

COUNTY OF PATRICK, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

COUNTY OF PATRICK, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Elected and Appointed Officials		<u>Page</u> 1
---	--	------------------

FINANCIAL SECTION

Independent Auditors' Report		2-4
Management's Discussion and Analysis		5-11

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	15
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	17
Proprietary Fund Financial Statements:		
Statement of Net Position - Proprietary Fund	7	18
Statement of Revenues, Expenses, and Changes in Net Position- Proprietary Fund	8	19
Statement of Cash Flows - Proprietary Fund	9	20
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position - Fiduciary Funds	10	21
Notes to Financial Statements		22-76

Required Supplementary Information:

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
General Fund	11	77
Schedule of OPEB Funding	12	78
Schedule of Components of and Changes in Net Pension Liability and Related Ratios - Primary Government	13	79
Schedule of Components of and Changes in Net Pension Liability and Related Ratios - Component Unit-School Board (nonprofessional)	14	80
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	15	81

COUNTY OF PATRICK, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information: (continued)		
Schedule of Employer Contributions	16	82
Notes to Required Supplementary Information.....	17	83
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Nonmajor Special Revenue Fund	18	84
Combining Statement of Fiduciary Net Position - Fiduciary Funds.....	19	85
Discretely Presented Component Unit - School Board:		
Balance Sheet	20	86
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	21	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	22	88
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	89-92
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	93-96
	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-wide information:		
Government-wide Expenses by Function.....	1	97
Government-wide Revenues	2	98
Fund information:		
General Governmental Expenditures by Function	3	99
General Governmental Revenues by Source	4	100
Property Tax Levies and Collections	5	101
Assessed Value of Taxable Property	6	102
Property Tax Rates	7	103
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	104
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	9	105

COUNTY OF PATRICK, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106-107
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	108-109
Schedule of Expenditures of Federal Awards.....	110-111
Schedule of Findings and Questioned Costs.....	112-113

INTRODUCTORY SECTION

COUNTY OF PATRICK, VIRGINIA

BOARD OF SUPERVISORS

Roger Hayden, Vice-chair Danny Foley	Karl Weiss, Chair	Rickie Fulcher Crystal Harris
---	-------------------	----------------------------------

COUNTY SCHOOL BOARD

Kandy Burnett, Vice-chair Annie Hylton	Ronnie Terry, Chair	J.D. Morse Michelle Day
---	---------------------	----------------------------

SOCIAL SERVICES BOARD

James Houchins, Vice-chair Angie Cassell	Alan Ullring, Chair	Leon Sawyers Greta Payne
---	---------------------	-----------------------------

OTHER OFFICIALS

Clerk of the Circuit Court	Susan C. Gasperini
Commonwealth's Attorney	Stephanie Brinegar-Vipperman
Commissioner of the Revenue	Janet H. Rorrer
Treasurer	Sandra K. Stone
Sheriff	Dan Smith
Superintendent of Schools	Dr. William D. Sroufe
Director of Social Services	Joan V. Rogers
County Administrator	Tom Rose
County Attorney	Alan Black

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Patrick, Virginia
Stuart, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Patrick, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Patrick, Virginia'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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Patrick, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to pension and OPEB funding on pages 5-11, 77, and 78-83, respectively, 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 Patrick, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and 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 section and other statistical information 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 December 17, 2015, on our consideration of the County of Patrick, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County of Patrick, Virginia's control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Patrick County, 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, 2015. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights:

- The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,839,606 (net position). Of this amount, \$4,478,118 was considered unrestricted.
- The assets and deferred outflows of resources of the County's business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,372,285 (net position).
- The liabilities and deferred inflows of resources of the School Board component unit exceeded its assets and deferred inflows of resources at the close of the fiscal year resulting in a net position of (\$13,312,781).
- The assets of the EDA component unit exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,622,181 (Net Position). Of this amount, \$878,574 was considered unrestricted.
- As of the close of the current fiscal year, the County's reported combined ending fund balance was \$6,559,667. Of this amount, \$6,468,359 was considered unassigned, \$75,343 was considered restricted, and \$15,965 was considered committed to specific funds.
- During the year, the County's governmental fund expenditures exceeded revenues by \$988,130.

Overview of the Financial Statements:

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

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

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

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 (Exhibit 1) presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two 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 (Exhibit 2) presents information showing how the County's Net Position changed during the most recent fiscal year. All changes in Net Position are reported when 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).

Both of these 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). Patrick County's governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation. Business-type activities are for public utilities.

The Government-wide Financial Statements include not only the County of Patrick, Virginia itself (known as the primary government), but also PSA Water and Sewer Funds (known as business-type activities) and a legally separate school board for which the County of Patrick, Virginia is financially accountable. The financial statements also include the Economic Development Authority, a discretely presented component unit, that the County of Patrick, Virginia does not control, but does exercise a significant financial relationship with.

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 Patrick, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the funds of the County can be classified as one of 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 Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because 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 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 Asset Forfeiture Fund. The General Fund is considered to be the only major fund.

The County adopts an annual appropriated budget for its Governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

Proprietary Funds - The County maintains three proprietary funds: The PSA Water Fund, the PSA Sewer Fund, and the Health Insurance Fund.

The PSA Water Fund and the PSA Sewer Fund accounts for activities similar to those found in the private sector. In fiscal year 2013, the PSA Fund revenue consisted of water service only. In fiscal year 2014, the county completed the sewer line construction, and began providing this service, thereby increasing its customer base and revenues. In the current fiscal year, the PSA Fund was separated into the PSA Water Fund and PSA Sewer Fund to designate revenues and expenditures to each of the separate services.

The Health Insurance Fund, an internal service fund, maintains funds for employee insurance premiums to pay health insurance claims.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. The County 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. The County excludes these activities from the County's Government-wide Financial Statements because the County cannot use these assets to finance its operations. The County has three fiduciary funds: Special Welfare, Dehart Cemetery, and Jail Inmate Fund.

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.

Effective January 1, 2014, the Virginia Retirement System added the Hybrid Plan for employees hired after that date. Note 9 provides a description of the VRS Plan 1, Plan 2 and Hybrid Plan. All full-time salaried employees are required to participate in one of the three plans, as determined by their hire date. The annual pension cost for the County and Schools is included in this note, along with a three-year trend of the pension cost.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and presentation of combining financial statements for the discretely presented component units and the non-major fund.

Government-wide Financial Analysis

As noted earlier, Net Position may serve as a useful indicator of a County's financial position. In the case of the of the County's Primary Government, assets exceeded liabilities by \$16,211,891 at the close of the most recent fiscal year.

The largest portion of the County's Net Position, \$11,546,667, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress), less any outstanding debt related to the acquisition of those assets. 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 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. Restricted portions of the County's net position are as follows: \$3,570 for Fred Clifton Park, \$71,773 for Asset Forfeiture, and \$71,824 for Debt service and bond covenants. The remaining balance of Net Position, \$4,518,057 is unrestricted and may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position for 2015 and 2014.

	Governmental and Business-type Activities	
	2015	2014
Current assets	\$ 13,604,234	\$ 13,748,920
Capital assets	49,972,872	51,194,342
Total assets	<u>\$ 63,577,106</u>	<u>\$ 64,943,262</u>
Deferred outflows of resources	\$ 3,095,365	\$ -
Current liabilities	\$ 2,492,363	\$ 2,296,094
Long-term liabilities	42,644,001	38,424,682
Total liabilities	<u>\$ 45,136,364</u>	<u>\$ 40,720,776</u>
Deferred inflows of resources	\$ 5,324,216	\$ 4,178,835
Net position		
Net investment in capital assets	\$ 11,546,667	\$ 12,134,305
Restricted	147,167	72,599
Unrestricted	4,518,057	7,836,747
Total net position	<u><u>\$ 16,211,891</u></u>	<u><u>\$ 20,043,651</u></u>

* Fiscal Year 2014 amounts do not reflect the restatement resulting from the implementation of GASB No. 68, as not all information was available.

The following table summarizes the County's Statement of Activities for 2015 and 2014.

Statement of Activities:	Governmental and Business-type Activities	
	2015	2014
Program revenues		
Charges for services	\$ 537,931	\$ 830,612
Operating grants and contributions	4,151,843	4,127,970
Capital grants and contributions	-	117,953
General revenues		
Property taxes	11,558,092	11,252,512
Other taxes	2,397,795	2,228,527
Revenue from use of money and property	21,797	30,930
Miscellaneous	150,626	109,837
Grants and contributions not restricted to specific programs	1,226,231	1,260,137
Gain on disposal of asset	-	1,439,110
Total revenues	<u>\$ 20,044,315</u>	<u>\$ 21,397,588</u>
Expenses		
General government	\$ 1,343,304	\$ 1,579,706
Judicial administration	800,448	727,953
Public safety	5,852,643	6,386,449
Public works	1,819,940	2,255,376
Health and welfare	1,804,644	1,720,817
Education	5,593,639	8,748,911
Parks, recreation and cultural	507,656	469,479
Community development	894,400	573,776
Interest on debt	2,022,846	1,701,434
Total expenses	<u>\$ 20,639,520</u>	<u>\$ 24,163,901</u>
Change in net position	<u>\$ (595,205)</u>	<u>\$ (2,766,313)</u>

* Fiscal Year 2014 amounts do not reflect the restatement resulting from the implementation of GASB No. 68, as not all information was available.

Financial Analysis of the County's Funds

As noted earlier, the County uses 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 \$6,559,667. Approximately 1.2% of this total amount, \$75,743, constitutes restricted fund balance, and 0.2% of the total amount, \$15,965, constitutes committed fund balance, both of which is not available for current spending as these have been restricted by or committed to external parties such as grantors, laws or legislation. The remaining balance, \$6,468,359, or 98.6%, is unassigned, meaning there are no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the General Fund was \$6,487,894. Of this amount, \$6,468,359 was considered unassigned.

Total governmental fund revenues for fiscal year ended June 30, 2015 increased \$395,092 and expenses decreased \$1,228,112 over prior year amounts. For fiscal year ended June 30, 2015 expenses exceeded revenues by \$988,130, as compared to the fiscal year ended June 30, 2014, in which expenses exceeded revenues by \$2,611,334.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. Exhibit 11 provides detail of the variances.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$45,289,341 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. Investment in capital assets for business-type activities amounts to \$4,683,531 (net of accumulated depreciation). Capital asset activity for the school board as of June 30, 2015, amounts to \$10,932,895 (net of accumulated depreciation).

Additional information on the County of Patrick's capital assets can be found in Note 10 of this report.

Long-term Obligations - At the end of the current fiscal year, the County had total debt outstanding as follows:

Governmental Activities:	
General Obligation Bonds	\$ 30,294,054
Bond Premiums	2,737,058
Literary Loans	1,665,000
Capital Leases	2,749,675
Compensated Absences	668,465
Net Pension Liability	2,526,791
Net OPEB Obligation	91,180
Total	<u>\$ 40,732,223</u>
Business-type Activities:	
Rural Development Loans	\$ 3,423,009
Total	<u>\$ 3,423,009</u>

The county issued \$24,992,317 (including a premium of \$2,512,317) in refunding bonds, with interest rates ranging between 4.0% and 5.05%, in order to advance refund \$22,110,00 of the outstanding 2008 leave revenue bond with interest rates ranging from 3.00% to 5.25%.

Additional information on the County of Patrick's long-term obligations can be found in Note 6 of this report.

Capital Lease - The County has entered into a lease agreement to finance the acquisition of energy efficient equipment to be used by the public schools and a loader to be used at the Transfer Station. The combined asset value of the leases is \$3,330,626 (net of accumulated depreciation). The present value of the lease agreements is \$2,749,675. Note 7 provides additional details of the future minimum lease obligation.

Long-Term Obligations - Component Unit-School Board

Net Pension Liability	\$21,450,605
Net OPEB Obligation	1,064,951
Compensated Absences	448,780
Total	<u>\$22,964,336</u>

Additional information on the County of Patrick's long-term obligations for the School Board can be found in Note 8 of this report.

Economic Factors

The June 2015 unemployment rate for the County of Patrick, Virginia was 6.0%, which is a slight decrease from the rate of 6.4% in June 2014.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, PO Box 466, Stuart, Virginia 24171.

Basic Financial Statements

County of Patrick, Virginia
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit <u>School Board</u>	Component Unit <u>EDA</u>
	Governmental	Business-type	Total		
	<u>Activities</u>	<u>Activities</u>			
ASSETS					
Cash and cash equivalents	\$ 4,616,415	\$ 16,474	\$ 4,632,889	\$ 1,411,340	\$ 120,865
Cash in custody of others	24,935	-	24,935	200	-
Investments	3,121,099	-	3,121,099	120,994	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	4,141,626	-	4,141,626	-	-
Other local taxes	227,948	-	227,948	-	-
Accounts receivable	155,605	25,341	180,946	149,036	-
Due from component units	682,613	-	682,613	-	-
Due from primary government	-	-	-	-	253,125
Due from other governmental units	507,874	-	507,874	824,200	-
Prepaid items	-	-	-	155,248	4,640
Restricted assets:					
Cash and cash equivalents	-	84,304	84,304	-	-
Inventory: Industrial sites held for resale	-	-	-	-	1,043,800
Capital assets (net of accumulated depreciation):					
Land	1,152,364	-	1,152,364	561,748	85,000
Buildings and improvements	43,547,043	-	43,547,043	8,442,716	1,640,285
Machinery and equipment	514,361	-	514,361	1,928,431	18,322
Infrastructure	-	4,683,531	4,683,531	-	-
Construction in progress	75,573	-	75,573	-	-
Total assets	<u>\$ 58,767,456</u>	<u>\$ 4,809,650</u>	<u>\$ 63,577,106</u>	<u>\$ 13,593,913</u>	<u>\$ 3,166,037</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	\$ 2,442,591	\$ -	\$ 2,442,591	\$ -	\$ -
Pension contributions subsequent to measurement date	652,774	-	652,774	2,006,960	-
Total deferred outflows of resources	<u>\$ 3,095,365</u>	<u>\$ -</u>	<u>\$ 3,095,365</u>	<u>\$ 2,006,960</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 271,182	\$ -	\$ 271,182	\$ 445,871	\$ 1,731
Accrued wages	37,738	-	37,738	1,288,554	-
Estimate of incurred but not reported health claims	156,000	-	156,000	-	-
Accrued interest payable	248,731	1,876	250,607	-	-
Due to component unit	253,125	-	253,125	-	-
Due to primary government	-	-	-	682,613	-
Customer deposits	-	12,480	12,480	-	-
Long-term liabilities:					
Due within one year	1,465,689	45,542	1,511,231	336,585	176,022
Due in more than one year	39,266,534	3,377,467	42,644,001	22,627,751	366,103
Total liabilities	<u>\$ 41,698,999</u>	<u>\$ 3,437,365</u>	<u>\$ 45,136,364</u>	<u>\$ 25,381,374</u>	<u>\$ 543,856</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 4,221,237	\$ -	\$ 4,221,237	\$ -	\$ -
Change in proportionate share of net pension liability	-	-	-	68,000	-
Items related to measurement of net pension liability	1,102,979	-	1,102,979	3,464,280	-
Total deferred inflows of resources	<u>\$ 5,324,216</u>	<u>\$ -</u>	<u>\$ 5,324,216</u>	<u>\$ 3,532,280</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 10,286,145	\$ 1,260,522	\$ 11,546,667	\$ 10,932,895	\$ 1,743,607
Restricted:					
Fred Clifton Park	3,570	-	3,570	-	-
Asset Forfeiture	71,773	-	71,773	-	-
Debt service and bond covenants	-	71,824	71,824	-	-
School cafeteria	-	-	-	243,780	-
Unrestricted	4,478,118	39,939	4,518,057	(24,489,456)	878,574
Total net position	<u>\$ 14,839,606</u>	<u>\$ 1,372,285</u>	<u>\$ 16,211,891</u>	<u>\$ (13,312,781)</u>	<u>\$ 2,622,181</u>

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

County of Patrick, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	Component Units	
			Grants and Contributions	Capital Grants and Contributions				School Board	EDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,343,304	\$ 5,277	\$ 207,434	\$ -	\$ (1,130,593)	\$ -	\$ (1,130,593)	\$ -	\$ -
Judicial administration	800,448	52,839	461,952	-	(285,657)	-	(285,657)	-	-
Public safety	5,852,643	86,476	2,120,398	-	(3,645,769)	-	(3,645,769)	-	-
Public works	1,475,097	254,737	8,824	-	(1,211,536)	-	(1,211,536)	-	-
Health and welfare	1,804,644	-	1,287,367	-	(517,277)	-	(517,277)	-	-
Education	5,593,639	-	-	-	(5,593,639)	-	(5,593,639)	-	-
Parks, recreation, and cultural	507,656	32,403	5,000	-	(470,253)	-	(470,253)	-	-
Community development	894,400	-	60,868	-	(833,532)	-	(833,532)	-	-
Interest on long-term debt	2,022,846	-	-	-	(2,022,846)	-	(2,022,846)	-	-
Total governmental activities	\$ 20,294,677	\$ 431,732	\$ 4,151,843	\$ -	\$ (15,711,102)	\$ -	\$ (15,711,102)	\$ -	\$ -
Business-type activities:									
Public Service Authority	\$ 344,843	\$ 106,199	\$ -	\$ -	\$ (238,644)	\$ (238,644)	\$ (238,644)	\$ -	\$ -
Total business-type activities	\$ 344,843	\$ 106,199	\$ -	\$ -	\$ (238,644)	\$ (238,644)	\$ (238,644)	\$ -	\$ -
Total primary government	\$ 20,639,520	\$ 537,931	\$ 4,151,843	\$ -	\$ (15,711,102)	\$ (238,644)	\$ (15,949,746)	\$ -	\$ -
COMPONENT UNIT:									
School Board	\$ 28,042,085	\$ 769,283	\$ 20,829,344	\$ 258,633	\$ -	\$ -	\$ -	\$ (6,184,825)	\$ -
EDA	791,001	-	-	-	-	-	-	-	(791,001)
Total component units	\$ 28,833,086	\$ 769,283	\$ 20,829,344	\$ 258,633	\$ -	\$ -	\$ -	\$ (6,184,825)	\$ (791,001)
General revenues:									
General property taxes					\$ 11,558,092	\$ -	\$ 11,558,092	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					1,114,004	-	1,114,004	-	-
Consumers' utility taxes					404,502	-	404,502	-	-
Gross receipts					11,174	-	11,174	-	-
Consumption taxes					57,101	-	57,101	-	-
Motor vehicle licenses					444,356	-	444,356	-	-
Bank stock taxes					28,558	-	28,558	-	-
Taxes on recordation and wills					65,214	-	65,214	-	-
Hotel and motel room taxes					272,886	-	272,886	-	-
Unrestricted revenues from use of money and property					21,516	281	21,797	7,202	180,039
Miscellaneous					150,626	-	150,626	117,329	6,165
Contribution from Patrick County, Virginia					-	-	-	5,577,142	421,875
Grants and contributions not restricted to specific programs					1,226,231	-	1,226,231	-	-
Transfers					(206,898)	206,898	-	-	-
Total general revenues and transfers					\$ 15,147,362	\$ 207,179	\$ 15,354,541	\$ 5,701,673	\$ 608,079
Change in net position					\$ (563,740)	\$ (31,465)	\$ (595,205)	\$ (483,152)	\$ (182,922)
Net position - beginning, as restated					15,403,346	1,403,750	16,807,096	(12,829,629)	2,805,103
Net position - ending					\$ 14,839,606	\$ 1,372,285	\$ 16,211,891	\$ (13,312,781)	\$ 2,622,181

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

County of Patrick, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Nonmajor Asset Forfeiture</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,113,372	\$ 46,584	\$ 4,159,956
Cash in custody of others	24,935	-	24,935
Investments	2,133,126	25,189	2,158,315
Receivables (net of allowance for uncollectibles)			
Taxes receivable	4,141,626	-	4,141,626
Other local taxes	227,948	-	227,948
Accounts receivable	155,605	-	155,605
Due from component unit	682,613	-	682,613
Due from other governmental units	507,874	-	507,874
Total assets	<u>\$ 11,987,099</u>	<u>\$ 71,773</u>	<u>\$ 12,058,872</u>
LIABILITIES			
Accounts payable	\$ 271,182	\$ -	\$ 271,182
Accrued liabilities	37,738	-	37,738
Due to component unit	253,125	-	253,125
Total liabilities	<u>\$ 562,045</u>	<u>\$ -</u>	<u>\$ 562,045</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 4,937,160</u>	<u>\$ -</u>	<u>\$ 4,937,160</u>
FUND BALANCES			
Restricted:			
Fred Clifton Park	\$ 3,570	\$ -	\$ 3,570
Asset Forfeiture	-	71,773	71,773
Committed:			
Law library	15,965	-	15,965
Unassigned	6,468,359	-	6,468,359
Total fund balances	<u>\$ 6,487,894</u>	<u>\$ 71,773</u>	<u>\$ 6,559,667</u>
Total liabilities and fund balances	<u>\$ 11,987,099</u>	<u>\$ 71,773</u>	<u>\$ 12,058,872</u>

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

County of Patrick, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 6,559,667

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,152,364	
Buildings and improvements	43,547,043	
Machinery and equipment	514,361	
Construction in progress	<u>75,573</u>	45,289,341

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

Unavailable revenue - property taxes	\$ 715,923	
Items related to measurement of net pension liability	<u>(1,102,979)</u>	(387,056)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

1,263,243

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

652,774

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

Bond premiums	\$ (2,737,058)	
Deferred charges on refunding	2,442,591	
Accrued interest payable	(248,731)	
Compensated absences	(668,465)	
Net pension liability	(2,526,791)	
Net OPEB obligation	(91,180)	
Capital leases	(2,749,675)	
Literary loans	(1,665,000)	
General obligation bonds	<u>(30,294,054)</u>	(38,538,363)

Net position of governmental activities

\$ 14,839,606

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

County of Patrick, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Nonmajor Asset Forfeiture</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,501,012	\$ -	\$ 11,501,012
Other local taxes	2,397,795	-	2,397,795
Permits, privilege fees, and regulatory licenses	66,183	-	66,183
Fines and forfeitures	17,507	-	17,507
Revenue from the use of money and property	21,202	314	21,516
Charges for services	348,042	-	348,042
Miscellaneous	150,626	-	150,626
Recovered costs	781,215	-	781,215
Intergovernmental:			
Commonwealth	4,424,121	-	4,424,121
Federal	953,953	-	953,953
Total revenues	<u>\$ 20,661,656</u>	<u>\$ 314</u>	<u>\$ 20,661,970</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,480,422	\$ -	\$ 1,480,422
Judicial administration	815,155	-	815,155
Public safety	6,163,896	17,219	6,181,115
Public works	1,403,761	-	1,403,761
Health and welfare	1,844,185	-	1,844,185
Education	4,718,631	-	4,718,631
Parks, recreation, and cultural	547,008	-	547,008
Community development	1,018,031	-	1,018,031
Capital projects	245,054	-	245,054
Debt service:			
Principal retirement	1,265,923	-	1,265,923
Interest and other fiscal charges	1,719,316	-	1,719,316
Bond issuance costs	411,499	-	411,499
Total expenditures	<u>\$ 21,632,881</u>	<u>\$ 17,219</u>	<u>\$ 21,650,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (971,225)</u>	<u>\$ (16,905)</u>	<u>\$ (988,130)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (206,898)	\$ -	\$ (206,898)
Issuance of refunding bonds	22,480,000	-	22,480,000
Premium on advanced refunding	2,512,317	-	2,512,317
Payment to refunded bond escrow agent	(24,627,351)	-	(24,627,351)
Refunding lease purchase issuance	2,668,000	-	2,668,000
Debt service - principal retirement - capital lease refinancing	(2,556,611)	-	(2,556,611)
Total other financing sources (uses)	<u>\$ 269,457</u>	<u>\$ -</u>	<u>\$ 269,457</u>
Net change in fund balances	\$ (701,768)	\$ (16,905)	\$ (718,673)
Fund balances - beginning, as restated	7,189,662	88,678	7,278,340
Fund balances - ending	<u>\$ 6,487,894</u>	<u>\$ 71,773</u>	<u>\$ 6,559,667</u>

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

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

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

Net change in fund balances - total governmental funds \$ (718,673)

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 outlays	\$ 391,912	
Depreciation expense	<u>(1,492,817)</u>	(1,100,905)

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

Increase (decrease) in unavailable revenue - property taxes	\$ 57,080	
(Increase) decrease in deferred inflows of resources related to the measurement of the net pension liability	<u>(1,102,979)</u>	(1,045,899)

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. Also, governmental funds report the effect of, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt:

General obligation bond	\$ (22,480,000)	
Premium on general obligation bond	(2,512,317)	
Capital lease	(2,668,000)	

Principal repayments:

General obligation bonds	327,332	
Lease revenue note	22,635,000	
Literary loans	195,000	
Capital leases	<u>2,775,202</u>	(1,727,783)

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.

Decrease (increase) in compensated absences	\$ (57,231)	
Decrease (increase) in premium on issuance	13,912	
(Decrease) increase in discount on issuance	(138,558)	
Increase (decrease) in deferred amount on refunding	2,442,591	
Decrease (increase) in accrued interest payable	307,375	
Decrease (increase) in net pension liability	1,462,137	
Increase (decrease) in pension contributions subsequent to measurement date	(30,797)	
Decrease (increase) in net OPEB obligation	<u>(17,676)</u>	3,981,753

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

47,767

Change in net position of governmental activities	\$	<u>(563,740)</u>
---	----	------------------

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

County of Patrick, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Public Service Authority			Internal Service Fund
	Water Fund	Sewer Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,468	\$ 3,006	\$ 16,474	\$ 456,459
Investments	-	-	-	962,784
Accounts receivables, net of allowances for uncollectibles	20,333	5,008	25,341	-
Total current assets	<u>\$ 33,801</u>	<u>\$ 8,014</u>	<u>\$ 41,815</u>	<u>\$ 1,419,243</u>
Noncurrent assets:				
Restricted current assets:				
Cash and cash equivalents	\$ 44,677	\$ 39,627	\$ 84,304	\$ -
Capital assets (net of accumulated depreciation):				
Infrastructure	1,817,369	2,866,162	4,683,531	-
Total assets	<u>\$ 1,895,847</u>	<u>\$ 2,913,803</u>	<u>\$ 4,809,650</u>	<u>\$ 1,419,243</u>
LIABILITIES				
Current liabilities:				
Estimate of incurred but not reported health claims	\$ -	\$ -	\$ -	\$ 156,000
Customers' deposits	9,758	2,722	12,480	-
Accrued interest payable	764	1,112	1,876	-
Bonds payable - current portion	18,552	26,990	45,542	-
Total current liabilities	<u>\$ 29,074</u>	<u>\$ 30,824</u>	<u>\$ 59,898</u>	<u>\$ 156,000</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 1,375,555	\$ 2,001,912	\$ 3,377,467	\$ -
Total liabilities	<u>\$ 1,404,629</u>	<u>\$ 2,032,736</u>	<u>\$ 3,437,365</u>	<u>\$ 156,000</u>
NET POSITION				
Net investment in capital assets	\$ 423,262	\$ 837,260	\$ 1,260,522	\$ -
Restricted for debt service and bond covenants	34,919	36,905	71,824	-
Unrestricted	33,037	6,902	39,939	1,263,243
Total net position	<u>\$ 491,218</u>	<u>\$ 881,067</u>	<u>\$ 1,372,285</u>	<u>\$ 1,263,243</u>

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

County of Patrick, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Public Service Authority			Internal Service Fund
	Water Fund	Sewer Fund	Total	
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 86,041	\$ -	\$ 86,041	\$ -
Sewer revenues	-	20,158	20,158	-
Insurance premiums	-	-	-	2,830,945
Total operating revenues	<u>\$ 86,041</u>	<u>\$ 20,158</u>	<u>\$ 106,199</u>	<u>\$ 2,830,945</u>
OPERATING EXPENSES				
Administration	\$ 8,491	\$ 4,669	\$ 13,160	\$ -
Purchase of water	38,431	-	38,431	-
Purchase of sewer	-	17,683	17,683	-
Pump station maintenance	17,150	-	17,150	-
Depreciation	46,944	73,621	120,565	-
Insurance claims and expenses	-	-	-	2,784,220
Total operating expenses	<u>\$ 111,016</u>	<u>\$ 95,973</u>	<u>\$ 206,989</u>	<u>\$ 2,784,220</u>
Operating income (loss)	<u>\$ (24,975)</u>	<u>\$ (75,815)</u>	<u>\$ (100,790)</u>	<u>\$ 46,725</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 281	\$ -	\$ 281	\$ 1,042
Interest expense	(56,145)	(81,709)	(137,854)	-
Total nonoperating revenues (expenses)	<u>\$ (55,864)</u>	<u>\$ (81,709)</u>	<u>\$ (137,573)</u>	<u>\$ 1,042</u>
Income (loss) before transfers	<u>\$ (80,839)</u>	<u>\$ (157,524)</u>	<u>\$ (238,363)</u>	<u>\$ 47,767</u>
Transfers in	\$ 99,294	\$ 113,409	\$ 212,703	\$ -
Transfers out	(5,805)	-	(5,805)	-
Change in net position	<u>\$ 12,650</u>	<u>\$ (44,115)</u>	<u>\$ (31,465)</u>	<u>\$ 47,767</u>
Total net position - beginning	478,568	925,182	1,403,750	1,215,476
Total net position - ending	<u>\$ 491,218</u>	<u>\$ 881,067</u>	<u>\$ 1,372,285</u>	<u>\$ 1,263,243</u>

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

County of Patrick, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Public Service Authority			Internal Service Fund
	Water Fund	Sewer Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts for insurance premiums	\$ -	\$ -	\$ -	\$ 2,830,945
Receipts from customers and users	80,028	24,869	104,897	-
Payments to suppliers	(64,210)	(22,564)	(86,774)	-
Payments for premiums	-	-	-	(2,778,520)
Net cash provided by (used for) operating activities	<u>\$ 15,818</u>	<u>\$ 2,305</u>	<u>\$ 18,123</u>	<u>\$ 52,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (5,805)	\$ -	\$ (5,805)	\$ -
Transfers from other funds	99,294	113,409	212,703	-
Net cash provided by (used for) noncapital financing activities	<u>\$ 93,489</u>	<u>\$ 113,409</u>	<u>\$ 206,898</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on bonds	\$ (17,789)	\$ (25,881)	\$ (43,670)	\$ -
Interest expense	(56,155)	(81,723)	(137,878)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (73,944)</u>	<u>\$ (107,604)</u>	<u>\$ (181,548)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 281	\$ -	\$ 281	\$ 1,042
Net cash provided by (used for) investing activities	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 281</u>	<u>\$ 1,042</u>
Net increase (decrease) in cash and cash equivalents	\$ 35,644	\$ 8,110	\$ 43,754	\$ 53,467
Cash and cash equivalents - beginning (including restricted cash of \$57,024)	22,501	34,523	57,024	1,365,776
Cash and cash equivalents - ending (including restricted cash of \$84,304)	<u>\$ 58,145</u>	<u>\$ 42,633</u>	<u>\$ 100,778</u>	<u>\$ 1,419,243</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (24,975)	\$ (75,815)	\$ (100,790)	\$ 46,725
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 46,944	\$ 73,621	\$ 120,565	\$ -
(Increase) decrease in accounts receivable	(11,453)	8,615	(2,838)	-
Increase (decrease) in customer deposits	5,440	(3,904)	1,536	-
Increase (decrease) in accounts payable	(138)	(212)	(350)	5,700
Total adjustments	<u>\$ 40,793</u>	<u>\$ 78,120</u>	<u>\$ 118,913</u>	<u>\$ 5,700</u>
Net cash provided by (used for) operating activities	<u>\$ 15,818</u>	<u>\$ 2,305</u>	<u>\$ 18,123</u>	<u>\$ 52,425</u>

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

County of Patrick, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 30,738
Total assets	<u>\$ 30,738</u>
 LIABILITIES	
Amounts held for Social Services clients	\$ 10,946
Amounts held for DeHart Cemetery	6,056
Amounts held for inmates	<u>13,736</u>
Total liabilities	<u>\$ 30,738</u>

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

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

County of Patrick, Virginia is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - The Patrick County Public Service Authority provides water and sewer service to the County. The Public Service Authority is fiscally dependent upon the County. In addition, the County Board appoints the Public Service Authority's Board.

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Patrick County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue a separate financial statement.

The Economic Development Authority of Patrick County (EDA) was created to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Patrick County, Virginia. The Authority is also authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. The Authority is governed by eight directors appointed by the Board of Supervisors of Patrick County, Virginia. A separate financial statement may be obtained by contacting the EDA.

Related Organizations - None

Jointly Governed Organizations:

1. The County and the City of Martinsville participate in supporting the Blue Ridge Regional Library. For the fiscal year ended June 30, 2015, the County contributed \$264,809 to the Library.
2. The County and the County of Franklin and the City of Martinsville participate in supporting the Piedmont Regional Community Services Board. For the fiscal year ended June 30, 2015 the County contributed \$68,479 to the Community Services Board.

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and fund financial statements

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, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position is designed to display the 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

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

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.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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 revenues.

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 the government receives cash.

The County's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

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.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Courthouse Maintenance, Contingency, Inmate Medical, CAP Depreciation, VPA, CSA, Dare, Sheriff's Vending, Law Library, Fred Clifton Park, Capital Projects, and Courthouse Security Funds.

The government reports the following nonmajor governmental funds:

Special Revenue Funds account for and report the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Asset Forfeiture Fund is reported as a nonmajor special revenue fund.

The government reports the following major proprietary funds:

The *Water Fund* is used to account for and report the activities related to the blended Patrick County Public Service Authority's water distribution system.

The *Sewer Fund* is used to account for and report the activities related to the blended Patrick County Public Service Authority's sewer system.

Additionally, the government reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Self-health Insurance Fund.

Fiduciary Funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, DeHart Cemetery and the Jail Canteen fund.

Note 1-Summary of Significant Accounting Policies: (continued)

The component unit of the government reports the following major governmental fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts and reports for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Patrick, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between departments of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance

1. 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.

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").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. 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) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance: (continued)

2. Receivables and payables (continued)

Advances between funds, as reported in the fund financial statements, if any, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$85,815 at June 30, 2015 and is comprised solely of property taxes.

5. 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.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 for business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during this fiscal year.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance: (continued)

6. Capital assets (continued)

Property, plant, and equipment and infrastructure 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	40
Infrastructure - structures, lines, and accessories	20-40
Machinery and equipment	5-30

7. 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. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

9. Prepaid items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance: (continued)

10. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds and classified fund balance into the following five categories:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund);
- Restricted - amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation;
- Committed - amounts constrained to specific purposes by the government itself, using its highest level of decision making authority, which the County considers to be the Board of Supervisors; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned - amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors;
- Unassigned - this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance: (continued)

11. Deferred Outflows/Inflows of Resources

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

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

12. Pensions

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

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance: (continued)

13. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources.

The County's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. 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.

Restricted - This category includes resources for which the County is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the County and may be used at the County's discretion to meet current expenses for any lawful purposes.

14. 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.

E. Adoption of Accounting Principles:

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

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the restatement of net position as described in Note 18.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. 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 for the General Fund, Special Revenue Funds, Debt Service Funds, and the General Capital Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Budgetary data presented in the accompanying financial statements is the revised budget as of June 30, and the original budget adopted by the Board of Supervisors.
9. Excess of expenditures over appropriations
For fiscal year ended June 30, 2015, there were no funds/departments that over expended appropriations.
10. Deficit fund equity
At June 30, 2015, there were no funds with deficit fund equity.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 3-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 local governments and other public bodies 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 has not adopted an investment policy for credit risk.

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

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 3,221,516
SNAP	20,577
Total	<u>\$ 3,242,093</u>

Concentration of Credit Risk:

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 3-Deposits and Investments: (continued)

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is 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 maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
State sales tax	\$ -	\$ 459,469
Noncategorical aid	90,899	-
Categorical aid-shared expenses	203,221	-
Categorical aid-VPA funds	30,995	-
Categorical aid-other	120,076	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	62,188	-
Categorical aid-other	495	364,731
Totals	\$ <u>507,874</u>	\$ <u>824,200</u>

Note 5-Interfund/Component-Unit Obligations:

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 206,898
Water Fund	113,409	-
Sewer Fund	99,294	5,805
Total	\$ <u>212,703</u>	\$ <u>212,703</u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 5-Interfund/Component-Unit Obligations: (continued)

Interfund/component unit obligations at June 30, 2015, consisted of the following:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 682,613	\$ 253,125
Component Unit - School Board:		
School Operating Fund	\$ -	\$ 682,613
Component Unit - EDA:		
EDA Operating Fund	\$ 253,125	\$ -

Note 6-Long-term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015.

	Balance July 1, 2014, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
General obligation bonds	\$ 8,141,386	\$ 22,480,000	\$ (327,332)	\$ 30,294,054
Lease revenue note	22,635,000	-	(22,635,000)	-
Bond premiums	238,653	2,512,317	(13,912)	2,737,058
Bond discount	(138,558)	-	138,558	-
Literary loans	1,860,000	-	(195,000)	1,665,000
Capital leases	2,856,877	2,668,000	(2,775,202)	2,749,675
Compensated absences	611,234	515,656	(458,426)	668,465
Net pension liability	3,988,928	1,946,446	(3,408,583)	2,526,791
Net OPEB obligation	73,504	36,576	(18,900)	91,180
Total	\$ 40,267,024	\$ 30,158,995	\$ (29,693,797)	\$ 40,732,223

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 6-Long-term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2016	\$ 337,315	\$ 1,115,997	\$ 195,000	\$ 37,950
2017	347,558	1,376,470	195,000	33,600
2018	753,078	1,351,035	195,000	29,250
2019	1,013,883	1,309,576	195,000	24,900
2020	1,064,447	1,258,065	195,000	20,550
2021-2025	5,817,773	5,439,959	465,000	56,550
2026-2030	6,075,000	3,974,170	225,000	13,500
2031-2035	7,425,000	2,503,765	-	-
2036-2040	7,460,000	733,463	-	-
Totals	\$ <u>30,294,054</u>	\$ <u>19,062,500</u>	\$ <u>1,665,000</u>	\$ <u>216,300</u>

The County issued \$24,992,317 (including a premium of \$2,512,317) in refunding bonds with interest rates ranging between 4.05% and 5.05%. The County issued the bonds to advance refund \$22,110,000 of the outstanding 2008 lease revenue bond with interest rates ranging from 3.00% to 5.25%. The net proceeds, along with other funds, were deposited into an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bond. As a result, the 2008 lease revenue bond is considered defeased, and the County has removed the liability from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,442,591. This amount is being amortized over the remaining life of the refunded debt. The advance refunding reduced total debt service payments over the next 24 years by \$1,775,806. This results in an economic gain (difference between the present values on the old and new debt) of \$1,437,055.

The County also issued a capital lease to refinance a previous capital lease in the amount of \$2,668,000 with an interest rate of 2.41%. The County issued the lease to refinance \$2,556,611 of the outstanding 2008 capital lease with an interest rate of 4.83%. The net proceeds, along with other funds, were used to pay off the 2008 capital lease. The refinancing reduced total debt service payments over the next 9 years by \$246,762 and results in an economic gain (difference between the present values on the old and new debt) of \$220,329.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 6-Long-term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
General obligation bond	2.35-5.1%	11/7/2002	2022	\$ 469,054	\$ 188,489	\$ 24,748
General obligation bond	4.1-5.6%	10/15/2004	2025	1,630,018	837,212	83,906
General obligation bond	4.6-5.1%	11/10/2005	2026	1,787,287	1,003,353	88,661
General obligation bond	4.6-5.1%	11/9/2009	2040	6,295,000	5,785,000	140,000
General obligation bond	4.05-5.05%	5/14/2015	2039	22,480,000	22,480,000	-
Total General Obligation Bonds					<u>\$ 30,294,054</u>	<u>\$ 337,315</u>
General obligation premiums:						
Premium		10/15/2004	2025	117,079	\$ 58,539	\$ 5,854
Premium		11/10/2005	2026	97,867	62,632	3,915
Premium		11/9/2009	2040	124,285	103,570	4,143
Premium		5/14/2015	2038	2,512,317	2,512,317	156,461
Total general obligation premiums					<u>\$ 2,737,058</u>	<u>\$ 170,373</u>
Literary Loans:						
State literary fund loan	2%	4/24/2000	2020	1,500,000	\$ 375,000	\$ 75,000
State literary fund loan	3%	3/8/2002	2022	900,000	315,000	45,000
State literary fund loan	2%	7/15/2008	2029	1,425,000	975,000	75,000
Total Literary Loans					<u>\$ 1,665,000</u>	<u>\$ 195,000</u>
Capital Leases:						
Capital lease	3.20%	6/18/2014	2019	2,668,000	\$ 2,668,000	\$ 238,000
Capital lease	3.20%	11/9/2012	2024	139,500	81,675	23,652
Total Capital Leases					<u>\$ 2,749,675</u>	<u>\$ 261,652</u>
Other Obligations						
Compensated absences					\$ 668,465	\$ 501,349
Net pension liability					2,526,791	-
Net OPEB obligation					91,180	-
Total Other Obligations					<u>\$ 3,286,436</u>	<u>\$ 501,349</u>
Total Long-term Obligations					<u>\$ 40,732,223</u>	<u>\$ 1,465,689</u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 6-Long-term Obligations: (continued)

Primary Government - Business-type Activities Obligations: (continued)

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015.

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
Rural Development Loans	\$ 3,466,679	\$ -	(43,670)	\$ 3,423,009

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

Year Ending June 30,	Rural Development Loans	
	Principal	Interest
2016	\$ 45,542	\$ 136,006
2017	47,398	134,150
2018	49,329	132,219
2019	51,338	130,210
2020	53,430	128,118
2021-2025	301,631	606,109
2026-2030	368,290	539,449
2031-2035	449,681	458,058
2036-2040	549,060	358,680
2041-2045	670,400	237,340
2046-2050	818,556	89,184
2051-2055	18,354	54
Totals	\$ 3,423,009	\$ 2,949,577

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Rural Development Loans:						
Rural Development Loan	4.00%	8/25/2010	2051	\$ 2,100,000	\$ 2,028,902	\$ 26,990
Rural Development Loan	4.00%	8/25/2010	2051	1,443,000	1,394,107	18,552
Total Long-term obligations					\$ 3,423,009	\$ 45,542

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 7-Capital Leases:

Primary Government:

The County has entered into lease agreements to finance the acquisition of energy efficient equipment to be used by the public schools and a loader to be used at the County's transfer station. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

Energy Efficient Equipment	\$	3,534,022
CAT Loader		145,728
Less: Accumulated depreciation		<u>(349,124)</u>
Net capital assets	\$	<u><u>3,330,626</u></u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2015, are as follows:

Year Ending June 30,	Capital Leases
2016	\$ 332,318
2017	338,388
2018	344,049
2019	332,932
2020	330,535
2021-2025	<u>1,392,806</u>
Sub-total	\$ 3,071,028
Less:	
Amount representing interest	<u>(321,353)</u>
Present Value of Lease Agreements	\$ <u><u>2,749,675</u></u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 8-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2015.

	Balance July 1, 2014, as restated	Increases	Decreases	Balance June 30, 2015
Net pension liability	\$ 24,931,748	\$ 2,276,927	\$ (5,758,070)	\$ 21,450,605
Net OPEB obligation	805,250	349,801	(90,100)	1,064,951
Compensated absences	397,050	349,517	(297,788)	448,780
 Total	 \$ 26,134,048	 \$ 2,976,245	 \$ (6,145,958)	 \$ 22,964,336

Details of Obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net pension liability	\$ 21,450,605	\$ -
Net OPEB obligation	1,064,951	-
Compensated absences	448,780	336,585
 Total Long-term Obligations	 \$ 22,964,336	 \$ 336,585

The remainder of this page is left blank intentionally.

Note 9—Pension Plan:

Plan Description

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

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

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Plan Description (continued)

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

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	61	73
Inactive members:		
Vested inactive members	21	6
Non-vested inactive members	16	15
Inactive members active elsewhere in VRS	<u>26</u>	<u>17</u>
Total inactive members	63	38
Active members	<u>134</u>	<u>102</u>
Total covered employees	<u><u>258</u></u>	<u><u>213</u></u>

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.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Contributions (continued)

The County’s contractually required contribution rate for the year ended June 30, 2015 was 12.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$652,774 and \$683,571 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 10.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Patrick County School Board’s nonprofessional employees were \$171,864 and \$192,536 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County’s and Patrick County School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, 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 Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

Inflation	2.50%
Salary Increases, including inflation	3.50% - 4.75%
Investment rate of return	7.00%, 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: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

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

Long-Term Expected Rate of Return

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

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

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

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—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 Patrick County School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 19,629,260	\$ 15,640,332	\$ 3,988,928
Changes for the year:			
Service cost	\$ 590,605	\$ -	\$ 590,605
Interest	1,342,653	-	1,342,653
Differences between expected and actual experience	-	-	-
Contributions - employer	-	683,571	(683,571)
Contributions - employee	-	250,495	(250,495)
Net investment income	-	2,474,387	(2,474,387)
Benefit payments, including refunds of employee contributions	(897,006)	(897,006)	-
Administrative expenses	-	(13,188)	13,188
Other changes	-	130	(130)
Net changes	<u>\$ 1,036,252</u>	<u>\$ 2,498,389</u>	<u>\$ (1,462,137)</u>
Balances at June 30, 2014	<u>\$ 20,665,512</u>	<u>\$ 18,138,721</u>	<u>\$ 2,526,791</u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Changes in Net Pension Liability

	Comp. Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 6,701,093	\$ 5,512,345	\$ 1,188,748
Changes for the year:			
Service cost	\$ 188,901	\$ -	\$ 188,901
Interest	456,351	-	456,351
Differences between expected and actual experience	-	-	-
Contributions - employer	-	192,536	(192,536)
Contributions - employee	-	87,366	(87,366)
Net investment income	-	863,123	(863,123)
Benefit payments, including refunds of employee contributions	(363,578)	(363,578)	-
Administrative expenses	-	(4,675)	4,675
Other changes	-	45	(45)
Net changes	<u>\$ 281,674</u>	<u>\$ 774,817</u>	<u>\$ (493,143)</u>
Balances at June 30, 2014	<u>\$ 6,982,767</u>	<u>\$ 6,287,162</u>	<u>\$ 695,605</u>

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 5,206,040	\$ 2,526,791	\$ 301,191
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,458,899	\$ 695,605	\$ 50,281

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

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

For the year ended June 30, 2015, the County and Patrick County School Board (nonprofessional) recognized pension expense of \$324,413 and \$83,673, respectively. At June 30, 2015, the County and Patrick County 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	\$ -	\$ -	\$ -	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,102,979	-	384,280
Employer contributions subsequent to the measurement date	652,774	-	171,864	-
Total	\$ 652,774	\$ 1,102,979	\$ 171,864	\$ 384,280

\$652,774 and \$171,864 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	School Board (nonprofessional)
2016	\$ (275,745)	\$ (96,070)
2017	(275,745)	(96,070)
2018	(275,745)	(96,070)
2019	(275,744)	(96,070)
Thereafter	-	-
Total	\$ (1,102,979)	\$ (384,280)

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,835,096 and \$1,467,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$20,755,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .17175% as compared to .17235% at June 30, 2013.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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

For the year ended June 30, 2015, the school division recognized pension expense of \$1,627,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,080,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	68,000
Employer contributions subsequent to the measurement date	<u>1,835,096</u>	<u>-</u>
Total	<u>\$ 1,835,096</u>	<u>\$ 3,148,000</u>

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

<u>Year ended June 30</u>	
2016	\$ (785,000)
2017	(785,000)
2018	(785,000)
2019	(785,000)
Thereafter	<u>(8,000)</u>
Total	<u>\$ (3,148,000)</u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 9—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%.

Note 9—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)	\$ 30,477,000	\$ 20,755,000	\$ 12,751,000

Pension Plan Fiduciary Net Position

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

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,152,364	\$ -	\$ -	\$ 1,152,364
Construction in progress	62,000	75,573	(62,000)	75,573
Total capital assets not being depreciated	<u>\$ 1,214,364</u>	<u>\$ 75,573</u>	<u>\$ (62,000)</u>	<u>\$ 1,227,937</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 51,498,200	\$ 249,613	\$ -	\$ 51,747,813
Machinery and equipment	3,199,038	128,726	-	3,327,764
Total capital assets being depreciated	<u>\$ 54,697,238</u>	<u>\$ 378,339</u>	<u>\$ -</u>	<u>\$ 55,075,577</u>
Accumulated depreciation:				
Buildings and improvements	\$ (6,907,280)	\$ (1,293,490)	\$ -	\$ (8,200,770)
Machinery and equipment	(2,614,076)	(199,327)	-	(2,813,403)
Total accumulated depreciation	<u>\$ (9,521,356)</u>	<u>\$ (1,492,817)</u>	<u>\$ -</u>	<u>\$ (11,014,173)</u>
Total capital assets being depreciated, net	<u>\$ 45,175,882</u>	<u>\$ (1,114,478)</u>	<u>\$ -</u>	<u>\$ 44,061,404</u>
Governmental activities capital assets, net	<u>\$ 46,390,246</u>	<u>\$ (1,038,905)</u>	<u>\$ (62,000)</u>	<u>\$ 45,289,341</u>

The remainder of this page is left blank intentionally.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 10-Capital Assets: (continued)

Primary Government: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 5,053,532	\$ -	\$ -	\$ 5,053,532
Accumulated depreciation:				
Infrastructure	\$ (249,436)	\$ (120,565)	\$ -	\$ (370,001)
Business-type Activities capital assets, net	<u>\$ 4,804,096</u>	<u>\$ (120,565)</u>	<u>\$ -</u>	<u>\$ 4,683,531</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government administration	\$	12,827
Judicial administration		1,826
Public safety		442,239
Public works		142,846
Health and Welfare		3,805
Education		875,008
Parks, recreation, and cultural		4,672
Community development		<u>9,594</u>
Total depreciation expense-governmental activities	<u>\$</u>	<u>1,492,817</u>
Business-type Activities		
PSA fund	<u>\$</u>	<u>120,565</u>

The remainder of this page is left blank intentionally.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 561,748	\$ -	\$ -	\$ 561,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,013,966	\$ 133,133	\$ -	\$ 20,147,099
Machinery and equipment	5,694,609	225,011	(228,437)	5,691,183
Total capital assets being depreciated	\$ 25,708,575	\$ 358,144	\$ (228,437)	\$ 25,838,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,233,921)	\$ (470,462)	\$ -	\$ (11,704,383)
Machinery and equipment	(3,732,742)	(258,447)	228,437	(3,762,752)
Total accumulated depreciation	\$ (14,966,663)	\$ (728,909)	\$ 228,437	\$ (15,467,135)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated, net	\$ 10,741,912	\$ (370,765)	\$ -	\$ 10,371,147
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities capital assets, net	\$ 11,303,660	\$ (370,765)	\$ -	\$ 10,932,895
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The remainder of this page is left blank intentionally.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

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. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The County works along with the EDA to promote local industry. The EDA has received some Tobacco Commission funding that was passed on to local corporations with certain economic development requirements. The local corporation did not meet those requirements so the EDA is required to repay \$506,250 over the next three years. The County has agreed to cover half of the costs and therefore shows a due to the EDA in its financial statements.

Note 13-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Susan C. Gasperini, Clerk of the Circuit Court	\$	115,000
Sandra Stone, Treasurer		400,000
Janet H. Rorrer, Commissioner of the Revenue		3,000
Dan Smith, Sheriff		30,000
All constitutional officers' employees: blanket bond		50,000

VACo Insurance Programs:

All County employees: blanket bond	\$	250,000
------------------------------------	----	---------

VaRisk 2:

All Social Services employees: blanket bond	\$	250,000
---	----	---------

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 13-Surety Bonds: (continued)

Component Unit - School Board:

Zurick North America:

Dr. William D. Sroufe, Superintendent of Schools	\$	10,000
Sarah Leigh D. Collins, Clerk of the School Board		10,000

Note 14-Other Postemployment Benefits Health Insurance:

A. Plan Description

County of Patrick and Patrick County’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. An eligible retiree may receive this benefit until the retiree is eligible to receive Medicare.

To be eligible for this benefit, public safety and general employees hired before July 1, 2010 must meet at least one of the following criteria: attained age 50 and 30 years of service, attained age 55 and 5 years of service, or disabled with no age or service requirements. General employees hired on or after July 1, 2010 must meet at least one of the following criteria: attained age plus years of service equal to or greater than 90 points, attained age 60 and 5 years of service, or disabled with no age or service requirements. In addition, the School System has an Early Retirement Incentive Program that allows retirees to continue working and receive special benefits for seven years if they retire after age 50 with 20 years as a participant of the Virginia Retirement System and have a minimum of 10 years of full-time employment with Patrick County School System. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action, respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 82 and 238 employees that are eligible for the program. In addition, for retirees of the County, 100 percent of premiums are the responsibility of the retiree. The School System pays \$345.84 toward the monthly medical premium for retirees while they participate in the Early Retirement Incentive Program. For employees who receive the Virginia Retirement System Health Insurance Credit, the School System’s contribution is reduced by this credit. Each Incentive participant must pay the amount of the premium in excess of \$345.84.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 14-Other Postemployment Benefits Health Insurance: (continued)

B. Funding Policy (continued)

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the County and School Board. The rates are as follows:

	<u>Employee</u>	<u>Retiree and Spouse</u>	<u>Retiree and Child</u>	<u>Retiree and Children</u>	<u>Family</u>
PPO 1000 Wellness	\$ 560.07	\$ 1,167.17	\$ 719.37	\$ 1,005.87	\$ 1,386.67
PPO 1000 Non-Wellness	635.07	1,242.17	794.37	1,080.87	1,461.67
PPO 2000 Wellness	455.38	992.60	650.67	893.82	1,218.21
PPO 2000 Non-Wellness	530.38	1,067.60	725.67	968.82	1,293.21
Dental	26.56	54.84	61.00	61.00	89.29
Vision	6.10	12.20	13.81	13.81	21.34

C. Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual OPEB cost (expense) is 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2015, the County's annual OPEB cost (expense) of \$36,576 exceeded its contribution of \$18,900. The obligation calculation is as follows:

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	2,573
Adjustment to annual required contribution	(3,997)
Annual OPEB cost (expense)	<u>36,576</u>
Contributions made	<u>(18,900)</u>
Increase in net OPEB obligation	17,676
Net OPEB obligation - beginning of year	73,504
Net OPEB obligation - end of year	<u><u>\$ 91,180</u></u>

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 14-Other Postemployment Benefits Health Insurance: (continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 36,576	52%	91,180
6/30/2014	31,088	55%	73,504
6/30/2013	23,367	46%	59,516

For 2015, the School Board's annual OPEB cost (expense) of \$365,400 exceeded its contribution of \$90,100. The obligation calculation is as follows:

Annual required contribution	\$ 365,400
Interest on net OPEB obligation	28,184
Adjustment to annual required contribution	<u>(43,783)</u>
Annual OPEB cost (expense)	349,801
Contributions made	<u>(90,100)</u>
Increase in net OPEB obligation	259,701
Net OPEB obligation - beginning of year	<u>805,250</u>
Net OPEB obligation - end of year	<u><u>\$ 1,064,951</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 349,801	26%	1,064,951
6/30/2014	358,575	36%	805,250
6/30/2013	268,044	56%	576,675

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 14-Other Postemployment Benefits Health Insurance: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of January 1, 2015, the date of most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$	287,100
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	287,100
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	5,120,100
UAAL as a percentage of covered payroll		5.61%

The funded status of the Plan for the School Board as of January 1, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$	2,798,800
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	2,798,800
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	14,295,100
UAAL as a percentage of covered payroll		19.58%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

Note 14-Other Postemployment Benefits Health Insurance: (continued)

E. Actuarial Methods and Assumptions (Continued)

As of January 1, 2015, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflations at 2.5 percent, and investments rate of return at 3.50 percent, and a health care trend rate of 6.60 percent graded to 4.50 percent over 76 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2015 was 30 years.

Note 15-VRS Health Insurance Credit Program - Other Postemployment Benefits (OPEB):

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 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. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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.

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 9.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$134,694, \$139,254, and \$128,320, respectively and equaled the required contributions for each year.

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 16-School Board Early Retirement Incentive Program:

The Patrick County School Board offers all eligible full-time employees an early retirement incentive plan. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have attained age 50 and not having attained age 65. The employee must have a minimum of 20 years as a participant in the VRS with a minimum of 10 years full-time employment with the Patrick County School Board, including a minimum of five years of full-time employment with Patrick County immediately preceding application for the early retirement program. Additionally, the current full-time employee must be in good standing with the Patrick County School Board and the reason for termination of employment must be retirement. Finally, participants must be approved by the School Board based on availability of funds in the Board’s annual budget. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. The School Board reserves the right to amend or terminate the program.

Employees may participate in the plan for a maximum of seven years or until the appropriate age for receipt of social security benefits, whichever occurs first. The School Board funds the plan on a pay as you go basis. The School Board does not accrue a liability for this incentive because the participants are required to work 40 days during the year to obtain their benefit. As of June 30, 2015, the unfunded balance of the early retirement incentive plan totaled \$269,435.

Note 17-Litigation:

At June 30, 2015, there were no matter of litigation involving the County which would materially affect the County’s financial position should any court decision on pending matters not be favorable.

Note 18-Restatement of Beginning Fund Balance/Net Position:

	<u>General Fund</u>	<u>School Fund</u>
Fund Balance, July 1, 2014, as previously stated	\$ 7,120,860	\$ 341,223
Accounts receivable - local taxes	68,802	-
Fund Balance, July 1, 2014, as restated	<u>\$ 7,189,662</u>	<u>\$ 341,223</u>
	<u>Governmental</u>	<u>Component Unit-</u>
	<u>Activities</u>	<u>School Board</u>
Net Position, July 1, 2014, as previously stated	\$ 18,639,901	\$ 10,442,583
Net pension liability (GASB 68)	(3,988,928)	(24,931,748)
Deferred outflows of resources (GASB 68)	683,571	1,659,536
Accounts receivable - local taxes	68,802	-
Net Position, July 1, 2014, as restated	<u>\$ 15,403,346</u>	<u>\$ (12,829,629)</u>

Note 19-Upcoming Pronouncements:

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

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

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

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

County of Patrick, Virginia

Notes to Financial Statements
June 30, 2015 (continued)

Note 19-Upcoming Pronouncements: (continued)

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

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

Note 20-Subsequent Events:

In late September 2015, the Bob White Covered Bridge, which was in the process of being renovated and was recorded as construction in progress at June 30, was destroyed by flooding. Work completed as of June 30, 2015 totaled \$17,510.

Required Supplementary Information

County of Patrick, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 10,736,345	\$ 10,749,986	\$ 11,501,012	\$ 751,026
Other local taxes	1,997,000	1,997,000	2,397,795	400,795
Permits, privilege fees, and regulatory licenses	80,800	80,800	66,183	(14,617)
Fines and forfeitures	18,000	18,000	17,507	(493)
Revenue from the use of money and property	21,000	21,000	21,202	202
Charges for services	240,512	296,095	348,042	51,947
Miscellaneous	25,100	128,704	150,626	21,922
Recovered costs	567,094	843,503	781,215	(62,288)
Intergovernmental:				
Commonwealth	4,382,156	4,438,562	4,424,121	(14,441)
Federal	930,262	985,394	953,953	(31,441)
Total revenues	\$ 18,998,269	\$ 19,559,044	\$ 20,661,656	\$ 1,102,612
EXPENDITURES				
Current:				
General government administration	\$ 1,678,219	\$ 1,698,336	\$ 1,480,422	\$ 217,914
Judicial administration	863,671	898,687	815,155	83,532
Public safety	5,841,137	6,497,866	6,163,896	333,970
Public works	1,443,307	1,472,191	1,403,761	68,430
Health and welfare	1,818,469	1,822,368	1,844,185	(21,817)
Education	4,929,331	4,929,331	4,718,631	210,700
Parks, recreation, and cultural	527,741	538,934	547,008	(8,074)
Community development	612,448	796,133	1,018,031	(221,898)
Capital projects	125,400	316,513	245,054	71,459
Debt service:				
Principal retirement	1,265,923	1,265,923	1,265,923	-
Interest and other fiscal charges	1,675,035	1,675,035	1,719,316	(44,281)
Bond issuance costs	-	-	411,499	(411,499)
Total expenditures	\$ 20,780,681	\$ 21,911,317	\$ 21,632,881	\$ 278,436
Excess (deficiency) of revenues over (under) expenditures	\$ (1,782,412)	\$ (2,352,273)	\$ (971,225)	\$ 1,381,048
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (181,548)	\$ (182,834)	\$ (206,898)	\$ (24,064)
Issuance of refunding bonds	-	-	22,480,000	22,480,000
Premium on advanced refunding	-	-	2,512,317	2,512,317
Payment to refunded bond escrow agent	-	-	(24,627,351)	(24,627,351)
Refunding lease purchase issuance	-	-	2,668,000	2,668,000
Capital lease current refunding	-	-	(2,556,611)	(2,556,611)
Total other financing sources (uses)	\$ (181,548)	\$ (182,834)	\$ 269,457	\$ 452,291
Net change in fund balances	\$ (1,963,960)	\$ (2,535,107)	\$ (701,768)	\$ 1,833,339
Fund balances - beginning, as restated	1,963,960	2,535,107	7,189,662	4,654,555
Fund balances - ending	\$ -	\$ -	\$ 6,487,894	\$ 6,487,894

County of Patrick, Virginia
 Schedule of OPEB Funding
 For the Year Ended June 30, 2015

Primary Government:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
January 1, 2015	\$ -	\$ 287,100	\$ 287,100	0.00%	\$ 5,120,100	5.61%
January 1, 2013	-	219,100	219,100	0.00%	4,496,200	4.87%
January 1, 2011	-	184,800	184,800	0.00%	3,043,300	6.07%

Discretely Presented Component Unit - School Board:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
January 1, 2015	\$ -	\$ 2,798,800	\$ 2,798,800	0.00%	\$ 14,295,100	19.58%
January 1, 2013	-	2,437,300	2,437,300	0.00%	8,310,300	29.33%
January 1, 2011	-	2,098,300	2,098,300	0.00%	8,588,600	24.43%

County of Patrick, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	\$	590,605
Interest		1,342,653
Changes of benefit terms		-
Differences between expected and actual experience		0
Changes in assumptions		0
Benefit payments, including refunds of employee contributions		(897,006)
Net change in total pension liability	\$	1,036,252
Total pension liability - beginning		19,629,260
Total pension liability - ending (a)	\$	20,665,512
Plan fiduciary net position		
Contributions - employer	\$	683,571
Contributions - employee		250,495
Net investment income		2,474,387
Benefit payments, including refunds of employee contributions		(897,006)
Administrative expense		(13,188)
Other		130
Net change in plan fiduciary net position	\$	2,498,389
Plan fiduciary net position - beginning		15,640,332
Plan fiduciary net position - ending (b)	\$	18,138,721
County's net pension liability - ending (a) - (b)	\$	2,526,791
Plan fiduciary net position as a percentage of the total pension liability		87.77%
Covered-employee payroll	\$	4,947,764
County's net pension liability as a percentage of covered-employee payroll		51.07%

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

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

	2014
Total pension liability	
Service cost	\$ 188,901
Interest	456,351
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions	0
Benefit payments, including refunds of employee contributions	(363,578)
Net change in total pension liability	\$ 281,674
Total pension liability - beginning	6,701,093
Total pension liability - ending (a)	\$ 6,982,767
Plan fiduciary net position	
Contributions - employer	\$ 192,536
Contributions - employee	87,366
Net investment income	863,123
Benefit payments, including refunds of employee contributions	(363,578)
Administrative expense	(4,675)
Other	45
Net change in plan fiduciary net position	\$ 774,817
Plan fiduciary net position - beginning	5,512,345
Plan fiduciary net position - ending (b)	\$ 6,287,162
County's net pension liability - ending (a) - (b)	\$ 695,605
Plan fiduciary net position as a percentage of the total pension liability	90.04%
Covered-employee payroll	\$ 1,747,308
County's net pension liability as a percentage of covered-employee payroll	39.81%

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

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

	<u>2015</u>
Employer's Proportion of the Net Pension Liability	0.17175%
Employer's Proportionate Share of the Net Pension Liability	\$ 20,755,000
Employer's Covered-Employee Payroll	\$ 13,377,257
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	155.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

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

County of Patrick, Virginia
 Schedule of Employer Contributions
 For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 652,773.69	\$ 652,774	-	\$ 5,131,869	12.72%
Component Unit School Board (nonprofessional)					
2015	\$ 171,864	\$ 171,864	-	\$ 1,716,919	10.01%
Component Unit School Board (professional)					
2015	\$ 1,835,096	\$ 1,835,096	-	\$ 12,655,834	14.50%

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

County of Patrick, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

Other Supplementary Information

County of Patrick, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2015

	Asset Forfeiture Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 314	\$ 314
Intergovernmental:				
Commonwealth	43,580	43,580	-	(43,580)
Total revenues	\$ 43,580	\$ 43,580	\$ 314	\$ (43,266)
EXPENDITURES				
Current:				
Public safety	\$ 43,580	\$ 43,580	\$ 17,219	\$ 26,361
Total expenditures	\$ 43,580	\$ 43,580	\$ 17,219	\$ 26,361
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (16,905)	\$ (16,905)
Net change in fund balances	\$ -	\$ -	\$ (16,905)	\$ (16,905)
Fund balances - beginning	-	-	88,678	88,678
Fund balances - ending	\$ -	\$ -	\$ 71,773	\$ 71,773

County of Patrick, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Agency Funds			
	<u>Special Welfare</u>	<u>Dehart Cemetery</u>	<u>Jail Canteen</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 10,946	\$ 6,056	\$ 13,736	\$ 30,738
Total assets	\$ 10,946	\$ 6,056	\$ 13,736	\$ 30,738
LIABILITIES				
Amounts held for Social Services clients	\$ 10,946	\$ -	\$ -	\$ 10,946
Amounts held for DeHart Cemetery	-	6,056	-	6,056
Amounts held for inmates	-	-	13,736	13,736
Total liabilities	\$ 10,946	\$ 6,056	\$ 13,736	\$ 30,738

County of Patrick, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

		School Operating <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,411,340
Cash in custody of others		200
Investments		120,994
Receivables (net of allowance for uncollectibles)		
Accounts receivable		149,036
Due from other governmental units		824,200
Prepaid items		155,248
Total assets	\$	<u>2,661,018</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	445,871
Salaries payable		1,288,554
Due to primary government		682,613
Total liabilities	\$	<u>2,417,038</u>
Fund balances:		
Nonspendable:		
Prepaid items	\$	155,248
Restricted:		
Cafeteria		243,780
Committed:		
Education		200
Unassigned		
		(155,248)
Total fund balances	\$	<u>243,980</u>
Total liabilities and fund balances	\$	<u>2,661,018</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	243,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	561,748
Building and improvements		8,442,716
Machinery and equipment		1,928,431
		<u>10,932,895</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to measurement of net pension liability		(3,532,280)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		2,006,960
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(448,780)
Net pension liability		(21,450,605)
Net OPEB obligation		(1,064,951)
		<u>(22,964,336)</u>
Net position of governmental activities	\$	<u>(13,312,781)</u>

County of Patrick, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

		School Operating <u>Fund</u>
REVENUES		
Revenue from the use of money and property	\$	7,202
Charges for services		769,283
Miscellaneous		117,329
Recovered costs		473,709
Intergovernmental:		
Local government		4,702,134
Commonwealth		18,388,962
Federal		2,699,015
Total revenues	\$	<u>27,157,634</u>
EXPENDITURES		
Current:		
Education	\$	<u>27,254,877</u>
Total expenditures	\$	<u>27,254,877</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(97,243)</u>
Net change in fund balances	\$	(97,243)
Fund balances - beginning		341,223
Fund balances - ending	\$	<u>243,980</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	(97,243)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	\$	358,144
Depreciation expense		<u>(728,909)</u>
		(370,765)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows of resources related to pensions		(3,532,280)
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.		
Change in compensated absences	\$	(51,730)
Change in net pension liability		3,481,143
Change in pension contributions subsequent to the measurement date		347,424
Change in net OPEB obligation		<u>(259,701)</u>
		3,517,136
Change in net position of governmental activities	\$	<u>(483,152)</u>

County of Patrick, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 15,000	\$ 15,000	\$ 7,202	\$ (7,798)
Charges for services	1,022,315	1,022,315	769,283	(253,032)
Miscellaneous	35,000	86,000	117,329	31,329
Recovered costs	411,082	411,082	473,709	62,627
Intergovernmental:				
Local government	4,912,834	4,912,834	4,702,134	(210,700)
Commonwealth	17,740,936	18,525,458	18,388,962	(136,496)
Federal	2,209,787	2,449,511	2,699,015	249,504
Total revenues	<u>\$ 26,346,954</u>	<u>\$ 27,422,200</u>	<u>\$ 27,157,634</u>	<u>\$ (264,566)</u>
EXPENDITURES				
Current:				
Education	\$ 26,346,954	\$ 27,422,200	\$ 27,254,877	\$ 167,323
Total expenditures	<u>\$ 26,346,954</u>	<u>\$ 27,422,200</u>	<u>\$ 27,254,877</u>	<u>\$ 167,323</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (97,243)	\$ (97,243)
Net change in fund balances	\$ -	\$ -	\$ (97,243)	\$ (97,243)
Fund balances - beginning	-	-	341,223	341,223
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,980</u>	<u>\$ 243,980</u>

SUPPORTING SCHEDULES

County of Patrick, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,191,724	\$ 8,205,365	\$ 8,381,945	\$ 176,580
Real and personal public service corporation taxes	334,356	334,356	365,110	30,754
Personal property taxes	1,586,534	1,586,534	1,885,747	299,213
Mobile home taxes	80,000	80,000	74,083	(5,917)
Machinery and tools taxes	543,731	543,731	605,326	61,595
Penalties	-	-	116,011	116,011
Interest	-	-	72,790	72,790
Total general property taxes	<u>\$ 10,736,345</u>	<u>\$ 10,749,986</u>	<u>\$ 11,501,012</u>	<u>\$ 751,026</u>
Other local taxes:				
Local sales and use taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,114,004	\$ 114,004
Consumers' utility taxes	405,000	405,000	404,502	(498)
Gross receipts tax	10,000	10,000	11,174	1,174
Consumption taxes	55,000	55,000	57,101	2,101
Motor vehicle licenses	450,000	450,000	444,356	(5,644)
Bank stock taxes	17,000	17,000	28,558	11,558
Taxes on recordation and wills	60,000	60,000	65,214	5,214
Hotel and motel room taxes	-	-	272,886	272,886
Total other local taxes	<u>\$ 1,997,000</u>	<u>\$ 1,997,000</u>	<u>\$ 2,397,795</u>	<u>\$ 400,795</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 13,100	\$ 13,100	\$ 11,554	\$ (1,546)
Transfer fees	700	700	784	84
Erosion and sediment control permits	15,000	15,000	4,405	(10,595)
Building permits	52,000	52,000	49,440	(2,560)
Total permits, privilege fees, and regulatory licenses	<u>\$ 80,800</u>	<u>\$ 80,800</u>	<u>\$ 66,183</u>	<u>\$ (14,617)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 18,000	\$ 18,000	\$ 17,507	\$ (493)
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 8,131	\$ 6,131
Revenue from use of property	19,000	19,000	13,071	(5,929)
Total revenue from use of money and property	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 21,202</u>	<u>\$ 202</u>
Charges for services:				
Charges for courthouse maintenance	\$ -	\$ -	\$ 5,569	\$ 5,569
Charges for courthouse security fees	-	-	25,983	25,983
Charges for Commonwealth's Attorney	2,500	2,500	3,780	1,280
Charges for ambulance	8,612	49,476	25,482	(23,994)
Charges for sanitation and waste removal	215,000	215,000	245,583	30,583
Charges for parks and recreation	2,500	16,606	31,430	14,824
Treasurer's collection fees	2,000	2,000	2,654	654
Charges for copies	1,900	2,019	2,623	604
Charges for recycling	8,000	8,494	3,965	(4,529)
Charges for library	-	-	973	973
Total charges for services	<u>\$ 240,512</u>	<u>\$ 296,095</u>	<u>\$ 348,042</u>	<u>\$ 51,947</u>
Miscellaneous revenue:				
Miscellaneous	\$ 25,100	\$ 65,003	\$ 76,250	\$ 11,247
Donations	-	63,701	74,376	10,675
Total miscellaneous revenue	<u>\$ 25,100</u>	<u>\$ 128,704</u>	<u>\$ 150,626</u>	<u>\$ 21,922</u>

County of Patrick, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Payroll reimbursements	\$ 164,000	\$ 224,698	\$ 196,860	\$ (27,838)
Charges for jail inmates	211,094	354,417	389,821	35,404
Law enforcement	24,000	37,432	23,710	(13,722)
Other recovered costs	168,000	226,956	170,824	(56,132)
Total recovered costs	<u>\$ 567,094</u>	<u>\$ 843,503</u>	<u>\$ 781,215</u>	<u>\$ (62,288)</u>
Total revenue from local sources	<u>\$ 13,685,851</u>	<u>\$ 14,135,088</u>	<u>\$ 15,283,582</u>	<u>\$ 1,148,494</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 35,000	\$ 35,000	\$ 35,437	\$ 437
Motor vehicle rental tax	1,600	1,600	1,214	(386)
State budget reduction	-	-	(51,748)	(51,748)
State recordation tax	40,000	40,000	46,548	6,548
Communications tax	500,000	500,000	487,266	(12,734)
Personal property tax relief funds	688,659	688,659	688,659	-
Total noncategorical aid	<u>\$ 1,265,259</u>	<u>\$ 1,265,259</u>	<u>\$ 1,207,376</u>	<u>\$ (57,883)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 240,720	\$ 240,720	\$ 251,996	\$ 11,276
Sheriff	1,939,649	1,939,649	1,815,335	(124,314)
Commissioner of revenue	103,123	103,123	93,153	(9,970)
Treasurer	86,153	86,153	76,136	(10,017)
Registrar/electoral board	38,760	39,638	38,145	(1,493)
Clerk of the circuit court	223,800	234,163	209,956	(24,207)
Total shared expenses	<u>\$ 2,632,205</u>	<u>\$ 2,643,446</u>	<u>\$ 2,484,721</u>	<u>\$ (158,725)</u>
Other categorical aid:				
State welfare funds	\$ 337,261	\$ 337,261	\$ 380,353	\$ 43,092
Comprehensive services	66,542	66,542	116,395	49,853
Litter control grant	9,000	9,000	8,824	(176)
Fire programs	-	-	54,118	54,118
Commission for the arts	5,000	5,000	5,000	-
E-911 wireless funds	40,000	40,000	46,484	6,484
Law enforcement grants	-	-	3,046	3,046
Emergency service grant	-	44,358	75,649	31,291
Victim witness grant	26,889	27,696	20,748	(6,948)
Tourism grants	-	-	21,407	21,407
Total other categorical aid	<u>\$ 484,692</u>	<u>\$ 529,857</u>	<u>\$ 732,024</u>	<u>\$ 202,167</u>
Total categorical aid	<u>\$ 3,116,897</u>	<u>\$ 3,173,303</u>	<u>\$ 3,216,745</u>	<u>\$ 43,442</u>
Total revenue from the Commonwealth	<u>\$ 4,382,156</u>	<u>\$ 4,438,562</u>	<u>\$ 4,424,121</u>	<u>\$ (14,441)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 19,000	\$ 19,000	\$ 18,855	\$ (145)

County of Patrick, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Federal welfare funds	\$ 800,000	\$ 800,000	\$ 790,619	\$ (9,381)
Federal interest subsidy	99,262	99,262	92,015	(7,247)
Highway safety	12,000	27,671	13,003	(14,668)
Tourism grants	-	39,461	39,461	-
Total categorical aid	<u>\$ 911,262</u>	<u>\$ 966,394</u>	<u>\$ 935,098</u>	<u>\$ (31,296)</u>
Total revenue from the federal government	<u>\$ 930,262</u>	<u>\$ 985,394</u>	<u>\$ 953,953</u>	<u>\$ (31,441)</u>
Total General Fund	<u>\$ 18,998,269</u>	<u>\$ 19,559,044</u>	<u>\$ 20,661,656</u>	<u>\$ 1,102,612</u>
Nonmajor Special Revenue funds:				
Asset Forfeiture Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 314	\$ 314
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Seized Assets	\$ 43,580	\$ 43,580	\$ -	\$ (43,580)
Total Asset Forfeiture fund	<u>\$ 43,580</u>	<u>\$ 43,580</u>	<u>\$ 314</u>	<u>\$ (43,266)</u>
Total Primary Government	<u>\$ 19,041,849</u>	<u>\$ 19,602,624</u>	<u>\$ 20,661,970</u>	<u>\$ 1,059,346</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 502	\$ 502
Revenue from the use of property	15,000	15,000	6,700	(8,300)
Total revenue from use of money and property	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 7,202</u>	<u>\$ (7,798)</u>
Charges for services:				
Tuition from other localities	\$ 210,000	\$ 210,000	\$ 298,349	\$ 88,349
Transportation of pupils	84,756	84,756	44,892	(39,864)
Cafeteria sales	727,559	727,559	426,042	(301,517)
Total charges for services	<u>\$ 1,022,315</u>	<u>\$ 1,022,315</u>	<u>\$ 769,283</u>	<u>\$ (253,032)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 35,000	\$ 86,000	\$ 117,329	\$ 31,329
Recovered costs:				
Other recovered costs	\$ 411,082	\$ 411,082	\$ 473,709	\$ 62,627
Total revenue from local sources	<u>\$ 1,483,397</u>	<u>\$ 1,534,397</u>	<u>\$ 1,367,523</u>	<u>\$ (166,874)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Patrick, Virginia	\$ 4,912,834	\$ 4,912,834	\$ 4,702,134	\$ (210,700)

County of Patrick, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenues from the Commonwealth:				
Categorical aid:				
At risk payments	\$ 404,357	\$ 424,184	\$ 421,909	\$ (2,275)
Basic school aid	9,410,372	9,957,413	9,890,283	(67,130)
Early reading intervention	85,336	85,336	87,642	2,306
English as a second language	57,996	57,996	48,481	(9,515)
Fringe benefits-Life-insurance	34,959	36,661	36,468	(193)
Fringe benefits-Retirement	1,157,526	1,213,885	1,207,512	(6,373)
Fringe benefits-Social security	569,052	596,759	593,626	(3,133)
GED Prep	7,859	7,859	7,859	-
Gifted and talented	91,281	95,726	95,223	(503)
Homebound education	18,024	18,024	26,947	8,923
Mentor teacher program	1,717	1,717	2,259	542
Occupational vocational education tech	37,003	37,003	31,303	(5,700)
Primary class size	773,904	773,904	762,646	(11,258)
Remedial education	365,126	382,903	380,893	(2,010)
Remedial summer education	28,809	28,809	26,701	(2,108)
School food	23,872	23,872	15,155	(8,717)
Share of state sales tax	2,508,952	2,508,952	2,536,463	27,511
Special education	1,443,023	1,513,283	1,505,338	(7,945)
Special education - foster children	11,559	11,559	5,903	(5,656)
Standards of Learning algebra readiness	42,557	42,557	37,945	(4,612)
Textbook payment	186,874	195,973	194,944	(1,029)
Vocational adult education	-	-	356	356
Vocational education - equipment	-	-	6,163	6,163
Vocational standards of quality payments	201,984	211,819	210,707	(1,112)
Other state funds	46,789	46,789	3,766	(43,023)
VPSA technology grant	232,005	252,475	252,470	(5)
Total categorical aid	<u>\$ 17,740,936</u>	<u>\$ 18,525,458</u>	<u>\$ 18,388,962</u>	<u>\$ (136,496)</u>
Revenue from the federal government:				
Categorical aid:				
Adult education	\$ 52,577	\$ 52,577	\$ 42,026	\$ (10,551)
Rural school program	60,864	60,864	64,088	3,224
School breakfast program	111,500	111,500	170,691	59,191
School lunch program	408,100	408,100	683,417	275,317
Summer feeding program	-	-	12,051	12,051
Title I	787,127	1,026,851	877,251	(149,600)
Title II, part A	5,381	5,381	-	(5,381)
Title II - Improving teacher quality	144,043	144,043	116,295	(27,748)
Title III - Limited English proficient	10,461	10,461	-	(10,461)
Title VI-B, special education flow-through	560,024	560,024	555,224	(4,800)
Title VI-B, special education pre-school	12,548	12,548	12,072	(476)
Workforce Investment Act	-	-	105,221	105,221
Vocational education	57,162	57,162	60,679	3,517
Total categorical aid	<u>\$ 2,209,787</u>	<u>\$ 2,449,511</u>	<u>\$ 2,699,015</u>	<u>\$ 249,504</u>
Total revenue from the federal government	<u>\$ 2,209,787</u>	<u>\$ 2,449,511</u>	<u>\$ 2,699,015</u>	<u>\$ 249,504</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 26,346,954</u>	<u>\$ 27,422,200</u>	<u>\$ 27,157,634</u>	<u>\$ (264,566)</u>

County of Patrick, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 136,256	\$ 136,141	\$ 118,070	\$ 18,071
General and financial administration:				
County administrator	\$ 208,133	\$ 210,963	\$ 198,293	\$ 12,670
Finance	129,166	129,455	127,092	2,363
Audit services	56,200	56,200	48,854	7,346
Legal services	37,600	37,600	36,350	1,250
Commissioner of revenue	290,379	290,384	270,811	19,573
DMV agent office	59,117	59,925	56,671	3,254
Treasurer	323,609	337,455	312,858	24,597
Reassessment	260,000	260,496	157,663	102,833
Tax mapping	55,904	56,982	55,989	993
Total general and financial administration	<u>\$ 1,420,108</u>	<u>\$ 1,439,460</u>	<u>\$ 1,264,581</u>	<u>\$ 174,879</u>
Board of elections:				
Electoral board and officials	\$ 42,225	\$ 42,225	\$ 25,522	\$ 16,703
Registrar	79,630	80,510	72,249	8,261
Total board of elections	<u>\$ 121,855</u>	<u>\$ 122,735</u>	<u>\$ 97,771</u>	<u>\$ 24,964</u>
Total general government administration	<u>\$ 1,678,219</u>	<u>\$ 1,698,336</u>	<u>\$ 1,480,422</u>	<u>\$ 217,914</u>
Judicial administration:				
Courts:				
Circuit court	\$ 50,751	\$ 50,752	\$ 43,357	\$ 7,395
General district court	36,455	36,455	9,314	27,141
Special magistrates	2,470	2,470	2,137	333
Juvenile and domestic relations court	8,096	8,096	7,265	831
Juvenile and domestic relations court services	13,080	13,080	9,219	3,861
Victim witness program	26,889	26,976	26,689	287
Courtroom security	76,381	78,990	78,990	-
Clerk of the circuit court	317,021	329,067	298,282	30,785
Total courts	<u>\$ 531,143</u>	<u>\$ 545,886</u>	<u>\$ 475,253</u>	<u>\$ 70,633</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 332,528	\$ 352,801	\$ 339,902	\$ 12,899
Total judicial administration	<u>\$ 863,671</u>	<u>\$ 898,687</u>	<u>\$ 815,155</u>	<u>\$ 83,532</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,894,169	\$ 2,100,768	\$ 2,072,032	\$ 28,736
Sheriff-school resource officer	431,650	453,599	437,111	16,488
Total law enforcement and traffic control	<u>\$ 2,325,819</u>	<u>\$ 2,554,367</u>	<u>\$ 2,509,143</u>	<u>\$ 45,224</u>
Fire and rescue services:				
Volunteer fire departments	\$ 400,861	\$ 443,642	\$ 442,518	\$ 1,124
Volunteer emergency operations	253,478	331,516	327,499	4,017
E-911 department	457,850	431,551	417,746	13,805
Total fire and rescue services	<u>\$ 1,112,189</u>	<u>\$ 1,206,709</u>	<u>\$ 1,187,763</u>	<u>\$ 18,946</u>

County of Patrick, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Schedule 2
 Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Sheriff-correction and detention	\$ 1,767,402	\$ 1,953,583	\$ 1,852,247	\$ 101,336
Juvenile detention	13,882	15,384	15,382	2
Total correction and detention	<u>\$ 1,781,284</u>	<u>\$ 1,968,967</u>	<u>\$ 1,867,629</u>	<u>\$ 101,338</u>
Inspections:				
Building	\$ 178,509	\$ 179,548	\$ 166,632	\$ 12,916
Other protection:				
Animal control	\$ 147,530	\$ 176,877	\$ 169,037	\$ 7,840
Erosion and soil	43,977	42,960	37,765	5,195
Emergency services	251,529	368,118	225,547	142,571
Medical examiner	300	320	380	(60)
Total other protection	<u>\$ 443,336</u>	<u>\$ 588,275</u>	<u>\$ 432,729</u>	<u>\$ 155,546</u>
Total public safety	<u>\$ 5,841,137</u>	<u>\$ 6,497,866</u>	<u>\$ 6,163,896</u>	<u>\$ 333,970</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 660,829	\$ 667,957	\$ 607,562	\$ 60,395
Maintenance of general buildings and grounds:				
General properties	\$ 782,478	\$ 804,234	\$ 796,199	\$ 8,035
Total public works	<u>\$ 1,443,307</u>	<u>\$ 1,472,191</u>	<u>\$ 1,403,761</u>	<u>\$ 68,430</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 157,572	\$ 157,572	\$ 157,572	\$ -
Mental health and mental retardation:				
Mental health	\$ 61,000	\$ 64,898	\$ 39,087	\$ 25,811
Contribution to local community services board	68,479	68,479	68,479	-
Total mental health and mental retardation	<u>\$ 129,479</u>	<u>\$ 133,377</u>	<u>\$ 107,566</u>	<u>\$ 25,811</u>
Welfare:				
Transportation for the elderly	\$ 2,252	\$ 2,252	\$ 2,252	\$ -
Public assistance	1,422,057	1,422,058	1,414,034	8,024
Comprehensive services	107,109	107,109	162,761	(55,652)
Total welfare	<u>\$ 1,531,418</u>	<u>\$ 1,531,419</u>	<u>\$ 1,579,047</u>	<u>\$ (47,628)</u>
Total health and welfare	<u>\$ 1,818,469</u>	<u>\$ 1,822,368</u>	<u>\$ 1,844,185</u>	<u>\$ (21,817)</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 16,497	\$ 16,497	\$ 16,497	\$ -
Contribution to County School Board	4,912,834	4,912,834	4,702,134	210,700
Total education	<u>\$ 4,929,331</u>	<u>\$ 4,929,331</u>	<u>\$ 4,718,631</u>	<u>\$ 210,700</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 257,932	\$ 269,125	\$ 278,622	\$ (9,497)

County of Patrick, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to regional library	\$ 269,809	\$ 269,809	\$ 268,386	\$ 1,423
Total parks, recreation, and cultural	\$ 527,741	\$ 538,934	\$ 547,008	\$ (8,074)
Community development:				
Planning and community development:				
Community development	\$ 186,278	\$ 181,414	\$ 180,510	\$ 904
Tourism	150,000	150,002	135,829	14,173
Contribution to Economic Development Authority	-	168,750	421,875	(253,125)
Economic development	77,707	77,709	69,488	8,221
Total planning and community development	\$ 413,985	\$ 577,875	\$ 807,702	\$ (229,827)
Environmental management:				
Soil and water district	\$ 101,991	\$ 118,558	\$ 110,904	\$ 7,654
Cooperative extension program:				
Extension office	\$ 96,472	\$ 99,700	\$ 99,425	\$ 275
Total community development	\$ 612,448	\$ 796,133	\$ 1,018,031	\$ (221,898)
Capital projects:				
Other capital projects	\$ 125,400	\$ 316,513	\$ 245,054	\$ 71,459
Debt service:				
Principal retirement	\$ 1,265,923	\$ 1,265,923	\$ 1,265,923	\$ -
Interest and other fiscal charges	1,675,035	1,675,035	1,719,316	(44,281)
Bond issuance costs	-	-	411,499	(411,499)
Total debt service	\$ 2,940,958	\$ 2,940,958	\$ 3,396,738	\$ (455,780)
Total General Fund	\$ 20,780,681	\$ 21,911,317	\$ 21,632,881	\$ 278,436
Nonmajor Special Revenue funds:				
Asset Forfeiture Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 43,580	\$ 43,580	\$ 17,219	\$ 26,361
Total Asset Forfeiture fund	\$ 43,580	\$ 43,580	\$ 17,219	\$ 26,361
Total Primary Government	\$ 20,824,261	\$ 21,954,897	\$ 21,650,100	\$ 304,797

County of Patrick, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,380,974	\$ 1,380,974	\$ 1,351,731	\$ 29,243
Instruction costs:				
Instructional costs	\$ 17,705,157	\$ 18,759,933	\$ 18,466,601	\$ 293,332
Technology	1,429,937	1,429,937	1,612,747	(182,810)
Total instruction costs	<u>\$ 19,135,094</u>	<u>\$ 20,189,870</u>	<u>\$ 20,079,348</u>	<u>\$ 110,522</u>
Operating costs:				
Pupil transportation	\$ 2,123,078	\$ 2,123,078	\$ 2,060,980	\$ 62,098
Operation and maintenance of school plant	2,092,631	2,092,631	2,197,604	(104,973)
Food service and non-instructional	1,467,101	1,467,101	1,406,555	60,546
Facilities	148,076	168,546	158,659	9,887
Total operating costs	<u>\$ 5,830,886</u>	<u>\$ 5,851,356</u>	<u>\$ 5,823,798</u>	<u>\$ 27,558</u>
Total education	<u>\$ 26,346,954</u>	<u>\$ 27,422,200</u>	<u>\$ 27,254,877</u>	<u>\$ 167,323</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 26,346,954</u></u>	<u><u>\$ 27,422,200</u></u>	<u><u>\$ 27,254,877</u></u>	<u><u>\$ 167,323</u></u>

OTHER STATISTICAL INFORMATION

Table 1

County of Patrick, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Public Service Authority	Total
2014-15	\$ 1,343,304	\$ 800,448	\$ 5,852,643	\$ 1,475,097	\$ 1,804,644	\$ 5,593,639	\$ 507,656	\$ 894,400	\$ 2,022,846	\$ 344,843	\$ 20,639,520
2013-14	1,579,706	727,953	6,082,736	1,453,885	1,720,817	8,748,911	469,479	573,776	1,701,434	801,491	23,860,188
2012-13	1,129,245	720,041	5,294,984	1,219,203	1,715,921	8,434,803	497,565	1,961,182	1,737,202	284,378	22,994,524
2011-12	1,080,635	687,006	2,857,489	1,218,942	1,734,701	4,821,016	171,656	870,585	1,778,415	215,737	15,436,182
2010-11	1,101,780	682,045	5,012,068	1,352,902	1,676,559	5,021,544	479,442	931,949	1,876,169	52,409	18,186,867
2009-10	1,077,862	685,860	4,511,176	1,201,585	2,139,605	4,305,245	469,560	629,129	1,655,271	-	16,675,293
2008-09	1,584,552	691,303	4,319,757	1,107,198	2,082,146	5,180,863	468,144	1,095,023	1,624,607	-	18,153,593
2007-08	1,222,345	709,671	4,215,735	954,762	2,068,880	4,285,042	473,847	711,153	294,660	-	14,936,095
2006-07	1,225,705	642,820	3,532,711	1,055,030	2,326,628	5,312,382	464,502	828,665	306,986	-	15,695,429
2005-06	1,132,221	583,420	3,425,684	1,045,831	2,151,065	6,080,413	478,207	1,015,252	280,402	-	16,192,495

County of Patrick, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous (2)	Grants and Contributions Not Restricted to Specific Programs (1)			
2014-15	\$ 537,931	\$ 4,151,843	\$ -	\$ 11,558,092	\$ 2,397,795	\$ 21,797	\$ 150,626	\$ 1,226,231	\$ 20,044,315		
2013-14	526,899	4,127,970	117,953	11,252,512	2,228,527	30,930	1,548,947	1,260,137	21,093,875		
2012-13	400,289	4,768,248	1,168,785	11,277,130	2,205,676	37,613	185,323	1,321,311	21,364,375		
2011-12	380,937	4,205,478	-	11,311,703	2,120,029	13,462	1,717,362	1,245,402	20,994,373		
2010-11	424,797	5,276,962	-	11,210,900	2,092,000	57,049	211,782	1,304,116	20,577,606		
2009-10	378,658	4,179,204	-	15,096,410	2,011,042	138,469	210,229	1,292,305	23,306,317		
2008-09	382,472	4,455,190	-	8,415,767	2,447,820	469,510	257,645	830,592	17,258,996		
2007-08	447,665	4,242,428	-	7,836,345	2,567,256	214,606	218,250	822,611	16,349,161		
2006-07	463,980	4,147,987	-	7,441,662	2,547,851	289,950	491,421	842,449	16,225,300		
2005-06	393,321	3,756,557	414,220	6,786,638	2,333,206	186,450	322,108	811,469	15,003,969		

(1) In fiscal year 2010, communication taxes were reclassified from other local taxes to grants and contributions not restricted to specific programs.

(2) Miscellaneous includes a gain on disposal of asset of \$1,481,304 and \$1,439,110 in fiscal year 2012 and 2014, respectively.

County of Patrick, Virginia
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Debt Service	Total
2014-15	\$ 1,480,422	\$ 815,155	\$ 6,181,115	\$ 1,403,761	\$ 1,844,185	\$ 27,271,374	\$ 547,008	\$ 1,018,031	\$ 245,054	\$ 3,396,738	\$ 44,202,843
2013-14	1,596,476	724,378	6,112,925	1,391,541	1,695,066	25,167,398	482,503	630,345	-	3,015,908	40,816,540
2012-13	1,302,404	714,323	5,245,398	1,378,724	1,738,616	24,854,973	484,690	1,890,320	-	2,998,449	40,607,897
2011-12	1,315,043	698,740	5,409,834	1,204,719	1,792,357	24,745,312	492,844	873,669	61,433	2,903,175	39,497,126
2010-11	1,341,103	683,627	5,039,294	1,361,251	1,881,784	23,994,115	485,882	890,656	-	2,589,445	38,267,157
2009-10	1,284,573	707,881	4,714,035	1,192,312	2,045,307	25,716,881	469,691	632,530	424,283	2,740,203	39,927,696
2008-09	1,651,467	684,346	4,264,669	1,097,246	2,112,049	26,238,244	467,347	1,100,351	371,799	3,199,611	41,187,129
2007-08	1,399,768	707,194	4,315,273	1,108,816	2,116,840	25,187,115	479,063	738,191	190,213	695,101	36,937,574
2006-07	1,320,707	641,713	3,698,404	1,038,084	2,140,510	24,694,995	463,105	819,484	88,339	702,909	35,608,250
2005-06	1,117,000	589,718	3,539,192	1,020,221	2,152,571	22,784,593	473,507	1,018,687	12,659	2,948,381	35,656,529

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board. Excludes Capital Projects funds.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

County of Patrick, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes (3)	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2014-15	\$ 11,501,012	\$ 2,397,795	\$ 66,183	\$ 17,507	\$ 28,718	\$ 1,117,325	\$ 267,955	\$ 1,254,924	\$ 26,466,051	\$ 43,117,470
2013-14	11,378,490	2,228,527	81,031	18,892	33,409	1,102,511	160,715	1,136,560	24,688,399	40,828,534
2012-13	11,301,734	2,205,676	60,007	18,201	29,888	845,646	429,315	1,295,934	24,367,985	40,554,386
2011-12	11,184,689	2,120,029	95,442	16,377	19,678	805,300	1,189,965	605,630	23,721,899	39,759,009
2010-11	11,046,404	2,092,000	82,905	26,708	66,548	828,660	1,091,847	442,105	23,875,791	39,552,968
2009-10	15,487,478	2,522,670	81,406	28,251	78,867	820,319	1,215,160	573,619	24,709,818	45,517,588
2008-09	8,352,446	2,447,820	79,547	21,077	139,685	891,725	1,518,793	386,563	25,302,825	39,140,481
2007-08	7,813,330	2,567,256	157,188	10,023	269,548	893,715	1,225,706	459,146	24,303,721	37,699,633
2006-07	7,447,603	2,547,851	144,680	16,744	288,667	926,167	1,736,700	227,824	23,416,171	36,752,407
2005-06	6,846,590	2,333,206	121,550	16,136	208,561	820,916	726,079	223,159	20,745,817	32,042,014

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board. Excludes Capital Projects funds.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) 2009-2010 was the first year that the County implemented twice-year collections for real estate.

Table 5

County of Patrick, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of		
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	
							Percent of Delinquent Taxes to Tax Levy	
2014-15	\$ 11,308,370	\$ 11,052,086	97.73%	\$ 260,125	\$ 11,312,211	100.03%	\$ 1,066,079	9.43%
2013-14	11,213,531	10,885,053	97.07%	301,174	11,186,227	99.76%	1,034,713	9.23%
2012-13	11,034,952	10,805,696	97.92%	304,939	11,110,635	100.69%	1,166,071	10.57%
2011-12	11,028,994	10,753,469	97.50%	267,374	11,020,843	99.93%	1,183,290	10.73%
2010-11	10,729,935	10,274,440	95.75%	186,770	10,461,210	97.50%	811,357	7.56%
2009-10 (3)	14,853,858	14,781,753	99.51%	252,948	15,034,701	101.22%	857,981	5.78%
2008-09	8,982,398	8,680,030	96.63%	226,047	8,906,077	99.15%	442,164	4.92%
2007-08	8,458,012	8,268,406	97.76%	111,581	8,379,987	99.08%	450,970	5.33%
2006-07	8,044,859	7,946,376	98.78%	104,898	8,051,274	100.08%	331,814	4.12%
2005-06	7,417,423	7,210,535	97.21%	188,151	7,398,686	99.75%	310,305	4.18%

(1) Exclusive of penalties and interest.

(2) Exclusive of land redemptions.

(3) 2009-2010 was the first year that the County implemented twice-year collections for real estate. There was a bookkeeping change relative to stated real estate levies. The real estate levies include the 2009 taxes and the 1st half of the 2010 taxes which were due June 2010. Twice year collections calculated on the billings of December of the first year and June of the second year.

Table 6

County of Patrick, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (3)	Personal Property and Mobile Homes (3)	Machinery and Tools (3)	<u>Public Utility (2)</u> Real Estate and Personal Property	Total
2014-15	\$ 1,655,322,650	\$ 166,685,416	\$ 34,927,504	\$ 75,872,248	\$ 1,932,807,818
2013-14	1,747,596,250	164,524,594	35,330,203	73,199,458	2,020,650,505
2012-13	1,739,594,600	163,831,979	34,548,797	52,520,654	1,990,496,030
2011-12	1,732,478,250	161,666,824	33,603,847	67,438,239	1,995,187,160
2010-11	1,724,443,955	161,488,870	36,202,239	64,197,225	1,986,332,289
2009-10(4)	2,558,862,025	152,193,677	39,433,886	65,732,477	2,816,222,065
2008-09	997,044,265	164,010,669	39,389,750	41,780,249	1,242,224,933
2007-08	975,752,332	157,084,700	36,477,566	41,899,151	1,211,213,749
2006-07	955,586,500	152,468,400	34,893,928	48,468,115	1,191,416,943
2005-06	931,347,500	149,112,253	36,646,614	50,005,093	1,167,111,460

(1) Assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Assessed values are established by the local Commissioner of the Revenue.

(4) 2009-10 was the first year that the County implemented twice-year collections. The assessed values include 2009 taxes and the 1st half of 2010 taxes which were due in June 2010.

Table 7

County of Patrick, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Home
2014-15	\$0.48/\$0.55	\$ 1.71	\$ 1.71	\$ 0.48
2013-14	0.48	1.71	1.71	0.48
2012-13	0.48	1.71	1.71	0.48
2011-12	0.48	1.71	1.71	0.48
2010-11	0.48	1.71	1.71	0.48
2009-10	0.48	1.71	1.71	0.48
2008-09	0.55	1.71	1.71	0.55
2007-08	0.53	1.71	1.71	0.53
2006-07	0.50	1.71	1.71	0.50
2005-06	0.50	1.46	1.36	0.50

(1) Per \$100 of assessed value.

Table 8

County of Patrick, Virginia
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 (in thousands) (2)	Gross Bonded Debt (3)	Gross and Net Bonded Debt(3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2014-15	18,490	\$ 1,932,808	\$ 31,959,054	\$ 31,959,054	1.65%	\$ 1,728
2013-14	18,490	2,020,651	32,636,386	32,636,386	1.62%	1,765
2012-13	18,490	1,990,496	33,722,870	33,722,870	1.69%	1,824
2011-12	18,490	1,995,187	34,782,901	34,782,901	1.74%	1,881
2010-11	18,490	1,986,332	35,812,106	35,812,106	1.80%	1,937
2009-10	19,407	2,816,222	36,706,993	36,706,993	1.30%	1,891
2008-09	19,407	1,242,225	31,307,832	31,307,832	2.52%	1,613
2007-08	19,407	1,211,214	6,756,122	6,756,122	0.56%	348
2006-07	19,407	1,191,417	7,124,029	7,124,029	0.60%	367
2005-06	19,407	1,167,111	7,486,891	7,486,891	0.64%	386

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, revenue bonds, and literary fund loans.
Excludes capital leases and compensated absences.

Table 9

County of Patrick, Virginia
 Ratio of Annual Debt Service Expenditures for General Bonded
 Debt to Total General Governmental Expenditures (1), (2)
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2014-15	\$ 1,265,923	\$ 1,719,316	\$ 2,985,239	\$ 44,202,843	6.75%
2013-14	1,290,577	1,725,331	3,015,908	40,816,540	7.39%
2012-13	1,228,615	1,769,834	2,998,449	40,607,897	7.38%
2011-12	1,185,427	1,717,748	2,903,175	39,497,126	7.35%
2010-11	894,887	1,694,558	2,589,445	38,267,157	6.77%
2009-10	895,839	1,530,898	2,426,737	39,927,696	6.08%
2008-09	596,638	1,102,973	1,699,611	41,187,129	4.13%
2007-08	389,871	305,230	695,101	36,937,574	1.88%
2006-07	382,157	320,752	702,909	35,608,250	1.97%
2005-06	224,757	269,285	494,042	35,656,529	8.27%

(1) Includes General and Special Revenue funds of the Primary Government and Special Revenue fund of the Discretely Presented Component Unit - School Board.

(2) Excludes bond issuance costs.

COMPLIANCE SECTION

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 Honorable Members of the Board of Supervisors
County of Patrick, Virginia
Stuart, 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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Patrick, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise County of Patrick, Virginia's basic financial statements and have issued our report thereon December 17, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2015-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Patrick, 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*.

County of Patrick, Virginia's Response to Findings

County of Patrick, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Patrick, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Fauner, Cox Associates

Blacksburg, Virginia
December 17, 2015

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 OMB Circular A-133

To the Honorable Members of the Board of Supervisors
County of Patrick, Virginia
Stuart, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Patrick, 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 Patrick, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Patrick, Virginia's internal control over compliance.

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 17, 2015

County of Patrick, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114, 0760115	\$ 28,853
Promoting Safe and Stable Families	93.556	0950114, 0950115	458
Temporary Assistance for Needy Families	93.558	0400114, 0400115	173,117
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114, 0500115	243
Low-Income Home Energy Assistance	93.568	0600414, 0600415	18,929
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114, 0900115	1,169
Foster Care - Title IV-E	93.658	1100114, 1100115	90,704
Adoption Assistance	93.659	1120114, 1120115	8,444
Social Services Block Grant	93.667	1000114, 1000115	124,739
Chafee Foster Care Independence Program	93.674	9150114, 9150115	937
Children's Health Insurance Program	93.767	0540114, 0540115	5,233
Medical Assistance Program	93.778	1200114, 1200115	180,231
Total Department of Health and Human Services			\$ 633,057
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School breakfast program	10.553	40591	\$ 170,691
National school lunch program	10.555	40623	\$ 598,940
Department of Agriculture:			
Food Distribution (Note 3)	10.555	Not available	84,477
Summer Food Service Program for Children	10.559	Not available	12,051
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114, 0010115, 0040114, 0040115	157,562
Total Department of Agriculture			\$ 1,023,721
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	EN05-289, C502	\$ 39,461
State and Community Highway Safety	20.600	SC-2014-54379-5627 SC-2015-55395-6134	6,928
Alcohol Impaired Driving Counter Measures Incentive Grants I	20.601	K8-2014-54429-5677 K8-2015-55361-6100	6,075
Total Department of Transportation			\$ 52,464
Department of Education:			
Pass Through Payments:			
Franklin County, Virginia School Board:			
Adult Education - Basic Grants to States	84.002	42801	\$ 42,026
Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	555,224
Special Education - Preschool Grants	84.173	62521	12,072
Title I: Grants to Local Educational Agencies	84.010	42901	877,251
Career and Technical Education-Basic Grants to States	84.048	61095	60,679
Rural Education	84.358	43481	64,088
Improving Teacher Quality-State Grants	84.367	61480	116,295
Total Department of Education			\$ 1,727,635

County of Patrick, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Pass Through Payments:			
County of Pittsylvania, Virginia:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	53427	\$ 59,876
WIA Youth Activities	17.259	53427	9,314
WIA Dislocated Worker Formula Grants	17.278	53427	<u>36,031</u>
Total Department of Labor			<u>\$ 105,221</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,542,098</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

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

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2015, the County had no food commodities in inventory.

Note 4 -- Relationship to the 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		\$ 953,953
Less: Payment in lieu of taxes		(18,855)
Less: Interest subsidy		<u>(92,015)</u>
Total primary government:		<u>\$ 843,083</u>
Component Unit School Board:		
School Operating Fund		<u>\$ 2,699,015</u>
Total component unit school board		<u>\$ 2,699,015</u>
Total federal expenditures per basic financial statements		<u><u>\$ 3,542,098</u></u>

COUNTY OF PATRICK, VIRGINIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559 84.010 84.027/84.173	Child Nutrition Cluster Title I, Grants to Local Educational Agencies Special Education Cluster

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

Auditee qualified as low-risk auditee?	No
--	----

COUNTY OF PATRICK, VIRGINIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section II - Financial Statement Findings

2015-001

Criteria: Per auditing standards, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of financial statements in accordance with generally accepted accounting principles. Furthermore, reliance on the auditors to post such transactions may not be component of the auditee's internal controls.

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The County's consultant, who was hired to assist the County staff with preparation for the annual audit, is not sufficiently familiar with the County and School Board's financial processes and, as a result, multiple necessary adjusting entries were not made.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The hired consultant should become familiar with the processes of the County and School Board finances and produce timely and accurate information for audit.

Management's Response: The work of the hired consultant has improved from the last fiscal year and efforts will continue to prepare accurate financial information for audits in the future.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior year findings related to federal awards.