313,674	313,674	476,866	163,192
Total revenue from use of money and property	\$ 323,674	\$ 323,674	\$ 532,550	\$ 208,876

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 12,000	\$ 12,000	\$ 45,338	\$ 33,338
Charges for Commonwealth's attorney	3,500	3,500	4,627	1,127
Charges for parks and recreation	106,143	192,138	164,792	(27,346)
Charges for law enforcement and traffic control	24,000	24,000	34,487	10,487
Charges for courthouse maintenance fees	43,000	43,000	52,729	9,729
Charges for courthouse and courtroom security fees	65,000	65,000	84,849	19,849
Charges for other court costs	3,400	3,400	3,554	154
Charges for other protection	87,000	107,285	48,712	(58,573)
Charges for library	41,000	61,105	51,811	(9,294)
Charges for fire and rescue services	1,000,000	1,000,000	713,192	(286,808)
Charges for planning and community development	7,110	7,110	3,874	(3,236)
Full circle thrift fees	241,236	241,236	237,769	(3,467)
Charges for law library	12,000	12,000	11,548	(452)
Cosmetology fees	384,000	384,000	406,853	22,853
Charges for daycare	2,111,148	2,111,148	1,728,229	(382,919)
Total charges for services	\$ 4,140,537	\$ 4,266,922	\$ 3,592,364	\$ (674,558)
Miscellaneous:				
Miscellaneous	\$ 138,000	\$ 176,911	\$ 379,466	\$ 202,555
Total miscellaneous	\$ 138,000	\$ 176,911	\$ 379,466	\$ 202,555
Recovered costs:				
Wheels for work	\$ 5,100	\$ 5,100	\$ 1,500	\$ (3,600)
Town of Culpeper E-911	414,901	414,901	349,121	(65,780)
Total recovered costs	\$ 420,001	\$ 420,001	\$ 350,621	\$ (69,380)
Total revenue from local sources	\$ 72,339,913	\$ 72,505,994	\$ 74,019,309	\$ 1,513,315
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 45,000	\$ 45,000	\$ 44,737	\$ (263)
Recordation tax	190,000	190,000	269,623	79,623
Mobile home titling taxes	8,200	8,200	6,077	(2,123)
Communications tax	2,003,000	2,003,000	1,946,388	(56,612)
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	75,000	75,000	83,025	8,025
Total noncategorical aid	\$ 5,689,008	\$ 5,689,008	\$ 5,717,658	\$ 28,650

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 408,988	\$ 408,988	\$ 411,020	\$ 2,032
Sheriff	2,761,409	2,761,409	2,719,031	(42,378)
Commissioner of the Revenue	122,132	122,132	123,665	1,533
Treasurer	125,930	125,930	126,317	387
Registrar/electoral board	47,517	47,517	41,896	(5,621)
Clerk of the Circuit Court	301,296	321,450	316,140	(5,310)
Combined Court	12,400	12,400	11,803	(597)
Total shared expenses	\$ 3,779,672	\$ 3,799,826	\$ 3,749,872	\$ (49,954)
Other categorical aid:				
Welfare administration and assistance	\$ 3,372,798	\$ 3,680,073	\$ 1,919,132	\$ (1,760,941)
Local jail	130,000	130,000	151,917	21,917
Fire service program	91,000	91,000	98,360	7,360
Families first grant	150,822	150,822	179,136	28,314
Library aid	148,481	153,288	153,288	-
E-911 wireless	80,000	80,000	82,507	2,507
Four for life funds	45,500	45,500	41,013	(4,487)
Community youth services grant	2,625,491	2,625,491	2,287,954	(337,537)
Juvenile and domestic relations	54,448	54,448	39,427	(15,021)
Criminal justice services	247,576	247,576	248,243	667
Crime victim assistance	18,490	18,490	22,644	4,154
Other categorical aid	317,045	424,674	72,448	(352,226)
Total other categorical aid	\$ 7,281,651	\$ 7,701,362	\$ 5,296,069	\$ (2,405,293)
Total categorical aid	\$ 11,061,323	\$ 11,501,188	\$ 9,045,941	\$ (2,455,247)
Total revenue from the Commonwealth	\$ 16,750,331	\$ 17,190,196	\$ 14,763,599	\$ (2,426,597)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,789,563	\$ 1,789,563	\$ 3,246,943	\$ 1,457,380
Department of justice grants	-	7,394	6,599	(795)
Emergency services	-	-	36,682	36,682
VSTOP grant	36,638	36,638	36,638	-
Victim witness grant	55,472	55,472	67,934	12,462
Asset forfeitures	-	-	5,333	5,333
USDA grant funds	120,000	243,658	322,051	78,393
Headstart	1,051,862	1,051,862	1,070,491	18,629
Early Headstart	841,009	1,649,334	2,076,000	426,666
Federal interest subsidy	-	-	41,682	41,682
DMV selective enforcement grant	-	23,890	13,481	(10,409)
Total revenue from the federal government	\$ 3,894,544	\$ 4,857,811	\$ 6,923,834	\$ 2,066,023
Total General Fund	\$ 92,984,788	\$ 94,554,001	\$ 95,706,742	\$ 1,152,741
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 16,090	\$ 16,090
Total revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Miscellaneous:				
Miscellaneous	\$ -	\$ 2,500	\$ 2,500	\$ -
Total revenue from local sources	\$ -	\$ 2,500	\$ 18,590	\$ 16,090
Intergovernmental:				
School Board Contribution to Primary Government	\$ -	\$ -	\$ -	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ 40,000	\$ 90,000	\$ 100,157	\$ 10,157
Revenue from the Federal Government:				
Categorical aid:				
FTA grant	\$ -	\$ 107,847	\$ 107,847	\$ -
Total Capital Projects Fund	\$ 40,000	\$ 200,347	\$ 226,594	\$ 26,247
Total Revenues -- Primary Government	\$ 93,024,788	\$ 94,754,348	\$ 95,933,336	\$ 1,178,988

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 23	\$ 23
Revenue from use of property	55,000	55,000	118,831	63,831
Total revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 118,854	\$ 63,854
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Transportation and field trips	45,000	45,000	99,487	54,487
Tuition and fees	611,326	611,326	19,121	(592,205)
Total charges for services	\$ 662,326	\$ 662,326	\$ 118,608	\$ (543,718)
Miscellaneous:				
Miscellaneous	\$ 1,430,342	\$ 1,430,342	\$ 1,487,039	\$ 56,697
Total miscellaneous	\$ 1,430,342	\$ 1,430,342	\$ 1,487,039	\$ 56,697
Total revenue from local sources	\$ 2,147,668	\$ 2,147,668	\$ 1,724,501	\$ (423,167)
Intergovernmental:				
County contribution to School Board	\$ 31,719,883	\$ 31,719,883	\$ 30,761,590	\$ (958,293)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 9,329,266	\$ 9,329,266	\$ 9,075,905	\$ (253,361)
Basic school aid	22,837,650	22,837,650	22,735,303	(102,347)
Special education-SOQ	2,493,276	2,493,276	2,457,905	(35,371)
Primary class size	1,002,528	1,002,528	939,419	(63,109)
Gifted and talented	253,993	253,993	250,390	(3,603)
Remedial education	850,098	850,098	838,038	(12,060)
Preschool initiative	447,110	447,110	456,425	9,315
Vocational education-SOQ	378,397	378,397	373,029	(5,368)
Educational technology	456,000	456,000	310,000	(146,000)
At - risk	862,415	862,415	649,843	(212,572)
Textbook	569,047	569,047	560,975	(8,072)
Fringe benefits	4,431,914	4,431,914	4,379,261	(52,653)
ESL	430,303	430,303	429,191	(1,112)
Special education-Tuition	722,691	722,691	763,455	40,764
Early reading intervention	135,388	135,388	116,047	(19,341)
Other categorical aid	507,449	507,449	609,431	101,982
Total categorical aid	\$ 45,707,525	\$ 45,707,525	\$ 44,944,617	\$ (762,908)
Total revenue from the Commonwealth	\$ 45,707,525	\$ 45,707,525	\$ 44,944,617	\$ (762,908)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,353,222	\$ 1,353,222	\$ 1,612,511	\$ 259,289
Title II -- Part A	249,845	249,845	163,749	(86,096)
Title VI - B	1,567,887	1,567,887	1,341,928	(225,959)
Preschool incentive	38,000	38,000	45,158	7,158
Title III	46,310	46,310	81,733	35,423
Vocational education	112,453	112,453	100,674	(11,779)
Miscellaneous federal grants	15,000	15,000	51,115	36,115
Total revenue from the federal government	\$ 3,382,717	\$ 3,382,717	\$ 3,396,868	\$ 14,151
Total School Operating Fund	\$ 82,957,793	\$ 82,957,793	\$ 80,827,576	\$ (2,130,217)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 19,403	\$ 17,903
Charges for services:				
Cafeteria sales	1,716,045	1,716,045	1,440,295	(275,750)
Miscellaneous:				
Miscellaneous	51,819	51,819	55,260	3,441
Total revenue from local sources	\$ 1,769,364	\$ 1,769,364	\$ 1,514,958	\$ (254,406)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,738	\$ 40,738	\$ 45,480	\$ 4,742
Total revenue from the Commonwealth	\$ 40,738	\$ 40,738	\$ 45,480	\$ 4,742
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 2,011,777	\$ 2,011,777	\$ 2,455,508	\$ 443,731
Total revenue from the federal government	\$ 2,011,777	\$ 2,011,777	\$ 2,455,508	\$ 443,731
Total School Cafeteria Fund	\$ 3,821,879	\$ 3,821,879	\$ 4,015,946	\$ 194,067

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,749	\$ 5,749
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 234,070	\$ 241,058	\$ 6,988
Intergovernmental:				
County contribution to School Board	\$ 1,904,000	\$ 1,904,000	\$ 1,904,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School security grant	\$ -	\$ 66,074	\$ 66,074	\$ -
Total revenue from the Commonwealth	\$ -	\$ 66,074	\$ 66,074	\$ -
Total School Capital Projects Fund	\$ 1,904,000	\$ 2,204,144	\$ 2,216,881	\$ 12,737
Total Revenues--Component Unit--School Board	\$ 88,683,672	\$ 88,983,816	\$ 87,060,403	\$ (1,923,413)

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

Sources:

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

COUNTY OF CULPEPER, VIRGINIA

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

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

Table 1

2011	2012	2013	2014	2015	2016	2017
\$ 21,370,300	\$ 17,778,776	\$ 16,842,091	\$ 17,096,240	\$ 17,459,113	\$ 21,001,499	\$ 20,476,394
27,474,989	27,471,050	14,216,874	28,013,102	28,338,644	29,135,567	31,150,231
<u>\$ 48,845,289</u>	<u>\$ 45,249,826</u>	<u>\$ 31,058,965</u>	<u>\$ 45,109,342</u>	<u>\$ 45,797,757</u>	<u>\$ 50,137,066</u>	<u>\$ 51,626,625</u>
\$ 41,694,088	\$ 40,660,307	\$ 39,449,925	\$ 38,628,122	\$ 38,385,061	\$ 38,066,796	\$ 36,577,263
3,178,202	2,598,615	2,183,371	2,177,151	1,451,761	744,747	987,074
<u>\$ 44,872,290</u>	<u>\$ 43,258,922</u>	<u>\$ 41,633,296</u>	<u>\$ 40,805,273</u>	<u>\$ 39,836,822</u>	<u>\$ 38,811,543</u>	<u>\$ 37,564,337</u>
\$ 63,064,388	\$ 58,439,083	\$ 56,292,016	\$ 55,724,362	\$ 55,844,174	\$ 59,068,295	\$ 57,053,657
-	-	-	-	-	-	-
30,653,191	30,069,665	16,400,245	30,190,253	29,790,405	29,880,314	32,137,305
<u>\$ 93,717,579</u>	<u>\$ 88,508,748</u>	<u>\$ 72,692,261</u>	<u>\$ 85,914,615</u>	<u>\$ 85,634,579</u>	<u>\$ 88,948,609</u>	<u>\$ 89,190,962</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government										
administration	\$ 4,081,639	\$ 4,256,847	\$ 3,775,509	\$ 3,633,816	\$ 3,800,416	\$ 3,931,161	\$ 4,089,623	\$ 4,254,839	\$ 4,547,939	\$ 4,046,456
Judicial administration	2,457,649	2,373,026	2,447,227	2,473,186	2,624,197	2,780,091	2,830,835	3,159,004	3,344,654	3,457,114
Public safety	14,246,020	14,047,751	13,702,268	13,562,228	14,386,558	15,463,283	15,743,399	16,857,312	17,603,365	17,316,692
Public works	3,575,121	3,130,874	1,568,686	2,583,345	1,618,568	1,543,378	2,574,243	2,627,335	5,880,173	2,819,964
Health & welfare	14,807,178	14,814,505	15,032,809	12,738,839	14,647,425	14,203,433	14,809,148	15,551,493	16,346,871	17,400,767
Education	31,778,033	32,740,398	31,510,041	34,331,434	34,440,476	49,430,292	31,691,953	33,516,082	33,452,127	40,747,103
Parks, recreation, & cultural	1,870,925	1,970,055	1,919,952	1,600,257	1,567,789	1,664,904	1,788,029	1,890,478	1,974,084	2,112,076
Community development	1,486,477	1,962,771	1,452,963	1,610,886	1,460,773	1,659,241	1,697,660	1,759,110	1,994,738	1,640,577
Interest & other fiscal charges	4,529,751	4,378,949	4,389,711	4,099,392	4,092,858	4,401,646	4,080,005	4,073,880	3,078,129	2,833,683
Total governmental activities expenses	\$ 78,832,793	\$ 79,675,176	\$ 75,799,166	\$ 76,633,383	\$ 78,639,060	\$ 95,077,429	\$ 79,304,895	\$ 83,689,533	\$ 88,222,080	\$ 92,374,432
Business-type activities:										
Landfill	\$ 3,297,771	\$ 2,707,086	\$ 2,222,198	\$ 2,138,539	\$ 1,886,407	\$ 1,733,255	\$ 1,805,472	\$ 2,200,272	\$ 2,405,621	\$ 2,844,365
Water & sewer	606,918	668,330	756,992	1,221,589	1,221,665	1,262,463	1,425,469	1,224,855	3,616,354	1,354,845
Airport	1,522,674	1,590,711	1,582,110	1,475,240	1,723,893	1,769,009	1,637,828	1,708,933	1,626,017	1,765,017
Water & sewer authority	23,117	68,256	16,591	314,927	1,009,152	953,781	954,642	953,879	901,092	834,070
Total business-type activities expenses	\$ 5,450,480	\$ 5,034,383	\$ 4,577,891	\$ 5,150,295	\$ 5,841,117	\$ 5,718,508	\$ 5,823,411	\$ 6,087,939	\$ 8,549,084	\$ 6,798,297
Total primary government expenses	\$ 84,283,273	\$ 84,709,559	\$ 80,377,057	\$ 81,783,678	\$ 84,480,177	\$ 100,795,937	\$ 85,128,306	\$ 89,777,472	\$ 96,771,164	\$ 99,172,729
Program revenues:										
Governmental activities:										
Charges for services:										
General government										
administration	\$ -	\$ 566,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	283,699	298,632	230,856	249,528	199,559	328,873	213,434	209,594	220,689	245,394
Public safety	1,499,059	733,912	1,093,514	1,101,495	1,081,223	1,506,250	1,527,478	1,585,417	1,475,965	1,760,350
Public works	-	-	-	-	-	-	-	-	-	-
Health & welfare	1,673,477	1,718,636	1,522,702	1,461,360	2,091,457	2,083,400	2,210,720	2,624,598	2,424,414	2,372,851
Parks, recreation, & cultural	479,094	120,581	162,289	193,087	183,356	163,125	205,816	197,551	214,469	216,603
Community development	5,107	1,724	1,643	4,522	2,921	5,106	3,579	4,543	1,311	3,874
Operating grants & contributions:										
General government										
administration	354,849	321,064	309,388	320,640	358,526	323,391	327,019	320,993	369,826	338,893
Judicial administration	761,272	702,737	666,028	686,096	692,587	695,860	718,726	707,908	741,865	738,963
Public safety	3,730,211	3,852,005	3,511,081	3,506,061	3,506,375	3,437,623	3,616,312	3,481,667	3,913,187	3,636,924
Public works	30,014	-	183,088	-	-	-	-	-	-	-
Health & welfare	8,658,725	8,865,082	9,418,108	8,719,521	8,208,982	8,220,881	8,588,740	8,964,935	12,107,884	11,101,707
Parks, recreation, & cultural	183,091	173,625	168,706	148,913	146,531	146,547	150,167	145,514	148,946	153,288
Community development	-	500,000	-	194,062	191,034	150,000	100,000	-	420,000	-
Interest on long-term debt	-	-	20,136	-	-	-	-	-	-	-
Capital grants & contributions	26,042,891	7,483,680	4,910,289	317,073	93,094	97,676	10,333,914	4,441,317	1,075,856	208,004
Total governmental activities program revenues	\$ 43,701,489	\$ 25,338,174	\$ 22,197,828	\$ 16,902,358	\$ 16,755,645	\$ 17,158,732	\$ 27,995,905	\$ 22,684,037	\$ 23,114,412	\$ 20,776,851

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Landfill	\$ 2,469,848	\$ 1,587,384	\$ 1,186,803	\$ 1,109,940	\$ 1,094,329	\$ 937,857	\$ 981,934	\$ 1,415,977	\$ 1,607,937	\$ 1,975,783
Water & sewer	193,935	161,933	242,502	951,072	775,115	850,439	865,799	847,081	788,210	773,496
Airport	729,831	783,149	688,225	731,398	813,900	871,332	968,238	929,679	829,613	978,422
Operating grants & contributions:										
Water & sewer	-	-	-	-	-	-	-	-	-	-
Airport	-	-	7,560	14,123	50,755	6,876	20,096	131,062	26,400	36,887
Capital grants & contributions	12,222,118	1,686,515	381,494	6,831,743	226,084	167,021	55,932	455,445	1,617,157	473,031
Total business-type activities program revenues	\$ 15,615,732	\$ 4,218,981	\$ 2,506,584	\$ 9,638,276	\$ 2,960,183	\$ 2,833,525	\$ 2,891,999	\$ 3,779,244	\$ 4,869,317	\$ 4,237,619
Total primary government program revenues	\$ 59,317,221	\$ 29,557,155	\$ 24,704,412	\$ 26,540,634	\$ 19,715,828	\$ 19,992,257	\$ 30,887,904	\$ 26,463,281	\$ 27,983,729	\$ 25,014,470
Net (expense) / revenue										
Governmental activities	\$ (35,131,304)	\$ (54,337,002)	\$ (53,601,338)	\$ (59,731,025)	\$ (61,883,415)	\$ (77,918,697)	\$ (51,308,990)	\$ (61,005,496)	\$ (65,107,668)	\$ (71,597,581)
Business-type activities	10,165,252	(815,402)	(2,071,307)	4,487,981	(2,880,934)	(2,884,983)	(2,931,412)	(2,308,695)	(3,679,767)	(2,560,678)
Total primary government net expense	\$ (24,966,052)	\$ (55,152,404)	\$ (55,672,645)	\$ (55,243,044)	\$ (64,764,349)	\$ (80,803,680)	\$ (54,240,402)	\$ (63,314,191)	\$ (68,787,435)	\$ (74,158,259)
General Revenues & Other										
Changes in Net Position										
Governmental activities:										
General property taxes	\$ 44,724,837	\$ 48,819,205	\$ 45,953,541	\$ 46,440,370	\$ 46,299,778	\$ 50,615,844	\$ 52,430,770	\$ 54,849,577	\$ 56,828,062	\$ 58,674,302
Local sales & use taxes	5,103,979	4,518,626	4,670,002	4,710,612	4,782,750	5,675,646	5,721,942	5,824,383	5,836,450	6,561,608
Consumer utility taxes	2,067,744	2,020,957	1,983,855	810,500	753,893	776,370	793,620	778,733	784,328	799,701
E-911 taxes	888,885	747,563	750,680	-	-	-	-	-	-	-
Taxes on recordation & wills	875,739	760,296	538,548	507,473	554,087	669,957	589,489	658,320	762,765	885,276
Motor vehicle license taxes	61,738	648,490	701,177	715,355	724,866	791,114	924,867	962,847	842,419	804,588
Other local taxes	157,284	148,335	146,960	22,897	35,157	39,077	14,742	14,048	16,459	19,021
Unrestricted revenues from use of money & property	1,819,900	599,243	449,462	300,580	317,143	463,480	485,177	499,326	511,220	548,640
Miscellaneous	923,303	287,627	677,791	293,577	338,516	223,984	434,414	1,112,623	828,463	381,966
Grants & contributions not restricted to specific programs	3,712,251	3,690,898	3,626,392	5,768,766	5,742,053	5,729,055	5,709,779	5,723,154	5,688,086	5,717,658
Transfers	(6,253,652)	(1,889,649)	(1,700,442)	1,391,922	(1,260,291)	(1,256,691)	(1,745,433)	(1,560,438)	(2,651,275)	(1,305,620)
Total governmental activities	\$ 54,082,008	\$ 60,351,591	\$ 57,797,966	\$ 60,962,052	\$ 58,287,952	\$ 63,727,836	\$ 65,359,367	\$ 68,862,573	\$ 69,446,977	\$ 73,087,140
Business-type activities:										
Unrestricted revenues from use of money & property	\$ 227,094	\$ 72,560	\$ 12,334	\$ 9,955	\$ 7,275	\$ 2,666	\$ 1,574	\$ 1,528	\$ 3,213	\$ 7,852
Transfers	6,253,652	1,889,649	1,700,442	(1,391,922)	1,260,291	1,256,691	1,745,433	1,560,438	2,651,275	1,305,620
Total business-type activities	\$ 6,480,746	\$ 1,962,209	\$ 1,712,776	\$ (1,381,967)	\$ 1,267,566	\$ 1,259,357	\$ 1,747,007	\$ 1,561,966	\$ 2,654,488	\$ 1,313,472
Total primary government	\$ 60,562,754	\$ 62,313,800	\$ 59,510,742	\$ 59,580,085	\$ 59,555,518	\$ 64,987,193	\$ 67,106,374	\$ 70,424,539	\$ 72,101,465	\$ 74,400,612
Change in Net Position										
Governmental activities	\$ 18,950,704	\$ 6,014,589	\$ 4,196,628	\$ 1,231,027	\$ (3,595,463)	\$ (14,190,861)	\$ 14,050,377	\$ 7,857,077	\$ 4,339,309	\$ 1,489,559
Business-type activities	16,645,998	1,146,807	(358,531)	3,106,014	(1,613,368)	(1,625,626)	(1,184,405)	(746,729)	(1,025,279)	(1,247,206)
Total primary government	\$ 35,596,702	\$ 7,161,396	\$ 3,838,097	\$ 4,337,041	\$ (5,208,831)	\$ (15,816,487)	\$ 12,865,972	\$ 7,110,348	\$ 3,314,030	\$ 242,353

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes (1)	Total
2017	\$ 58,674,302	\$ 6,561,608	\$ 799,701	- \$	885,276	\$ 804,588	\$ 19,021	\$ 67,744,496
2016	56,828,062	5,836,450	784,328	-	762,765	842,419	16,459	65,070,483
2015	54,849,577	5,824,383	778,733	-	658,320	962,847	14,048	63,087,908
2014	52,430,770	5,721,942	793,620	-	589,489	924,867	14,742	60,475,430
2013	50,615,844	5,675,646	776,370	-	669,957	791,114	39,077	58,568,008
2012	46,299,778	4,782,750	753,893	-	554,087	724,866	35,157	53,150,531
2011	46,440,370	4,710,612	810,500	-	507,473	715,355	22,897	53,207,207
2010	45,953,541	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,744,763
2009	48,819,205	4,518,626	2,020,957	747,563	760,296	648,490	148,335	57,663,472
2008	44,724,837	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,880,206

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

COUNTY OF CULPEPER, VIRGINIA

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

	2008	2009	2010	2011
General fund				
Unreserved, designated for subsequent expenditures	\$ 3,004,067	\$ 2,067,984	\$ 2,130,135	\$ -
Unreserved, designated for capital projects	2,392,005	1,606,334	1,606,334	-
Unreserved, undesignated	21,012,107	20,630,986	22,342,047	-
Nonspendable	-	-	-	41,294
Restricted	-	-	-	79,313
Committed	-	-	-	2,663,269
Assigned	-	-	-	4,175
Unassigned	-	-	-	25,424,950
Total general fund	<u>\$ 26,408,179</u>	<u>\$ 24,305,304</u>	<u>\$ 26,078,516</u>	<u>\$ 28,213,001</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 1,730,757	\$ (2,224,539)	\$ 979,708	\$ -
Committed	-	-	-	151,354
Total all other governmental funds	<u>\$ 1,730,757</u>	<u>\$ (2,224,539)</u>	<u>\$ 979,708</u>	<u>\$ 151,354</u>

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

Table 4

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
7,161	-	-	-	-	-
69,173	40,961	51,482	68,704	106,625	110,427
2,680,321	2,728,933	2,845,076	2,512,042	2,373,097	1,860,834
4,175	4,175	4,175	4,175	11,675	11,675
23,878,983	27,115,368	29,125,041	30,511,542	30,097,176	30,747,712
<u>\$ 26,639,813</u>	<u>\$ 29,889,437</u>	<u>\$ 32,025,774</u>	<u>\$ 33,096,463</u>	<u>\$ 32,588,573</u>	<u>\$ 32,730,648</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,267,657	2,310,572	2,843,072	3,161,445	2,880,952	4,741,026
<u>\$ 1,267,657</u>	<u>\$ 2,310,572</u>	<u>\$ 2,843,072</u>	<u>\$ 3,161,445</u>	<u>\$ 2,880,952</u>	<u>\$ 4,741,026</u>

COUNTY OF CULPEPER, VIRGINIA

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

	2008	2009	2010	2011
Revenues:				
General property taxes	\$ 44,178,683	\$ 48,035,130	\$ 45,440,793	\$ 46,509,646
Other local taxes	9,155,369	8,844,267	8,791,222	6,766,837
Permits, privilege fees and regulatory licenses	916,830	624,759	563,189	569,944
Fines and forfeitures	52,278	90,718	77,962	62,947
Revenue from use of money and property	1,819,900	599,243	449,462	300,580
Charges for services	2,971,328	2,724,504	2,369,853	2,377,101
Miscellaneous	923,303	287,627	677,791	293,577
Recovered costs	219,596	264,157	258,658	270,126
Intergovernmental:				
School Board Contribution to Primary Government	26,042,891	4,532,080	4,910,289	317,073
Commonwealth	12,275,773	12,028,450	12,815,210	14,091,483
Federal	5,154,640	6,076,961	5,087,717	5,252,576
Total revenues	\$ 103,710,591	\$ 84,107,896	\$ 81,442,146	\$ 76,811,890
Expenditures:				
General government administration	\$ 4,021,814	\$ 4,216,069	\$ 3,736,033	\$ 3,556,229
Judicial administration	2,511,337	2,529,996	2,434,963	2,788,266
Public safety	14,676,760	14,924,513	13,684,548	13,708,943
Public works	3,776,003	4,450,069	2,353,642	2,115,634
Health and welfare	14,799,765	14,803,422	15,004,065	13,826,298
Education	59,897,360	35,121,032	29,906,138	28,611,381
Parks, recreation, and cultural	1,842,207	1,905,922	1,776,126	1,737,378
Community development	1,454,190	1,908,497	1,441,024	1,590,180
Nondepartmental	-	-	-	359,157
Debt service:				
Principal retirement	2,652,946	3,944,953	4,369,831	4,415,162
Interest and other fiscal charges	4,561,586	4,471,945	4,125,385	4,189,053
Total expenditures	\$ 110,193,968	\$ 88,276,418	\$ 78,831,755	\$ 76,897,681
Excess (deficiency) of revenues over (under) expenditures	\$ (6,483,377)	\$ (4,168,522)	\$ 2,610,391	\$ (85,791)
Other financing sources (uses):				
Transfers in	\$ 4,026,294	\$ 257,500	\$ 288,933	\$ 288,933
Transfers (out)	(10,279,946)	(2,147,149)	(1,989,375)	(1,989,375)
Issuance of debt	-	7,500,000	11,425,000	11,425,000
Premium on bonds issued	-	-	142,513	142,513
Payment to bond escrow agent	-	-	-	-
Retirement of temporary financing	-	(7,500,000)	(7,500,000)	(7,500,000)
Total other financing sources (uses)	\$ (6,253,652)	\$ (1,889,649)	\$ 2,367,071	\$ 2,367,071
Net changes in fund balances	\$ (12,737,029)	\$ (6,058,171)	\$ 4,977,462	\$ 2,281,280
Debt service as a percentage of noncapital expenditures	9.21%	10.83%	11.05%	11.61%

Table 5

	2012	2013	2014	2015	2016	2017
\$	46,323,781	\$ 51,137,567	\$ 52,737,696	\$ 54,872,724	\$ 56,741,652	\$ 59,087,406
	6,850,753	7,952,164	8,044,660	8,238,331	8,242,421	9,070,194
	428,957	735,097	678,813	765,036	857,772	963,959
	89,089	170,555	57,565	50,048	53,638	42,749
	317,143	463,480	485,177	499,326	511,220	548,640
	3,040,470	3,181,102	3,424,649	3,806,619	3,425,438	3,592,364
	338,516	223,984	434,414	899,723	828,463	381,966
	368,617	417,539	385,588	37,133	42,656	350,621
	-	97,676	10,333,914	4,409,912	809,724	-
	14,086,945	14,355,605	14,805,147	14,576,767	15,995,003	14,863,756
	4,852,237	4,347,752	4,405,596	4,798,809	7,660,923	7,031,681
\$	76,696,508	\$ 83,082,521	\$ 95,793,219	\$ 92,954,428	\$ 95,168,910	\$ 95,933,336
\$	3,748,509	\$ 3,882,047	\$ 4,058,789	\$ 4,350,632	\$ 4,953,548	\$ 4,339,420
	2,618,326	2,758,190	2,835,743	3,171,912	3,383,748	3,371,500
	14,695,407	15,635,912	17,139,178	17,611,122	17,779,124	18,488,205
	2,232,883	1,078,434	2,133,552	2,432,381	5,838,019	2,945,253
	14,448,935	14,198,860	14,925,935	15,569,457	18,214,297	17,829,715
	28,699,942	27,313,953	38,997,695	33,323,986	29,758,919	32,757,601
	1,629,557	1,576,636	1,951,229	2,040,179	1,922,212	1,961,670
	1,444,933	1,642,414	1,698,483	1,763,992	2,046,156	1,634,352
	378,310	299,721	-	-	-	-
	13,329,095	10,623,730	5,592,400	10,888,917	5,996,910	6,122,712
	4,212,005	4,226,801	4,258,043	5,518,903	3,413,085	3,175,139
\$	87,437,902	\$ 83,236,698	\$ 93,591,047	\$ 96,671,481	\$ 93,306,018	\$ 92,625,567
\$	(10,741,394)	\$ (154,177)	\$ 2,202,172	\$ (3,717,053)	\$ 1,862,892	\$ 3,307,769
\$	30,000	\$ 1,300,000	\$ 1,471,250	\$ 3,207,913	\$ 5,762,903	\$ 4,678,875
	(1,290,291)	(2,556,691)	(3,216,683)	(4,768,351)	(8,414,178)	(5,984,495)
	11,544,800	3,762,350	2,212,098	49,745,000	-	-
	-	1,941,057	-	4,006,776	-	-
	-	-	-	(47,085,223)	-	-
	-	-	-	-	-	-
\$	10,284,509	\$ 4,446,716	\$ 466,665	\$ 5,106,115	\$ (2,651,275)	\$ (1,305,620)
\$	(456,885)	\$ 4,292,539	\$ 2,668,837	\$ 1,389,062	\$ (788,383)	\$ 2,002,149
	20.49%	18.91%	12.11%	18.11%	10.55%	10.34%

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes (1)	Total
2008	\$ 44,178,683	\$ 5,103,979	\$ 2,067,744	\$ 888,885	\$ 875,739	\$ 61,738	\$ 157,284	\$ 53,334,052
2009	48,035,130	4,518,626	2,020,957	747,563	760,296	648,490	148,335	56,879,397
2010	45,440,793	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483
2012	46,323,781	4,782,750	753,893	-	554,087	724,866	35,157	53,174,534
2013	51,137,567	5,675,646	776,370	-	669,957	791,114	39,077	59,089,731
2014	52,737,696	5,721,942	793,620	-	589,489	924,867	14,742	60,782,356
2015	54,872,724	5,824,383	778,733	-	658,320	962,847	14,048	63,111,055
2016	56,741,652	5,836,450	784,328	-	762,765	842,419	16,459	64,984,073
2017	59,087,406	6,561,608	799,701	-	885,276	804,588	19,021	68,157,600

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

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total	Direct Tax Rate
2007-08	\$ 5,684,632,826	\$ 465,336,481	\$ 3,258,200	\$ 78,284,880	\$ 130,007,368	\$ 6,361,519,755	6.06
2008-09	5,747,238,496	482,347,707	3,129,900	84,569,648	145,637,364	6,462,923,115	6.11
2009-10	5,169,795,493	436,200,596	2,988,600	85,458,768	163,102,988	5,857,546,445	6.15
2010-11	5,144,951,484	459,950,654	2,942,500	80,056,700	183,217,885	5,871,119,223	6.15
2011-12	4,400,186,016	487,572,092	2,817,700	66,468,588	190,638,752	5,147,683,148	6.24
2012-13	4,425,676,576	521,285,475	2,789,500	70,437,097	211,146,356	5,231,335,004	6.30
2013-14	4,467,220,827	545,845,762	2,415,300	72,671,619	258,417,645	5,346,571,153	6.33
2014-15	4,564,280,180	661,189,332	2,395,100	71,043,729	178,726,950	5,477,635,291	6.33
2015-16	5,102,653,639	726,629,228	2,448,568	70,237,404	218,994,108	6,120,962,947	6.23
2016-17	5,168,221,853	760,805,390	2,724,413	82,437,316	206,779,011	6,220,967,983	0.00

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years		Real Estate	Personal Property	Machinery and Tools	Total Direct Tax Rate
2007-08 (2)	\$	0.56	\$ 3.50	\$ 2.00	\$ 6.06
2008-09 (2)		0.61	3.50	2.00	6.11
2009-10 (2)		0.65	3.50	2.00	6.15
2010-11 (2)		0.65	3.50	2.00	6.15
2011-12 (2)		0.74	3.50	2.00	6.24
2012-13 (2)		0.80	3.50	2.00	6.30
2013-14 (2)		0.83	3.50	2.00	6.33
2014-15 (2)		0.83	3.50	2.00	6.33
2015-16 (2)		0.73	3.50	2.00	6.23
2016-17 (2)		0.73	3.50	2.00	6.23

(1) Per \$100 of assessed value.

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

Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
NAP of the Capital Region, LLC	Managed Data Services	\$ 48,757,300	1	0.89%	\$ n/a	n/a	n/a
SWIFT, Inc.	Communications	20,984,500	2	0.38%	37,411,504	2	0.97%
Dominion Square	Retail	15,681,000	3	0.29%	18,998,800	3	0.49%
Culpeper Regency LLC	Retail	15,409,500	4	0.28%	n/a	n/a	n/a
Continental Teves	Manufacturing	12,632,900	5	0.23%	49,370,069	1	1.28%
Friendship Heights, LLC	Developer	11,963,400	6	0.22%	n/a	n/a	n/a
Wal-Mart	Retail	11,213,900	7	0.20%	15,375,328	4	0.40%
Culpeper Marketplace Assoc, LLC	Retail	9,848,700	8	0.18%	n/a	n/a	n/a
Culpeper Shopping Center	Retail	9,282,400	9	0.17%	n/a	n/a	n/a
Centex Homes	Developer	9,269,600	10	0.17%	n/a	n/a	n/a
Luck Stone	Quarry	n/a	n/a	n/a	12,341,578	5	0.32%
Target	Retail	n/a	n/a	n/a	10,305,572	6	0.27%
Rochester Corp.	Manufacturing	n/a	n/a	n/a	9,784,137	7	0.25%
Builders 1st Source	Manufacturing	n/a	n/a	n/a	8,577,239	8	0.22%
MASCO Builder Cabinet Group	Manufacturing	n/a	n/a	n/a	4,677,936	9	0.12%
Ricky L Brown & Sons, Inc.	Construction	n/a	n/a	n/a	3,616,702	10	0.09%
Totals		\$ 165,043,200		3.01%	\$ 170,458,865		4.42%

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent (1) Tax (2) Collections	Total Collections to Date	
		Amount (1)(3)	Percent of Levy		Amount (1)	Percent of Levy
2007-08	\$ 47,790,504	\$ 45,702,905	95.63%	1,814,408	\$ 47,517,313	99.43%
2008-09	51,559,488	49,120,376	95.27%	1,995,827	51,116,203	99.14%
2009-10	48,609,356	46,285,974	95.22%	1,960,607	48,246,581	99.25%
2010-11	49,411,286	47,149,308	95.42%	1,878,252	49,027,560	99.22%
2011-12	49,497,125	47,041,042	95.04%	1,831,770	48,872,812	98.74%
2012-13	53,633,638	51,788,087	96.56%	1,871,847	53,659,934	100.05%
2013-14	53,749,811	53,389,369	99.33%	1,909,952	55,299,321	102.88%
2014-15	57,165,955	55,335,680	96.80%	1,911,080	57,246,760	100.14%
2015-16	59,234,910	57,205,748	96.57%	1,650,059	58,855,807	99.36%
2016-17	61,078,989	58,866,864	96.38%	-	58,866,864	96.38%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						
	County					School	School
	General	Lease				Lease	General
	Obligation Bonds	Revenue Bonds	Notes Payable	Literary Loans	Capital Leases	Revenue Bonds	Obligation Bonds
2008	\$ 3,058,050	\$ 7,482,945	15,000,000	\$ -	\$ -	\$ 54,200,000	\$ 21,976,836
2009	2,918,998	7,145,882	7,500,000	7,500,000	-	52,955,000	19,752,998
2010	2,774,560	10,721,334	-	14,625,000	-	51,670,000	17,537,153
2011	2,624,526	10,228,841	-	13,875,000	-	50,340,000	15,844,518
2012	2,546,000	12,431,262	-	13,125,000	-	49,713,575	14,194,590
2013	2,363,500	11,761,136	-	12,375,000	-	48,242,691	31,965,364
2014	2,176,800	12,524,010	-	11,625,000	555,323	46,716,807	29,386,611
2015	1,985,600	11,731,884	-	5,250,000	378,649	52,520,893	26,771,842
2016	1,790,000	10,912,758	-	4,875,000	193,671	50,245,010	24,125,479
2017	1,589,800	10,069,632	-	4,500,000	-	47,904,127	21,446,914

(1) Weldon Cooper Website

Table 11

<u>Business-Type Activities</u>				Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
Lease Revenue Bonds	Notes Payable	Total Primary Government	(amounts expressed in thousands)				
\$ 1,566,896	\$ 60,000	\$ 103,344,727	\$ 1,512,062	6.83%	46,085	2,242	
1,376,837	30,000	99,179,715	1,491,076	6.65%	47,517	2,087	
1,176,496	-	98,504,543	1,540,742	6.39%	47,938	2,055	
965,316	-	93,878,201	1,553,966	6.04%	47,040	1,996	
742,712	-	92,753,139	1,762,003	5.26%	47,114	1,969	
508,065	-	107,215,756	1,814,249	5.91%	47,732	2,246	
260,723	-	103,245,274	1,840,445	5.61%	48,506	2,129	
-	-	98,638,868	1,959,118	5.03%	49,166	2,006	
1,792,620	-	93,934,538	1,948,412	4.82%	49,432	1,900	
2,548,270	-	88,058,743	2,005,323	4.39%	50,083	1,758	

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

Fiscal Year	Population (1)	Assessed Value (2)(1)	Gross Bonded Debt	Less Business Type Activities Lease Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2007-08	46,085	6,361,519,755	\$ 103,284,727	\$ 1,566,896	\$ 101,717,831	1.60%	\$ 2,207
2008-09	47,517	6,462,923,115	99,149,715	1,376,837	97,772,878	1.51%	2,058
2009-10	47,938	5,857,546,445	98,504,543	1,176,496	97,328,047	1.66%	2,030
2010-11	47,040	5,871,119,223	93,878,201	965,316	92,912,885	1.58%	1,975
2011-12	47,114	5,147,683,148	92,753,139	742,712	92,010,427	1.79%	1,953
2012-13	47,732	5,231,335,004	107,215,756	508,065	106,707,691	2.04%	2,236
2013-14	48,506	5,346,571,153	103,245,274	260,723	102,984,551	1.93%	2,123
2014-15	49,166	5,477,635,291	98,638,868	-	98,638,868	1.80%	2,006
2015-16	49,432	6,120,962,947	93,934,538	1,792,620	92,141,918	1.51%	1,864
2016-17	50,083	6,220,967,983	88,058,743	2,548,270	85,510,473	1.37%	1,707

(1) Bureau of the Census.

(2) From Table 7

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2017

Direct:(1)

County of Culpeper, Virginia	\$	85,510,473	100% \$	85,510,473
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(1) The County of Culpeper has no overlapping debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	School Enrollment	Unemployment Rate (2)	Personal Income (3) (amounts expressed in thousands)	Per Capita Personal Income (2)
2007-08	46,085	7,232	5.10%	1,512,062	34,232
2008-09	47,517	7,223	8.30%	1,491,076	32,703
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035
2011-12	47,114	7,612	6.50%	1,762,003	35,850
2012-13	47,732	7,731	5.50%	1,814,249	37,867
2013-14	48,506	7,841	5.80%	1,840,445	37,943
2014-15	49,166	7,965	5.00%	1,959,118	39,847
2015-16	49,432	7,974	3.70%	1,948,412	39,416
2016-17	50,083	8,114	3.70%	2,005,323	40,040

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,245	7.34%	1	1,490	9.74%	1
Culpeper Regional Hospital	589	3.47%	2	600	3.92%	2
County of Culpeper	568	3.35%	3	400	2.61%	4
Walmart	512	3.02%	4	598	3.91%	3
Va. Dept. of Transportation	442	2.60%	5	284	1.86%	9
Merillat Industries, Inc.	340	2.00%	6	n/a	n/a	n/a
Coffeewood Correctional Center	300	1.77%	7	350	2.29%	6
Builder's First Source	300	1.77%	8	370	2.42%	5
Rochester (Tyco)	235	1.38%	9	n/a	n/a	n/a
Cintas	n/a	n/a	n/a	265	1.73%	10
Continental Automotive	230	1.36%	10	316	2.07%	8
Masco Builder Cabinet Group	n/a	n/a	n/a	340	2.22%	7
Total	4,761			5,013		
Total County	16,968			15,298		

Source: Virginia Employment Commission

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	45	44	40	39	42	43	43	44	45	45
Judicial administration	33	33	34	33	34	35	37	36	40	47
Public safety										
Sheriffs department	90	90	83	84	83	85	85	85	84	86
E911	20	18	19	19	22	22	22	22	22	26
Fire & rescue/emergency services	24	24	24	24	24	24	24	24	24	24
Building inspections	17	14	14	3	6	6	6	7	7	7
Animal control	10	10	10	8	8	8	8	8	8	7
Public works										
General maintenance	5	3	3	3	3	3	3	3	6	6
Landfill	6	6	6	6	6	5	5	5	4	4
Water & Sewer	2	5	7	3	2	3	3	3	6	4
Health and welfare (Options/CSA)	4	3	4	4	3	4	4	4	4	5
Department of social services	100	100	94	89	87	84	84	89	89	115
Culture and recreation										
Parks and recreation	5	5	5	3	3	3	4	4	5	5
Library	7	7	7	7	7	7	7	7	7	7
Community development										
Planning	7	7	6	6	5	5	5	5	5	5
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	2	1	1	1	2	2	2	2	2	2
Totals	<u>379</u>	<u>372</u>	<u>359</u>	<u>334</u>	<u>339</u>	<u>341</u>	<u>344</u>	<u>350</u>	<u>360</u>	<u>397</u>

Source: FY adopted budgets

Operating Indicators by Function
Last Ten Fiscal Years

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sheriff	Physical arrests	1,273	1,612	730	922	1,254	1,814	1,184	1,356	1,148	932
	Traffic violations	1,248	2,651	1,914	1,287	2,240	2,788	2,342	1,546	622	578
Fire Protection	Number of stations - Fire	7	7	7	7	7	7	7	7	7	7
	Number of stations - EMS	1	1	1	1	1	1	1	1	1	1
Community Development	Residential building permits	167	163	66	117	288	370	451	483	526	498
Parks & Recreation	Number of parks & recreation facilities	3	7	7	7	8	8	8	8	8	8
	Number of libraries	1	1	1	1	1	1	1	1	1	1

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	51	50	65	84	88	91	107	98	99	95
Animal control:										
Buildings	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	4	4	3	5	5	5	5	8	8	8
Landfill:										
Vehicles	1	1	2	1	2	2	2	2	2	2
Equipment	5	5	7	12	13	13	13	13	13	13
Sites	1	1	1	1	1	1	1	1	1	1
Health and welfare										
Department of Social Services:										
Vehicles	3	3	3	4	4	4	4	2	3	5
Culture and recreation										
Parks and recreation:										
Vehicles	4	2	2	2	5	5	5	2	2	2
Parks acreage (or playing fields)	3	3	3	3	8	8	8	8	8	8
Community development										
Planning:										
Vehicles	0	0	0	0	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	8	8	10	10	10	10	10	10	10	10
School buses	NA	NA	129	136	131	131	135	120	125	124

NA - Not available

Source: Individual county departments

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Culpeper, Virginia's basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
November 21, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Culpeper, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Culpeper Virginia's major federal programs for the year ended June 30, 2017. County of Culpeper, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Culpeper, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Kammel, Cox Associates

Charlottesville, Virginia

November 21, 2017

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Agriculture:			
Direct payments:			
Community Facilities Loans and Grants	10.766		\$ 380,423
Pass through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	\$ 485,349
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Not Available	45,486
Child and Adult Care Food Program	10.558	Not Available	<u>276,565</u>
Total Department of Agriculture			\$ <u>1,187,823</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start	93.600	N/A	\$ 3,146,491
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	5,544
Temporary Assistance for Needy Families	93.558	0400109/0400110	373,107
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	930
Low Income Home Energy Assistance	93.568	0600409/0600410	35,184
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	(38)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	<u>57,448</u>
Total Child Care and Development Fund Cluster			\$ <u>57,410</u>
Chafee Education and Training Vouchers Program	93.599	9160108/9160109	1,137
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	0900109	419
Foster Care - Title IV-E	93.658	1100109/1100110	664,759
Adoption Assistance	93.659	1120109/1120110	632,894
Social Services Block Grant	93.667	1000109/1000110	307,321
Chafee Foster Care Independence Program	93.674	915108/9150109/9150110	5,080
Children's Health Insurance Program	93.767	0540109/0540110	22,241
Medical Assistance Program	93.778	1200109/1200110	<u>655,568</u>
Total pass through payments			\$ <u>2,761,594</u>
Total Department of Health and Human Services			\$ <u>5,908,085</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Recovery Act - Internet Crimes Against Children Task Force Program	16.800	Not Available	\$ 5,221
Crime Victim Assistance	16.575	15VAGX0043	67,934
Asset Forfeiture	16.000	N/A	5,333
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Available	1,378
Violence Against Women Formula Grants	16.588	15WFAX0018	<u>36,638</u>
Total Department of Justice			\$ <u>116,504</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (Continued)			
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	\$ 268,738
Pass through payments:			
Virginia Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1656190 & 154AL1757170	13,481
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	Not Available	78,201
Public Transportation Research, Technical Assistance, and Training	20.514	Not Available	29,646
Total Department of Transportation			\$ 390,066
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	\$ 58,062
Emergency Management Performance Grants	97.042	Not Available	10,751
Total Department of Homeland Security			\$ 68,813
Total Expenditures of Federal Awards-Primary Government			\$ 7,671,291
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Discretionary Grants Limited Availability	10.579	Not Available	\$ 25,547
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution -- Schools	10.555	Not Available	\$ 247,069
Department of Education:			
National School Lunch Program	10.555	2013IN109941/2014IN109941	1,720,182
			\$ 1,967,251
School Breakfast Program	10.553	2013IN109941/2014IN109941	462,710
Total Child Nutrition Cluster			\$ 2,429,961
Total Department of Agriculture/Child Nutrition Cluster			\$ 2,455,508
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A130046/S010A140046	\$ 1,612,511
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A130107/H027A140107	1,341,928
Special Education - Preschool Grants	84.173	H173A130112/H173A140112	45,158
Total Special Education Cluster			\$ 1,387,086
Career and Technical Education -- Basic Grants to States	84.048	V048A130046/VA048A140046	100,674
English Language Acquisition State Grants	84.365	S365A140046	81,733
Investing in Innovation (i3) Fund	84.411	Not Available	17,654
Advance Placement Program	84.330	S330B140008	1,330
Supporting Effective Instruction State Grant	84.367	S367A130044/S367A140044	163,749
Total Department of Education			\$ 3,364,737
Total Expenditures of Federal Awards-Component Unit School Board			\$ 5,820,245
Total Expenditures of Federal Awards-Reporting Entity			\$ 13,491,536

COUNTY OF CULPEPER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Culpeper, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - De Minimis Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 6,923,834
Capital Projects Fund	107,847
Loans - Community Facilities Loans and Grants	380,423
Airport Fund	<u>268,738</u>
Total primary government	<u>\$ 7,680,842</u>

Component Unit School Board:

School Operating Fund	\$ 3,396,868
School Cafeteria Fund	<u>2,455,508</u>
Total component unit school board	<u>\$ 5,852,376</u>

Total federal expenditures per basic financial statements	<u>\$ 13,533,218</u>
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Less federal subsidy	<u>\$ 41,682</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 13,491,536</u></u>
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COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
93.558	Temporary Assistance For Needy Families
93.667	Social Services Block Grant

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Audit Findings

None