

COUNTY OF CHARLES CITY, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Gilbert Smith, Chairperson

William G. Coad, Vice Chairperson

Floyd H. Miles, Sr.

Board of Social Services

Floyd H. Miles, Sr., Chairperson

Yvonne W. Bradby
Edna M. Bates

Sylvia A. Owens, Vice Chairperson
Sylvia B. Wynn

County School Board

Helen Payne-Jones, Chairperson

Martha Harris
Dr. Steve D. Fuhrmann

Herbert J. Johnson, Vice Chairperson
E. Preston Adkins

Other Officials

Chief Judge of the Circuit Court Michael E. McGinty
Clerk of the Circuit Court Victoria E. Washington
Commonwealth's Attorney Robert H. Tyler
Commissioner of the Revenue Denise B. Smith
Treasurer Mindy Bradby
Sheriff Alan M. Jones, Sr.
Superintendent of Schools Dr. David W. Gaston
Director of Social Services Elizabeth B. Holt
County Administrator Michelle Johnson
Chief Judge of the General District Court Stephanie E. Merritt
Chief Judge of the Juvenile and Domestic Relations Court.... George C. Fairbanks, IV
County Attorney B. Randolph Boyd

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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 Charles City
Charles City, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 101, and 102-115 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.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of County of Charles City, 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 solely 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 the effectiveness of County of Charles City, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Charles City, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors To the Citizens of Charles City County, Virginia

As management of the County of Charles City, 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, 2018. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,040,138 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses of \$2,945,618 (Exhibit 5) after making contributions totaling \$5,715,801 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$11,822,165, an increase of \$2,945,618 in comparison with the prior year.
- < At the end of the current fiscal year, the unassigned fund balance was \$5,881,848, or 36% of total general fund expenditures and other uses.
- < The combined long-term obligations increased \$2,269,773 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

The Government-wide financial statements include not only the County of Charles City, Virginia itself (known as the primary government), but also a legally separate school district and an industrial development authority for which the County of Charles City, Virginia is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Overview of the Financial Statements (Continued)

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

The Broadband fund provides broadband services to County residents.

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension and OPEB funding schedules. Other supplementary information includes combining financial statements for the discretely presented component unit - School Board and financial statements for the Economic Development Authority. The School Board and Economic Development Authority do not issue separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,040,138 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Charles City, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,260,969	\$ 9,675,276	\$ 77,416	\$ 34,895	\$ 13,338,385	\$ 9,710,171
Capital assets	8,036,321	7,805,026	5,000,405	3,380,941	13,036,726	11,185,967
Total assets	\$ 21,297,290	\$ 17,480,302	\$ 5,077,821	\$ 3,415,836	\$ 26,375,111	\$ 20,896,138
Deferred outflows of resources	\$ 322,892	\$ 611,789	\$ 22,123	\$ 36,252	\$ 345,015	\$ 648,041
Current liabilities	\$ 702,643	\$ 233,869	\$ 96,494	\$ 10,443	\$ 799,137	\$ 244,312
Long-term liabilities outstanding	5,808,259	4,217,424	1,508,901	287,868	7,317,160	4,505,292
Total liabilities	\$ 6,510,902	\$ 4,451,293	\$ 1,605,395	\$ 298,311	\$ 8,116,297	\$ 4,749,604
Deferred inflows of resources	\$ 553,933	\$ 174,985	\$ 9,758	\$ 4,161	\$ 563,691	\$ 179,146
Net investment in capital assets	\$ 5,020,801	\$ 6,808,673	\$ 3,671,697	\$ 3,275,211	\$ 8,692,498	\$ 10,083,884
Restricted	902,360	841,301	-	-	902,360	841,301
Unrestricted (deficit)	8,632,186	5,815,839	(186,906)	(125,595)	8,445,280	5,690,244
Total net position	\$ 14,555,347	\$ 13,465,813	\$ 3,484,791	\$ 3,149,616	\$ 18,040,138	\$ 16,615,429

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

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Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net position increased by \$1,950,801. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,471,874	\$ 3,458,285	\$ 130,188	\$ 114,889	\$ 3,602,062	\$ 3,573,174
Operating grants and contributions	1,825,761	2,030,014	-	-	1,825,761	2,030,014
Capital grants and contributions	-	5,000	200,745	17,355	200,745	22,355
General revenues:						
General property taxes	9,468,127	9,311,704	-	-	9,468,127	9,311,704
Other local taxes	781,089	1,023,184	-	-	781,089	1,023,184
Grants and other contributions not restricted	1,150,010	874,042	-	-	1,150,010	874,042
Other general revenues	200,821	399,831	-	-	200,821	399,831
Contribution to the Broadband fund	-	(638,121)	-	638,121	-	-
Transfers	(714,228)	(763,736)	714,228	763,736	-	-
Total revenues	\$ 16,183,454	\$ 15,700,203	\$ 1,045,161	\$ 1,534,101	\$ 17,228,615	\$ 17,234,304
Expenses:						
General government administration	\$ 2,113,816	\$ 2,201,506	\$ -	\$ -	\$ 2,113,816	\$ 2,201,506
Judicial administration	808,465	818,695	-	-	808,465	818,695
Public safety	2,378,549	2,287,587	-	-	2,378,549	2,287,587
Public works	1,126,433	1,125,138	661,632	673,846	1,788,065	1,798,984
Health and welfare	1,498,555	1,406,217	-	-	1,498,555	1,406,217
Education	5,754,083	5,436,358	-	-	5,754,083	5,436,358
Parks, recreation, and cultural	654,913	499,706	-	-	654,913	499,706
Community development	228,622	291,077	-	-	228,622	291,077
Interest and other fiscal charges	52,743	40,243	-	-	52,743	40,243
Total expenses	\$ 14,616,179	\$ 14,106,527	\$ 661,632	\$ 673,846	\$ 15,277,811	\$ 14,780,373
Change in net position	\$ 1,567,275	\$ 1,593,676	\$ 383,529	\$ 860,255	\$ 1,950,804	\$ 2,453,931
Net position, beginning of year	12,988,072	11,872,137	3,101,262	2,289,361	16,089,334	14,161,498
Net position, end of year	\$ 14,555,347	\$ 13,465,813	\$ 3,484,791	\$ 3,149,616	\$ 18,040,138	\$ 16,615,429

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available 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 fund reported fund balances of \$11,822,165, an increase of \$2,945,618 in comparison with the prior year.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to a deficit of \$186,906. Net position increased by \$383,529. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues and other financing sources exceeded budgetary estimates by \$1,066,807. Expenditures and other uses were less than budgetary estimates by \$3,255,226. The combination of both resulted in a net positive variance of \$4,322,033.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounted to \$8,036,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$4,344,228. The County's debt is secured solely by specified revenue sources (i.e., lease/revenue bonds, capital leases and revenue bonds). During the current fiscal year, the County's total debt increased by \$3,242,145. Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

Requests for Information This financial report is designed to provide a general overview of the County of Charles City, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 10900 Courthouse Road, Charles City, Virginia, 23030.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Charles City, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Units	
	Governmental	Business-type		School Board	EDA
	Activities	Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 11,596,010	\$ 59,311	\$ 11,655,321	\$ 717,194	\$ 1,180,004
Receivables (net of allowance for uncollectibles):					
Taxes receivable	810,922	-	810,922	-	-
Accounts receivable	21,716	18,105	39,821	32,182	-
Due from other governmental units	421,912	-	421,912	335,628	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents restricted for debt	410,409	-	410,409	-	-
Net pension asset	-	-	-	264,646	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,549,410	7,819	1,557,229	263,786	-
Buildings and improvements	4,931,936	2,313,730	7,245,666	6,683,513	-
Machinery and equipment	556,099	87,423	643,522	835,188	-
Construction in progress	998,876	2,591,433	3,590,309	-	-
Total assets	\$ 21,297,290	\$ 5,077,821	\$ 26,375,111	\$ 9,132,137	\$ 1,180,004
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 301,628	\$ 20,766	\$ 322,394	\$ 1,025,095	\$ -
OPEB related items	21,264	1,357	22,621	82,195	-
Total deferred outflows of resources	\$ 322,892	\$ 22,123	\$ 345,015	\$ 1,107,290	\$ -
LIABILITIES					
Accounts payable	\$ 593,245	\$ 95,074	\$ 688,319	\$ 183,554	\$ -
Accrued liabilities	-	-	-	850,628	-
Customers' deposits	-	1,420	1,420	-	-
Accrued interest payable	2,087	-	2,087	-	-
Performance bonds	107,311	-	107,311	-	-
Long-term liabilities:					
Due within one year	465,117	1,342	466,459	11,979	-
Due in more than one year	5,343,142	1,507,559	6,850,701	8,517,812	-
Total liabilities	\$ 6,510,902	\$ 1,605,395	\$ 8,116,297	\$ 9,563,973	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 127,853	\$ -	\$ 127,853	\$ -	\$ -
Pension related items	392,886	7,639	400,525	1,136,143	-
OPEB related items	33,194	2,119	35,313	53,000	-
Total deferred inflows of resources	\$ 553,933	\$ 9,758	\$ 563,691	\$ 1,189,143	\$ -
NET POSITION					
Net investment in capital assets	\$ 5,020,801	\$ 3,671,697	\$ 8,692,498	\$ 7,782,487	\$ -
Restricted	902,360	-	902,360	-	-
Unrestricted (deficit)	8,632,186	(186,906)	8,445,280	(8,296,176)	1,180,004
Total net position	\$ 14,555,347	\$ 3,484,791	\$ 18,040,138	\$ (513,689)	\$ 1,180,004

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

County of Charles City, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	School Board	EDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,113,816	\$ -	\$ 194,739	\$ -	\$ (1,919,077)	\$ -	\$ (1,919,077)	\$ -	\$ -
Judicial administration	808,465	56,706	320,626	-	(431,133)	-	(431,133)	-	-
Public safety	2,378,549	251,893	577,079	-	(1,549,577)	-	(1,549,577)	-	-
Public works	1,126,433	3,127,887	-	-	2,001,454	-	2,001,454	-	-
Health and welfare	1,498,555	-	724,577	-	(773,978)	-	(773,978)	-	-
Education	5,754,083	-	-	-	(5,754,083)	-	(5,754,083)	-	-
Parks, recreation, and cultural	654,913	35,388	4,500	-	(615,025)	-	(615,025)	-	-
Community development	228,622	-	4,240	-	(224,382)	-	(224,382)	-	-
Interest on long-term debt	52,743	-	-	-	(52,743)	-	(52,743)	-	-
Total governmental activities	\$ 14,616,179	\$ 3,471,874	\$ 1,825,761	\$ -	\$ (9,318,544)	\$ -	\$ (9,318,544)	\$ -	\$ -
Business-type activities:									
Sanitary District	\$ 617,706	\$ 123,188	\$ -	\$ 200,745	\$ -	\$ (293,773)	\$ (293,773)	\$ -	\$ -
Broadband	43,926	7,000	-	-	-	(36,926)	(36,926)	-	-
Total business-type activities	\$ 661,632	\$ 130,188	\$ -	\$ 200,745	\$ -	\$ (330,699)	\$ (330,699)	\$ -	\$ -
Total primary government	\$ 15,277,811	\$ 3,602,062	\$ 1,825,761	\$ 200,745	\$ (9,318,544)	\$ (330,699)	\$ (9,649,243)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 10,504,033	\$ 69,168	\$ 4,700,800	\$ -	\$ -	\$ -	\$ -	\$ (5,734,065)	\$ -
Economic Development Authority	19,575	54,322	-	-	-	-	-	-	34,747
Total component units	\$ 10,523,608	\$ 123,490	\$ 4,700,800	\$ -	\$ -	\$ -	\$ -	\$ (5,734,065)	\$ 34,747
General revenues:									
General property taxes					\$ 9,468,127	\$ -	\$ 9,468,127	\$ -	\$ -
Local sales and use taxes					503,287	-	503,287	-	-
Consumer's utility taxes					155,395	-	155,395	-	-
Other local taxes					122,407	-	122,407	-	-
Unrestricted revenues from use of money and property					24,985	-	24,985	35,158	21,485
Miscellaneous					175,836	-	175,836	83,511	-
Grants and contributions not restricted to specific programs					1,150,010	-	1,150,010	-	-
Payment from Charles City County					-	-	-	5,715,801	-
Transfers					(714,228)	714,228	-	-	-
Total general revenues and transfers					\$ 10,885,819	\$ 714,228	\$ 11,600,047	\$ 5,834,470	\$ 21,485
Change in net position					\$ 1,567,275	\$ 383,529	\$ 1,950,804	\$ 100,405	\$ 56,232
Net position - beginning, as restated					12,988,072	3,101,262	16,089,334	(614,094)	1,123,772
Net position - ending					\$ 14,555,347	\$ 3,484,791	\$ 18,040,138	\$ (513,689)	\$ 1,180,004

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

FUND FINANCIAL STATEMENTS

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County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 11,596,010
Receivables (net of allowance for uncollectibles):	
Taxes receivable	810,922
Accounts receivable	21,716
Due from other governmental units	421,912
Restricted assets:	
Cash and cash equivalents	410,409
Total assets	<u>\$ 13,260,969</u>
LIABILITIES	
Accounts payable	\$ 593,245
Performance bonds	107,311
Total liabilities	<u>\$ 700,556</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 738,248
Total deferred inflows of resources	<u>\$ 738,248</u>
FUND BALANCES	
Restricted	\$ 902,360
Committed	2,179,557
Assigned	2,858,400
Unassigned	5,881,848
Total fund balances	<u>\$ 11,822,165</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,260,969</u>

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

County of Charles City, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	11,822,165
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 16,783,839		
Accumulated depreciation	(8,747,518)		8,036,321

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

Unavailable revenue - property taxes			610,395
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 301,628		
OPEB related items	21,264		322,892

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bond	\$ (390,837)		
General obligation bond	(2,500,000)		
Compensated absences	(180,020)		
Capital leases	(124,683)		
Net pension liability	(1,883,169)		
Net OPEB liabilities	(729,550)		
Accrued interest payable	(2,087)		(5,810,346)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (392,886)		
OPEB related items	(33,194)		(426,080)

Net position of governmental activities	\$	14,555,347
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>
REVENUES	
General property taxes	\$ 9,318,071
Other local taxes	781,089
Permits, privilege fees, and regulatory licenses	3,216,189
Fines and forfeitures	39,644
Revenue from the use of money and property	24,985
Charges for services	216,041
Miscellaneous	175,836
Recovered costs	194,895
Intergovernmental:	
Commonwealth	2,424,138
Federal	551,633
Total revenues	<u>\$ 16,942,521</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,039,893
Judicial administration	694,810
Public safety	2,374,841
Public works	1,111,136
Health and welfare	1,546,016
Education	5,717,030
Parks, recreation, and cultural	624,743
Community development	395,321
Capital projects	742,971
Debt service:	
Principal retirement	480,833
Interest and other fiscal charges	55,081
Total expenditures	<u>\$ 15,782,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,159,846</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (714,228)
Issuance of general obligation bond	2,500,000
Total other financing sources (uses)	<u>\$ 1,785,772</u>
Net change in fund balances	\$ 2,945,618
Fund balances - beginning	8,876,547
Fund balances - ending	<u>\$ 11,822,165</u>

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

County of Charles City, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds		\$ 2,945,618
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 666,003	
Depreciation expense	(434,708)	231,295

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

Property taxes		150,056
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$ 411,619	
Principal retirement on capital leases	69,214	
Issuance of general obligation bond	(2,500,000)	(2,019,167)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 76,074	
Pension expense	165,000	
OPEB expense	16,061	
Change in accrued interest payable	2,338	259,473

Change in net position of governmental activities		\$ 1,567,275
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds		
	Sanitary District	Broadband	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 59,311	\$ -	\$ 59,311
Accounts receivable, net of allowance for uncollectibles	18,105	-	18,105
Due from other funds	5,036	-	5,036
Total current assets	<u>\$ 82,452</u>	<u>\$ -</u>	<u>\$ 82,452</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	\$ 4,358,502	\$ 614,587	\$ 4,973,089
Machinery and equipment	140,895	23,534	164,429
Accumulated depreciation	(2,669,644)	(66,721)	(2,736,365)
Construction in progress	2,591,433	-	2,591,433
Land and land improvements	7,819	-	7,819
Total net capital assets	<u>\$ 4,429,005</u>	<u>\$ 571,400</u>	<u>\$ 5,000,405</u>
Total noncurrent assets	<u>\$ 4,429,005</u>	<u>\$ 571,400</u>	<u>\$ 5,000,405</u>
Total assets	<u>\$ 4,511,457</u>	<u>\$ 571,400</u>	<u>\$ 5,082,857</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 20,766	\$ -	\$ 20,766
OPEB related items	1,357	-	1,357
Total deferred outflows of resources	<u>\$ 22,123</u>	<u>\$ -</u>	<u>\$ 22,123</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 94,503	\$ 571	\$ 95,074
Due to other funds	-	5,036	5,036
Customers' deposits	1,420	-	1,420
Compensated absences - current portion	1,342	-	1,342
Total current liabilities	<u>\$ 97,265</u>	<u>\$ 5,607</u>	<u>\$ 102,872</u>
Noncurrent liabilities:			
Bonds payable	\$ 1,328,708	\$ -	\$ 1,328,708
Net pension liability	120,202	-	120,202
Net OPEB liabilities	46,567	-	46,567
Compensated absences - net of current portion	12,082	-	12,082
Total noncurrent liabilities	<u>\$ 1,507,559</u>	<u>\$ -</u>	<u>\$ 1,507,559</u>
Total liabilities	<u>\$ 1,604,824</u>	<u>\$ 5,607</u>	<u>\$ 1,610,431</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 7,639	\$ -	\$ 7,639
OPEB related items	2,119	-	2,119
Total deferred inflows of resources	<u>\$ 9,758</u>	<u>\$ -</u>	<u>\$ 9,758</u>
NET POSITION			
Net investment in capital assets	\$ 3,100,297	\$ 571,400	\$ 3,671,697
Unrestricted	(181,299)	(5,607)	(186,906)
Total net position	<u>\$ 2,918,998</u>	<u>\$ 565,793</u>	<u>\$ 3,484,791</u>

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Sanitary District	Broadband	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 123,188	\$ -	\$ 123,188
Broadband fees	-	7,000	7,000
Total operating revenues	\$ 123,188	\$ 7,000	\$ 130,188
OPERATING EXPENSES			
Water	\$ 47,817	\$ -	\$ 47,817
Wastewater	60,406	-	60,406
Industrial center	101,354	-	101,354
Government utility	271,911	-	271,911
Special projects	18,610	-	18,610
Broadband operations	-	10,566	10,566
Depreciation	117,608	33,360	150,968
Total operating expenses	\$ 617,706	\$ 43,926	\$ 661,632
Operating income (loss)	\$ (494,518)	\$ (36,926)	\$ (531,444)
NONOPERATING REVENUES (EXPENSES)			
Capital contributions and construction grants	\$ 200,745	\$ -	\$ 200,745
Total nonoperating revenues (expenses)	\$ 200,745	\$ -	\$ 200,745
Income (loss) before transfers	\$ (293,773)	\$ (36,926)	\$ (330,699)
Transfers in	714,228	-	714,228
Change in net position	\$ 420,455	\$ (36,926)	\$ 383,529
Total net position - beginning, as restated	2,498,543	602,719	3,101,262
Total net position - ending	\$ 2,918,998	\$ 565,793	\$ 3,484,791

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

County of Charles City, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Sanitary District	Broadband	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 115,037	\$ 7,000	\$ 122,037
Payments for operating activities	(445,081)	(9,995)	(455,076)
Net cash provided by (used for) operating activities	\$ (330,044)	\$ (2,995)	\$ (333,039)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 711,233	\$ 2,995	\$ 714,228
Net cash provided by (used for) noncapital financing activities	\$ 711,233	\$ 2,995	\$ 714,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (1,770,432)	\$ -	\$ (1,770,432)
Construction grants	200,745	-	200,745
Proceeds from bonds	1,222,978	-	1,222,978
Net cash provided by (used for) capital and related financing activities	\$ (346,709)	\$ -	\$ (346,709)
Net increase (decrease) in cash and cash equivalents	\$ 34,480	\$ -	\$ 34,480
Cash and cash equivalents - beginning	24,831	-	24,831
Cash and cash equivalents - ending	\$ 59,311	\$ -	\$ 59,311
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (494,518)	\$ (36,926)	\$ (531,444)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 117,608	\$ 33,360	\$ 150,968
(Increase) decrease in accounts receivable	(8,041)	-	(8,041)
(Increase) decrease in deferred outflows of resources	15,089	-	15,089
Increase (decrease) in customer deposits	(110)	-	(110)
Increase (decrease) in accounts payable	85,590	571	86,161
Increase (decrease) in deferred inflows of resources	5,597	-	5,597
Increase (decrease) in net pension liability	(51,193)	-	(51,193)
Increase (decrease) in net OPEB liabilities	(2,747)	-	(2,747)
Increase (decrease) in compensated absences	2,681	-	2,681
Total adjustments	\$ 164,474	\$ 33,931	\$ 198,405
Net cash provided by (used for) operating activities	\$ (330,044)	\$ (2,995)	\$ (333,039)

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

County of Charles City, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 36,148
	<u>36,148</u>
LIABILITIES	
Amounts held for social services clients	\$ 36,148
	<u>36,148</u>

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018

Note 1—Summary of Significant Accounting Policies:

County of Charles City, Virginia (the "County") is governed by an elected three member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, recreational activities, cultural events, education, and social services.

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, 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.

Statement of Net Position - 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.

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

B. Individual Component Units Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2018.

Discretely Presented Component Units. The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries and also oversees the Children's Services Act. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

The Economic Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Economic Development Authority of Charles City County does not issue a separate financial report.

C. Other Related Organizations Excluded from the County's Annual Financial Report

Riverside Regional Jail Authority

Riverside Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions provide the financial support for the Authority and appoint its governing board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Separate audited financial statements are available from the Authority.

Middle Peninsula Detention Center

Middle Peninsula Juvenile Detention Commission was created to construct, equip, maintain and operate a juvenile detention facility serving nineteen member jurisdictions of which the County's Director of Finance serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o County of James City, Virginia. The County does not retain an ongoing financial interest in or responsibility for the Commission.

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

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

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

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

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

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type. 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 statements.

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 within two months preceding receipt by the County.

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

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

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

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

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

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

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

Enterprise Funds -Distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's major enterprise fund consists of the Sanitary District and Broadband.

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

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$103,759 at June 30, 2018 and is comprised of property taxes of \$94,029 and water and sewer charges of \$9,730.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	June 5/December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County and School Board as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in the year ended June 30, 2018.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Motor vehicles	5-10
Equipment	2-15
Utility Plant	20-40
Buildings and improvements	20-40

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulated rights to be received for sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. 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.

K. Net Position

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

L. 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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)

N. Other Postemployment Benefits (OPEB) (Continued)

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the County's OPEB Plan's net fiduciary position have been determined in accordance with GASB 75 based on key assumptions to include: turnover and retirement rates, healthcare trend and claim costs, mortality and discount rate. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

O. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

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 multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on the pension item, reference the related notes.

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

Q. Fund Equity

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

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

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

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

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Q. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

		General Fund
Fund Balances:		
Restricted:		
Indoor plumbing	\$	489,245
Forfeited assets		2,706
Debt service reserve		410,409
Total Restricted Fund Balance	\$	<u>902,360</u>
Committed:		
Public Safety	\$	155,379
Landfill closure		253,178
Stabilization fund		1,500,000
Economic Development		271,000
Total Committed Fund Balance	\$	<u>2,179,557</u>
Assigned:		
Capital projects	\$	2,858,400
Total Assigned Fund Balance	\$	<u>2,858,400</u>
Unassigned	\$	5,881,848
Total Fund Balances	\$	<u><u>11,822,165</u></u>

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 2—Stewardship, Compliance, and Accounting: (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The Board of Supervisors 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. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2018.

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	County	
	AAAm	
Local Government Investment Pool	\$	450
Money Market Mutual Fund		410,409
Total	\$	410,859

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 3— Deposits and Investments: (Continued)

Interest Rate Risk

Investment Type	Investment Maturities (in years)	
	County	
	Fair Value	Less Than 1 Year
Money Market Mutual Funds	\$ 410,409	\$ 410,409
Total	\$ 410,409	\$ 410,409

External Investment Pools

The value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provision of GASB Statement No. 79. There are no withdrawal restrictions imposed on participants.

Note 4—Due to/from Other Governmental Units:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 201,313	\$ -
Shared expenses	74,618	-
Recordation tax	3,419	-
VPA funds	13,991	-
Mobile home titling tax	5,159	-
PSAP grant	7,072	-
State sales tax	-	105,654
VPSA technology	-	61,579
Railroad rolling stock tax	96	-
Communications tax	22,708	-
Children's services act	57,277	-
Federal Government:		
School fund grants	-	156,525
School food funds	-	11,870
Transportation safety	4,158	-
VPA funds	32,101	-
Total due from other governmental units	\$ 421,912	\$ 335,628

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Primary Government:				
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,549,410	\$ -	\$ -	\$ 1,549,410
Construction in progress	<u>406,174</u>	<u>592,702</u>	<u>-</u>	<u>998,876</u>
Total capital assets not subject to depreciation	<u>\$ 1,955,584</u>	<u>\$ 592,702</u>	<u>\$ -</u>	<u>\$ 2,548,286</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,502,162	\$ -	\$ -	\$ 10,502,162
Machinery and equipment	<u>3,660,090</u>	<u>73,301</u>	<u>-</u>	<u>3,733,391</u>
Total capital assets being depreciated	<u>\$ 14,162,252</u>	<u>\$ 73,301</u>	<u>\$ -</u>	<u>\$ 14,235,553</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,352,272	\$ 217,954	\$ -	\$ 5,570,226
Machinery and equipment	<u>2,960,538</u>	<u>216,754</u>	<u>-</u>	<u>3,177,292</u>
Total accumulated depreciation	<u>\$ 8,312,810</u>	<u>\$ 434,708</u>	<u>\$ -</u>	<u>\$ 8,747,518</u>
Total capital assets subject to depreciation, net	<u>\$ 5,849,442</u>	<u>\$ (361,407)</u>	<u>\$ -</u>	<u>\$ 5,488,035</u>
Net capital assets governmental activities	<u>\$ 7,805,026</u>	<u>\$ 231,295</u>	<u>\$ -</u>	<u>\$ 8,036,321</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>July 1, 2017</u>			<u>June 30, 2018</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Construction in progress	<u>821,001</u>	<u>1,770,432</u>	<u>-</u>	<u>2,591,433</u>
Total capital assets not subject to depreciation	<u>\$ 828,820</u>	<u>\$ 1,770,432</u>	<u>\$ -</u>	<u>\$ 2,599,252</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,973,089	\$ -	\$ -	\$ 4,973,089
Machinery and equipment	<u>164,429</u>	<u>-</u>	<u>-</u>	<u>164,429</u>
Total capital assets being depreciated	<u>\$ 5,137,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,137,518</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,521,743	\$ 137,616	\$ -	\$ 2,659,359
Machinery and equipment	<u>63,654</u>	<u>13,352</u>	<u>-</u>	<u>77,006</u>
Total accumulated depreciation	<u>\$ 2,585,397</u>	<u>\$ 150,968</u>	<u>\$ -</u>	<u>\$ 2,736,365</u>
Total capital assets subject to depreciation, net	<u>\$ 2,552,121</u>	<u>\$ (150,968)</u>	<u>\$ -</u>	<u>\$ 2,401,153</u>
Net capital assets business-type activities	<u>\$ 3,380,941</u>	<u>\$ 1,619,464</u>	<u>\$ -</u>	<u>\$ 5,000,405</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

Component Unit-School Board:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not subject to depreciation:				
Land and land improvements	\$ 263,786	\$ -	\$ -	\$ 263,786
Construction in Progress	<u>3,451</u>	<u>-</u>	<u>3,451</u>	<u>-</u>
Total capital assets not subject to depreciation	\$ <u>267,237</u>	\$ <u>-</u>	\$ <u>3,451</u>	\$ <u>263,786</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,774,482	\$ 3,451	\$ -	\$ 18,777,933
Equipment	<u>2,616,314</u>	<u>427,986</u>	<u>-</u>	<u>3,044,300</u>
Total capital assets being depreciated	\$ <u>21,390,796</u>	\$ <u>431,437</u>	\$ <u>-</u>	\$ <u>21,822,233</u>
Accumulated depreciation:				
Buildings and improvements	\$ 11,633,437	\$ 460,983	\$ -	\$ 12,094,420
Equipment	<u>2,098,764</u>	<u>110,348</u>	<u>-</u>	<u>2,209,112</u>
Total accumulated depreciation	\$ <u>13,732,201</u>	\$ <u>571,331</u>	\$ <u>-</u>	\$ <u>14,303,532</u>
Total capital assets subject to depreciation, net	\$ <u>7,658,595</u>	\$ <u>(139,894)</u>	\$ <u>-</u>	\$ <u>7,518,701</u>
Net capital assets Component Unit-School Board	\$ <u><u>7,925,832</u></u>	\$ <u><u>(139,894)</u></u>	\$ <u><u>3,451</u></u>	\$ <u><u>7,782,487</u></u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government administration	\$ 119,877
Judicial administration	133,118
Public safety	79,398
Public works	47,886
Health and welfare	5,584
Parks, recreation and cultural	<u>48,845</u>
Total Governmental activities	\$ <u><u>434,708</u></u>
Business-type activities	\$ <u><u>150,968</u></u>
Component Unit School Board	\$ <u><u>571,331</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 714,228
Sanitary District	<u>714,228</u>	<u>-</u>
Total	<u>\$ 714,228</u>	<u>\$ 714,228</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions of the County for the fiscal year ended June 30, 2018:

	<u>Restated Balance at July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 256,094	\$ 25,609	\$ 101,683	\$ 180,020	\$ 18,002
Lease revenue bond	802,456	-	411,619	390,837	390,837
General obligation bond	-	2,500,000	-	2,500,000	-
Capital leases (Note 8)	193,897	-	69,214	124,683	56,278
Net pension liability	2,685,177	1,317,482	2,119,490	1,883,169	-
Net OPEB liabilities	<u>772,581</u>	<u>60,721</u>	<u>103,752</u>	<u>729,550</u>	<u>-</u>
Total Governmental Activities	<u>\$ 4,710,205</u>	<u>\$ 3,903,812</u>	<u>\$ 2,805,758</u>	<u>\$ 5,808,259</u>	<u>\$ 465,117</u>
Business-type Activities:					
Compensated absences	\$ 10,743	\$ 3,755	\$ 1,074	\$ 13,424	\$ 1,342
Net pension liability	171,395	84,094	135,287	120,202	-
Net OPEB liabilities	49,314	3,875	6,622	46,567	-
Revenue bonds	<u>105,730</u>	<u>1,222,978</u>	<u>-</u>	<u>1,328,708</u>	<u>-</u>
Total Business-type Activities	<u>\$ 337,182</u>	<u>\$ 1,314,702</u>	<u>\$ 142,983</u>	<u>\$ 1,508,901</u>	<u>\$ 1,342</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Governmental Activities			
	Lease Revenue		General	
	Bond		Obligation Bond	
	Principal	Interest	Principal	Interest
2019	\$ 390,837	\$ 7,228	\$ -	\$ 14,361
2020	-	-	254,000	55,000
2021	-	-	259,600	49,412
2022	-	-	265,400	43,701
2023	-	-	271,300	37,862
2024	-	-	277,300	31,894
2025	-	-	283,500	25,792
2026	-	-	289,800	19,556
2027	-	-	296,300	13,180
2028	-	-	302,800	6,662
Total	\$ <u>390,837</u>	\$ <u>7,228</u>	\$ <u>2,500,000</u>	\$ <u>297,420</u>

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
*	\$ <u>1,328,708</u>	\$ -
Total	\$ <u>1,328,708</u>	\$ -

*The Virginia Resources Authority Revolving fund bond was not fully drawn down at June 30, 2018. Amortization schedule not yet available.

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

Governmental Activities:

Incurred by County:

Lease Revenue Bond:

\$5,000,000 lease revenue bond payable issued through the Industrial Development Authority of Charles City County on May 15, 2003, payable in monthly installments of principal and interest totaling \$36,188 through May 1, 2019, interest payable annually at 3.68%.

\$ 390,837

General Obligation Bond:

\$2,500,000 general obligation bond payable issued on October 27, 2017, payable in annual installments through August 1, 2027, interest payable semi-annually at 2.20%.

\$ 2,500,000

Capital Leases:

\$233,277 Phone system issued on July 1, 2015, due in monthly installments of \$4,439 through November 2020.

\$ 116,611

\$23,926 One 2016 Dodge Charger issued on May 13, 2016, due in annual installments of \$8,770 through July 2018.

8,072

Total capital leases

\$ 124,683

Net pension liability

\$ 1,883,169

Net OPEB liabilities

\$ 729,550

Compensated absences (payable from the General Fund)

\$ 180,020

Total Governmental Activities

\$ 5,808,259

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term obligations: (Continued)

Business-type Activities:

Revenue Bonds:

\$1,530,000 VRA Revolving Fund, issued May 16, 2017, not fully drawn down as of June 30, 2018	\$ 1,328,708
Net pension liability	\$ 120,202
Net OPEB liabilities	\$ 46,567
Compensated absences (payable from the Enterprise Fund)	\$ 13,424
Total Business-type Activities	\$ 1,508,901

Component Unit-School Board:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Compensated absences	\$ 117,260	\$ 14,257	\$ 11,726	\$ 119,791	\$ 11,979
Net OPEB liabilities	1,213,000	67,000	130,000	1,150,000	-
Net pension liability	8,263,000	1,484,000	2,487,000	7,260,000	-
Total Component Unit-School Board	\$ 9,593,260	\$ 1,565,257	\$ 2,628,726	\$ 8,529,791	\$ 11,979

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Long-Term Obligations: (Continued)

Component Unit-School Board: (continued)

Details of long-term obligations:

Compensated absences (payable from the School Fund)	\$ 119,791
Net OPEB liabilities	\$ 1,150,000
Net pension liability	\$ 7,260,000
Total Component Unit-School Board	\$ 8,529,791

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of one police vehicle and a phone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government
Capital Assets:	
Equipment	\$ 257,203
Less: accumulated depreciation	(149,536)
Total net capital assets	\$ 107,667

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30	Primary Government
2019	\$ 62,036
2020	53,266
2021	17,755
Total minimum lease payments	\$ 133,057
Less: amount representing interest	(8,374)
Present value of minimum lease payments	\$ 124,683

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 9—Landfill Closure and Post-Closure Costs:

The County has contracted with a third party, USA Waste of Virginia, to operate a solid waste landfill site under a lease purchase agreement with the County. Under this agreement, USA Waste of Virginia is responsible for all closure and postclosure monitoring costs related to the landfill. USA Waste of Virginia is obligated to finance these costs through a trust fund mechanism. This trust fund is currently being monitored by the County. No amounts have been recorded in these financial statements for this liability because the third party has assumed all closure and postclosure obligations.

Note 10—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$610,395 at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$127,853 at June 30, 2018.

Note 11—Commitments and Contingencies:

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

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

The following construction contracts were outstanding at June 30, 2018:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Hideaway Sewage TP Replacement	Shaw Construction	\$ 1,508,835	\$ 256,060
Library/History Center	David A. Nice Builders	2,993,120	2,602,340

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 12—Litigation:

At June 30, 2018, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13—Risk Management:

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • 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. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	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. <u>Defined Contribution 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. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.) • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. <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. 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. <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: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	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%. <u>Eligibility:</u> Same as Plan 1. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
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.	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.	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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
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. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	56	21
Inactive members:		
Vested inactive members	17	3
Non-vested inactive members	23	7
Inactive members active elsewhere in VRS	28	4
Total inactive members	68	14
Active members	72	10
Total covered employees	196	45

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 10.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$322,394 and \$312,742 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 2.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$4,668 and \$4,800 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

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, 2016	\$ 15,648,712	\$ 12,792,140	\$ 2,856,572
Changes for the year:			
Service cost	\$ 329,116	\$ -	\$ 329,116
Interest	1,061,939	-	1,061,939
Assumption changes	(17,856)	-	(17,856)
Differences between expected and actual experience	(241,163)	-	(241,163)
Contributions - employer	-	312,742	(312,742)
Contributions - employee	-	149,079	(149,079)
Net investment income	-	1,533,937	(1,533,937)
Benefit payments, including refunds			
Refunds of employee contributions	(956,311)	(956,311)	-
Administrative expenses	-	(9,170)	9,170
Other changes	-	(1,351)	1,351
Net changes	\$ 175,725	\$ 1,028,926	\$ (853,201)
Balances at June 30, 2017	\$ 15,824,437	\$ 13,821,066	\$ 2,003,371

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2016	\$ 1,542,148	\$ 1,755,671	\$ (213,523)
Changes for the year:			
Service cost	\$ 36,115	\$ -	\$ 36,115
Interest	103,895	-	103,895
Assumption changes	(5,703)	-	(5,703)
Differences between expected and actual experience	38,111	-	38,111
Contributions - employer	-	4,800	(4,800)
Contributions - employee	-	12,163	(12,163)
Net investment income	-	208,033	(208,033)
Benefit payments, including refunds			
Refunds of employee contributions	(115,873)	(115,873)	-
Administrative expenses	-	(1,273)	1,273
Other changes	-	(182)	182
Net changes	\$ 56,545	\$ 107,668	\$ (51,123)
Balances at June 30, 2017	\$ 1,598,693	\$ 1,863,339	\$ (264,646)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 3,983,131	\$ 2,003,371	\$ 352,036
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (106,169)	\$ (264,646)	\$ (400,511)

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$119,533 and \$8,823 respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 193,438	\$ 13,038	\$ -
Change of assumptions	-	11,677	-	1,951
Net difference between projected and actual earnings on pension plan investments	-	195,410	-	25,192
Employer contributions subsequent to the measurement date	322,394	-	4,668	-
Total	\$ 322,394	\$ 400,525	\$ 17,706	\$ 27,143

\$322,394 and \$4,668 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 (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (253,519)	\$ (7,198)
2020	(19,172)	9,713
2021	3,400	1,109
2022	(131,234)	(17,729)
Thereafter	-	-

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

Note 14—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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$713,389 and \$671,742 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$7,260,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.05903% as compared to 0.05896% at June 30, 2016.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—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, 2018, the school division recognized pension expense of \$459,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, 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 \$	-	\$ 514,000
Change of assumptions	106,000	-
Net difference between projected and actual earnings on pension plan investments	-	264,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	188,000	331,000
Employer contributions subsequent to the measurement date	713,389	-
Total	\$ 1,007,389	\$ 1,109,000

\$713,389 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (362,000)
2020	(100,000)
2021	(106,000)
2022	(221,000)
2023	(26,000)

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, 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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability

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

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	\$ <u>12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—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, 2019, 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, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	10,841,000 \$	7,260,000 \$	4,297,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - o Accidental dismemberment benefit - o Safety belt benefit - o Repatriation benefit - o Felonious assault benefit - o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$16,621 and \$15,996 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$23,153 and \$24,238 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$1,276 and \$1,285 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$251,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$381,000 and \$20,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.01668% as compared to 0.01630% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was 0.02527% and 0.00134%, respectively as compared to 0.02502% and 0.00153% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$4,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$3,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,000	\$ -	\$ 8,000	\$ -	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,000	-	14,000	-	1,000
Change of assumptions	-	13,000	-	20,000	-	1,000
Changes in proportionate share	6,000	-	3,000	-	-	-
Employer contributions subsequent to the measurement date	16,621	-	23,153	-	1,276	-
Total	\$ 22,621	\$ 28,000	\$ 26,153	\$ 42,000	\$ 1,276	\$ 2,000

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$16,621, \$23,153 and \$1,276, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (professional)</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (5,000)	\$ (8,000)	\$ (2,000)
2020	(5,000)	(8,000)	-
2021	(5,000)	(8,000)	-
2022	(5,000)	(9,000)	-
2023	(2,000)	(5,000)	-
Thereafter	-	(1,000)	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 324,000	\$ 251,000	\$ 191,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 492,000	\$ 381,000	\$ 290,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 26,000	\$ 20,000	\$ 16,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • At Retirement - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: - o \$4.00 per month, multiplied by twice the amount of service credit, or - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$54,766 and \$51,737 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$749,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.05906% as compared to 0.05896% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$62,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 1,000
Change of assumptions	-	8,000
Employer contributions subsequent to the measurement date	<u>54,766</u>	<u>-</u>
Total	<u>\$ 54,766</u>	<u>\$ 9,000</u>

\$54,766 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	(1,000)
Thereafter	-

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	836,000	\$ 749,000	\$ 675,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan):

County

Plan Description

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Charles City Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible County retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	57
Total retirees and spouses with coverage	10
Total	67

Contributions

The County does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$57,136.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate was 3.50% to 5.35% per annum
Discount Rate	3.87% based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.
Investment Rate of Return	N/A

Mortality rates for the County were based on the following actuarial assumptions:

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Bond Go Index as of their respective measurement dates.

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
Balances at June 30, 2017	\$ 536,895
Changes for the year:	
Service cost	35,551
Interest	19,045
Changes of assumptions	(9,238)
Benefit payments	(57,136)
Net changes	\$ (11,778)
Balances at June 30, 2018	\$ 525,117

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (3.87%) than the current discount rate:

	Rate		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Primary Government:			
Total OPEB liability	\$ 550,140	\$ 525,117	\$ 500,534

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government:			
Total OPEB liability	\$ 479,327	\$ 525,117	\$ 577,826

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$52,671. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 7,313
Total	\$ -	\$ 7,313

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2019	\$ (1,925)
2020	(1,925)
2021	(1,925)
2022	(1,538)
2023	-
Thereafter	-

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 18—Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
Victoria E. Washington, Clerk of the Circuit Court	\$ 265,000
Mindy Bradby, Treasurer	300,000
Denise B. Smith, Commissioner of the Revenue	3,000
Allan M. Jones, Sr., Sheriff	30,000
Fidelity and Deposit company of Maryland - Surety:	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool	
- Public Officials Liability	2,000,000
- Employee Dishonesty Policy	250,000

Note 19—Fair Value Measurements:

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

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

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 19–Fair Value Measurements: (Continued)

The County has the following recurring fair value measurements as of June 30, 2018:

Investment type	Balance June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Money market mutual fund:				
U.S. Government Obligations	\$ 410,409	\$ 410,409	\$ -	\$ -
	\$ 410,409	\$ 410,409	\$ -	\$ -

Note 20–Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$4,804.

Note 21–Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 21—Upcoming Pronouncements: (Continued)

includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Note 22—Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities Sanitary District	Component-Unit School Board
Net position, July 1, 2017, as previously stated	\$ 13,465,813	\$ 2,546,897	\$ 521,906
Implementation of GASB 75:			
Deferred outflows of resources	15,040	960	77,000
Net OPEB liability	(492,781)	(49,314)	(1,213,000)
Net position, July 1, 2017, as restated	\$ <u>12,988,072</u>	\$ <u>2,498,543</u>	\$ <u>(614,094)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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County of Charles City, Virginia
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget -
	Original	Final Appropriated	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 9,307,199	\$ 9,307,199	\$ 9,318,071	\$ 10,872
Other local taxes	999,237	999,237	781,089	(218,148)
Permits, privilege fees, and regulatory licenses	2,063,827	2,063,827	3,216,189	1,152,362
Fines and forfeitures	41,929	41,929	39,644	(2,285)
Revenue from the use of money and property	22,121	22,121	24,985	2,864
Charges for services	198,322	198,322	216,041	17,719
Miscellaneous	115,672	115,672	175,836	60,164
Recovered costs	28,891	28,891	194,895	166,004
Intergovernmental:				
Commonwealth	2,472,586	2,486,815	2,424,138	(62,677)
Federal	598,201	611,701	551,633	(60,068)
Total revenues	<u>\$ 15,847,985</u>	<u>\$ 15,875,714</u>	<u>\$ 16,942,521</u>	<u>\$ 1,066,807</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,965,280	\$ 1,976,636	\$ 2,039,893	\$ (63,257)
Judicial administration	723,900	723,900	694,810	29,090
Public safety	2,458,044	2,462,188	2,374,841	87,347
Public works	1,133,967	1,133,967	1,111,136	22,831
Health and welfare	1,860,237	1,905,762	1,546,016	359,746
Education	5,737,278	5,771,102	5,717,030	54,072
Parks, recreation, and cultural	577,601	577,601	624,743	(47,142)
Community development	307,477	408,267	395,321	12,946
Capital projects	3,984,838	3,984,838	742,971	3,241,867
Debt service:				
Principal retirement	465,370	465,370	480,833	(15,463)
Interest and other fiscal charges	-	-	55,081	(55,081)
Total expenditures	<u>\$ 19,213,992</u>	<u>\$ 19,409,631</u>	<u>\$ 15,782,675</u>	<u>\$ 3,626,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,366,007)</u>	<u>\$ (3,533,917)</u>	<u>\$ 1,159,846</u>	<u>\$ 4,693,763</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (355,234)	\$ (342,498)	\$ (714,228)	\$ (371,730)
Issuance of general obligation bond	4,330,000	4,330,000	2,500,000	(1,830,000)
Total other financing sources (uses)	<u>\$ 3,974,766</u>	<u>\$ 3,987,502</u>	<u>\$ 1,785,772</u>	<u>\$ (2,201,730)</u>
Net change in fund balances	\$ 608,759	\$ 453,585	\$ 2,945,618	\$ 2,492,033
Fund balances - beginning	(608,759)	(453,585)	8,876,547	9,330,132
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,822,165</u>	<u>\$ 11,822,165</u>

County of Charles City, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 329,116	\$ 289,728	\$ 289,033	\$ 299,955
Interest	1,061,939	1,036,515	999,821	965,592
Changes of assumptions	(17,856)	-	-	-
Differences between expected and actual experience	(241,163)	(100,005)	(6,787)	-
Benefit payments, including refunds of employee contributions	(956,311)	(769,754)	(745,982)	(807,137)
Net change in total pension liability	\$ 175,725	\$ 456,484	\$ 536,085	\$ 458,410
Total pension liability - beginning	15,648,712	15,192,228	14,656,143	14,197,733
Total pension liability - ending (a)	<u>\$ 15,824,437</u>	<u>\$ 15,648,712</u>	<u>\$ 15,192,228</u>	<u>\$ 14,656,143</u>
Plan fiduciary net position				
Contributions - employer	\$ 312,742	\$ 324,511	\$ 313,501	\$ 353,605
Contributions - employee	149,079	142,588	138,684	144,425
Net investment income	1,533,937	217,922	571,931	1,745,021
Benefit payments, including refunds of employee contributions	(956,311)	(769,754)	(745,982)	(807,137)
Administrative expense	(9,170)	(8,077)	(8,000)	(9,570)
Other	(1,351)	(94)	(120)	92
Net change in plan fiduciary net position	\$ 1,028,926	\$ (92,904)	\$ 270,014	\$ 1,426,436
Plan fiduciary net position - beginning	12,792,140	12,885,044	12,615,030	11,188,594
Plan fiduciary net position - ending (b)	<u>\$ 13,821,066</u>	<u>\$ 12,792,140</u>	<u>\$ 12,885,044</u>	<u>\$ 12,615,030</u>
County's net pension liability - ending (a) - (b)	\$ 2,003,371	\$ 2,856,572	\$ 2,307,184	\$ 2,041,113
Plan fiduciary net position as a percentage of the total pension liability	87.34%	81.75%	84.81%	86.07%
Covered payroll	\$ 3,076,078	\$ 2,929,624	\$ 2,830,453	\$ 2,877,718
County's net pension liability as a percentage of covered payroll	65.13%	97.51%	81.51%	70.93%

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

County of Charles City, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 36,115	\$ 34,070	\$ 33,907	\$ 36,289
Interest	103,895	102,982	105,930	103,328
Changes of assumptions	(5,703)	-	-	-
Differences between expected and actual experience	38,111	(9,299)	(69,141)	-
Benefit payments, including refunds of employee contributions	(115,873)	(113,564)	(112,037)	(92,875)
Net change in total pension liability	\$ 56,545	\$ 14,189	\$ (41,341)	\$ 46,742
Total pension liability - beginning	1,542,148	1,527,959	1,569,300	1,522,558
Total pension liability - ending (a)	<u>\$ 1,598,693</u>	<u>\$ 1,542,148</u>	<u>\$ 1,527,959</u>	<u>\$ 1,569,300</u>
Plan fiduciary net position				
Contributions - employer	\$ 4,800	\$ 20,064	\$ 17,694	\$ 19,079
Contributions - employee	12,163	13,642	12,046	12,121
Net investment income	208,033	29,482	80,741	251,300
Benefit payments, including refunds of employee contributions	(115,873)	(113,564)	(112,037)	(92,875)
Administrative expense	(1,273)	(1,154)	(1,172)	(1,394)
Other	(182)	(13)	(18)	13
Net change in plan fiduciary net position	\$ 107,668	\$ (51,543)	\$ (2,746)	\$ 188,244
Plan fiduciary net position - beginning	1,755,671	1,807,214	1,809,960	1,621,716
Plan fiduciary net position - ending (b)	<u>\$ 1,863,339</u>	<u>\$ 1,755,671</u>	<u>\$ 1,807,214</u>	<u>\$ 1,809,960</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (264,646)	\$ (213,523)	\$ (279,255)	\$ (240,660)
Plan fiduciary net position as a percentage of the total pension liability	116.55%	113.85%	118.28%	115.34%
Covered payroll	\$ 247,034	\$ 275,626	\$ 242,427	\$ 242,427
School Division's net pension liability (asset) as a percentage of covered payroll	-107.13%	-77.47%	-115.19%	-99.27%

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

County of Charles City, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.05903%	0.05896%	0.05691%	0.06217%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,260,000	\$ 8,263,000	\$ 7,163,000	\$ 7,513,000
Employer's Covered Payroll	4,681,016	4,728,243	4,231,021	4,534,871
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.09%	174.76%	169.30%	165.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

County of Charles City, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 322,394	\$ 322,394	\$ -	\$ 3,196,272	10.09%
2017	312,742	312,742	-	3,076,078	10.17%
2016	324,511	324,511	-	2,929,624	11.08%
2015	313,501	313,501	-	2,830,453	11.08%
2014	354,247	354,247	-	2,877,718	12.31%
2013	353,132	353,132	-	2,868,658	12.31%
2012	262,944	262,944	-	2,770,744	9.49%
2011	264,762	264,762	-	2,789,901	9.49%
2010	244,480	244,480	-	2,823,100	8.66%
2009	241,987	241,987	-	2,794,309	8.66%
Component Unit School Board (nonprofessional)					
2018	\$ 4,668	\$ 4,668	\$ -	\$ 245,459	1.90%
2017	4,800	4,800	-	247,034	1.94%
2016	20,064	20,064	-	275,626	7.28%
2015	17,694	17,694	-	242,427	7.30%
2014	19,079	19,079	-	242,427	7.87%
2013	20,951	20,951	-	266,210	7.87%
2012	1,427	1,427	-	291,283	0.49%
2011	1,478	1,478	-	301,649	0.49%
2010	-	-	-	310,680	0.00%
2009	-	-	-	307,532	0.00%
Component Unit School Board (professional)					
2018	\$ 713,389	\$ 713,389	\$ -	\$ 4,618,534	15.45%
2017	671,742	671,742	-	4,681,016	14.35%
2016	664,791	664,791	-	4,728,243	14.06%
2015	613,498	613,498	-	4,231,021	11.66%
2014	528,766	528,766	-	4,534,871	11.66%
2013	524,292	524,292	-	8,282,654	6.33%
2012	289,741	289,741	-	7,372,545	3.93%
2011	183,084	183,084	-	2,078,138	8.81%
2010	316,337	316,337	-	3,590,658	8.81%
2009	423,054	423,054	-	4,107,320	10.30%

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

County of Charles City, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Charles City, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.01668%	\$ 251,000	\$ 3,076,078	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00134%	\$ 20,000	\$ 247,034	8.10%	48.86%
Component Unit School Board (professional):					
2017	0.02527%	\$ 381,000	\$ 4,661,035	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However,

County of Charles City, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Year Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 16,621	\$ 16,621	\$ -	\$ 3,196,272	0.52%
2017	15,996	15,996	-	3,076,078	0.52%
2016	14,062	14,062	-	2,929,624	0.48%
2015	13,586	13,586	-	2,830,453	0.48%
2014	13,813	13,813	-	2,877,718	0.48%
2013	13,785	13,785	-	2,871,864	0.48%
2012	7,758	7,758	-	2,770,744	0.28%
2011	7,820	7,820	-	2,792,755	0.28%
2010	5,756	5,756	-	2,131,980	0.27%
2009	7,562	7,562	-	2,800,802	0.27%
Component Unit School Board (nonprofessional):					
2018	\$ 1,276	\$ 1,276	\$ -	\$ 245,459	0.52%
2017	1,285	1,285	-	247,034	0.52%
2016	1,323	1,323	-	275,626	0.48%
2015	1,164	1,164	-	242,427	0.48%
2014	1,164	1,164	-	242,427	0.48%
2013	1,278	1,278	-	266,210	0.48%
2012	824	824	-	294,392	0.28%
2011	845	845	-	301,649	0.28%
2010	632	632	-	234,058	0.27%
2009	830	830	-	307,532	0.27%
Component Unit School Board (professional):					
2018	\$ 23,153	\$ 23,153	\$ -	\$ 4,452,550	0.52%
2017	24,238	24,238	-	4,661,035	0.52%
2016	21,580	21,580	-	4,495,795	0.48%
2015	20,516	20,516	-	4,274,102	0.48%
2014	21,824	21,824	-	4,546,640	0.48%
2013	21,541	21,541	-	4,487,675	0.48%
2012	12,930	12,930	-	4,617,856	0.28%
2011	13,044	13,044	-	4,658,637	0.28%
2010	9,696	9,696	-	3,591,050	0.27%
2009	12,974	12,974	-	4,805,338	0.27%

County of Charles City, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Charles City, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Charles City, Virginia
Schedule of County School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.05906% \$	749,000 \$	4,661,035	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.

County of Charles City, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 54,766	\$ 54,766	\$ -	\$ 4,452,550	1.23%
2017	51,737	51,737	-	4,661,035	1.11%
2016	47,655	47,655	-	4,495,795	1.06%
2015	44,849	44,849	-	4,231,019	1.06%
2014	50,468	50,468	-	4,546,640	1.11%
2013	48,824	48,824	-	4,398,523	1.11%
2012	27,464	27,464	-	4,577,261	0.60%
2011	27,977	27,977	-	4,662,905	0.60%
2010	37,343	37,343	-	3,590,657	1.04%
2009	51,861	51,861	-	4,801,975	1.08%

County of Charles City, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Charles City, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 35,551
Interest	19,045
Changes of assumptions	(9,238)
Benefit payments	(57,136)
Net change in total OPEB liability	\$ (11,778)
Total OPEB liability - beginning	536,895
Total OPEB liability - ending	<u>\$ 525,117</u>
 Covered payroll	 \$ 2,585,604
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 20.31%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Charles City, Virginia
Notes to Required Supplementary Information - County OPEB
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87% based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% graded down to 4.20% in 2091
Salary Increase Rates	The salary increase rate was 3.50% to 5.35% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year. 25% of deaths are assumed to be service related for pre-retirement, and RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years for post-retirement. RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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*INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES*

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County of Charles City, Virginia
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2018

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 37,207	\$ 5,325	\$ 6,384	\$ 36,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for social services clients	\$ 37,207	\$ 5,325	\$ 6,384	\$ 36,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Charles City, Virginia
Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	Textbook Fund	School Cafeteria Fund	Total
ASSETS				
Cash and cash equivalents	\$ 648,102	\$ 50,695	\$ 18,397	\$ 717,194
Receivables (net of allowance for uncollectibles):				
Accounts receivable	32,182	-	-	32,182
Due from other governmental units	323,758	-	11,870	335,628
Total assets	<u>\$ 1,004,042</u>	<u>\$ 50,695</u>	<u>\$ 30,267</u>	<u>\$ 1,085,004</u>
LIABILITIES				
Accounts payable	\$ 182,626	\$ -	\$ 928	\$ 183,554
Accrued liabilities	821,416	-	29,212	850,628
Total liabilities	<u>\$ 1,004,042</u>	<u>\$ -</u>	<u>\$ 30,140</u>	<u>\$ 1,034,182</u>
FUND BALANCES:				
Committed	\$ -	\$ 50,695	\$ 127	\$ 50,822
Total liabilities and fund balances	<u>\$ 1,004,042</u>	<u>\$ 50,695</u>	<u>\$ 30,267</u>	<u>\$ 1,085,004</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 50,822

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 22,086,019	
Accumulated depreciation	<u>(14,303,532)</u>	7,782,487

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

Net pension asset		264,646
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,025,095	
OPEB related items	<u>82,195</u>	1,107,290

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

Net pension liability	\$ (7,260,000)	
Compensated absences	(119,791)	
Net OPEB liabilities	<u>(1,150,000)</u>	(8,529,791)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (1,136,143)	
OPEB related items	<u>(53,000)</u>	(1,189,143)

Net position of governmental activities		<u><u>\$ (513,689)</u></u>
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County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating <u>Fund</u>	Textbook <u>Fund</u>	School Cafeteria <u>Fund</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 35,158	\$ -	\$ -	\$ 35,158
Charges for services	-	-	69,168	69,168
Miscellaneous	83,511	-	-	83,511
Intergovernmental:				
Local government	5,627,867	32,934	55,000	5,715,801
Commonwealth	3,797,254	33,882	6,777	3,837,913
Federal	637,880	-	225,007	862,887
Total revenues	<u>\$ 10,181,670</u>	<u>\$ 66,816</u>	<u>\$ 355,952</u>	<u>\$ 10,604,438</u>
EXPENDITURES				
Current:				
Education	\$ 10,181,670	\$ 55,535	\$ 370,929	\$ 10,608,134
Total expenditures	<u>\$ 10,181,670</u>	<u>\$ 55,535</u>	<u>\$ 370,929</u>	<u>\$ 10,608,134</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 11,281	\$ (14,977)	\$ (3,696)
Net change in fund balances	\$ -	\$ 11,281	\$ (14,977)	\$ (3,696)
Fund balances - beginning	-	39,414	15,104	54,518
Fund balances - ending	<u>\$ -</u>	<u>\$ 50,695</u>	<u>\$ 127</u>	<u>\$ 50,822</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			\$	(3,696)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:				
Capital asset additions			\$ 427,986	
Depreciation expense			<u>(571,331)</u>	(143,345)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences			\$ (2,531)	
Pension expense			234,782	
OPEB expense			<u>15,195</u>	247,446
Change in net position of governmental activities			<u>\$</u>	<u>100,405</u>

County of Charles City, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2018

	School Operating Fund				Textbook Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Appropriated			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 4,290	\$ 29,448	\$ 35,158	\$ 5,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	94,411	94,411	69,168	(25,243)
Miscellaneous	24,090	24,090	83,511	59,421	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	5,673,115	5,706,939	5,627,867	(79,072)	32,934	32,934	32,934	-	30,000	30,000	55,000	25,000
Commonwealth	3,779,888	3,840,667	3,797,254	(43,413)	34,141	34,141	33,882	(259)	6,112	6,112	6,777	665
Federal	621,789	843,551	637,880	(205,671)	-	-	-	-	250,454	250,454	225,007	(25,447)
Total revenues	\$ 10,103,172	\$ 10,444,695	\$ 10,181,670	\$ (263,025)	\$ 67,075	\$ 67,075	\$ 66,816	\$ (259)	\$ 380,977	\$ 380,977	\$ 355,952	\$ (25,025)
EXPENDITURES												
Current:												
Education	\$ 10,103,172	\$ 10,444,695	\$ 10,181,670	\$ 263,025	\$ 67,075	\$ 67,075	\$ 55,535	\$ 11,540	\$ 380,977	\$ 380,977	\$ 370,929	\$ 10,048
Total expenditures	\$ 10,103,172	\$ 10,444,695	\$ 10,181,670	\$ 263,025	\$ 67,075	\$ 67,075	\$ 55,535	\$ 11,540	\$ 380,977	\$ 380,977	\$ 370,929	\$ 10,048
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,281	\$ 11,281	\$ -	\$ -	\$ (14,977)	\$ (14,977)
Fund balances - beginning	-	-	-	-	-	-	39,414	39,414	-	-	15,104	15,104
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,695	\$ 50,695	\$ -	\$ -	\$ 127	\$ 127

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Charles City, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,180,004
Total assets	<u>\$ 1,180,004</u>

NET POSITION

Unrestricted	\$ 1,180,004
Total net position	<u><u>\$ 1,180,004</u></u>

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

OPERATING REVENUES

Charges for services:

Bond fees	\$ 54,322
Total operating revenues	<u>\$ 54,322</u>

OPERATING EXPENSES

Other expenses	\$ 19,575
Total operating expenses	<u>\$ 19,575</u>
Operating income (loss)	<u>\$ 34,747</u>

NONOPERATING REVENUES (EXPENSES)

Investment income	\$ 21,485
Total nonoperating revenues (expenses)	<u>\$ 21,485</u>
Change in net position	\$ 56,232

Total net position - beginning	1,123,772
Total net position - ending	<u><u>\$ 1,180,004</u></u>

County of Charles City, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 54,322
Payments for operating activities	(19,575)
Net cash provided by (used for) operating activities	<u>\$ 34,747</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	\$ 21,485
Net cash provided by (used for) investing activities	<u>\$ 21,485</u>

Net increase (decrease) in cash and cash equivalents	\$ 56,232
--	-----------

Cash and cash equivalents - beginning	1,123,772
---------------------------------------	-----------

Cash and cash equivalents - ending	<u><u>\$ 1,180,004</u></u>
------------------------------------	----------------------------

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

Operating income (loss)	\$ 34,747
Net cash provided by (used for) operating activities	<u><u>\$ 34,747</u></u>

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SUPPORTING SCHEDULES

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County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated 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	\$ 6,224,861	\$ 6,224,861	\$ 5,966,790	\$ (258,071)
Real and personal public service corporation taxes	909,683	909,683	1,059,311	149,628
Personal property taxes	1,770,800	1,770,800	1,972,974	202,174
Mobile home taxes	8,600	8,600	7,606	(994)
Machinery and tools taxes	201,050	201,050	153,503	(47,547)
Merchant's capital taxes	33,205	33,205	26,363	(6,842)
Penalties	95,000	95,000	84,902	(10,098)
Interest	64,000	64,000	46,622	(17,378)
Total general property taxes	\$ 9,307,199	\$ 9,307,199	\$ 9,318,071	\$ 10,872
Other local taxes:				
Local sales and use taxes	\$ 750,000	\$ 750,000	\$ 503,287	\$ (246,713)
Consumers' utility taxes	152,416	152,416	155,395	2,979
Consumption tax	39,178	39,178	41,156	1,978
Cable television franchise license tax	8,020	8,020	22,415	14,395
Motor vehicle licenses	66	66	45	(21)
Taxes on recordation and wills	49,557	49,557	58,791	9,234
Total other local taxes	\$ 999,237	\$ 999,237	\$ 781,089	\$ (218,148)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,682	\$ 6,682	\$ 5,181	\$ (1,501)
Transfer fees	243	243	261	18
Landfill host fees	1,956,270	1,956,270	3,111,273	1,155,003
Permits and other licenses	100,632	100,632	99,474	(1,158)
Total permits, privilege fees, and regulatory licenses	\$ 2,063,827	\$ 2,063,827	\$ 3,216,189	\$ 1,152,362
Fines and forfeitures:				
Court fines and forfeitures	\$ 41,929	\$ 41,929	\$ 39,644	\$ (2,285)
Revenue from use of money and property:				
Revenue from use of money	\$ 6,612	\$ 6,612	\$ 16,637	\$ 10,025
Revenue from use of property	15,509	15,509	8,348	(7,161)
Total revenue from use of money and property	\$ 22,121	\$ 22,121	\$ 24,985	\$ 2,864
Charges for services:				
Clerk's interest fees	\$ 661	\$ 661	\$ 506	\$ (155)
Sheriff's fees	348	348	348	-
Courthouse maintenance fees	2,374	2,374	1,892	(482)
Courthouse security fees	10,243	10,243	8,357	(1,886)
Court fees	3,207	3,207	4,246	1,039
Commonwealth's attorney fees	656	656	547	(109)
Charges for parks and recreation	43,138	43,138	35,388	(7,750)
Charges for other protection	1,884	1,884	299	(1,585)
Document reproduction fees	1,652	1,652	1,514	(138)

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for EMS transport	\$ 112,083	\$ 112,083	\$ 146,330	\$ 34,247
Sale of gas byproducts	22,076	22,076	16,614	(5,462)
Total charges for services	<u>\$ 198,322</u>	<u>\$ 198,322</u>	<u>\$ 216,041</u>	<u>\$ 17,719</u>
Miscellaneous:				
Miscellaneous	\$ 96,116	\$ 96,116	\$ 148,476	\$ 52,360
Donations	19,556	19,556	27,360	7,804
Total miscellaneous	<u>\$ 115,672</u>	<u>\$ 115,672</u>	<u>\$ 175,836</u>	<u>\$ 60,164</u>
Recovered costs:				
Jurors	\$ 7,000	\$ 7,000	\$ 4,110	\$ (2,890)
IPR recipient payments	-	-	151,406	151,406
School resource officer	21,891	21,891	39,379	17,488
Total recovered costs	<u>\$ 28,891</u>	<u>\$ 28,891</u>	<u>\$ 194,895</u>	<u>\$ 166,004</u>
Total revenue from local sources	<u>\$ 12,777,198</u>	<u>\$ 12,777,198</u>	<u>\$ 13,966,750</u>	<u>\$ 1,189,552</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 8,863	\$ 8,863	\$ 12,218	\$ 3,355
Rolling stock tax	7,000	7,000	204	(6,796)
Communications tax	150,910	150,910	141,408	(9,502)
State recordation tax	13,050	13,050	16,405	3,355
Personal property tax relief funds	690,963	690,963	690,963	-
Total noncategorical aid	<u>\$ 870,786</u>	<u>\$ 870,786</u>	<u>\$ 861,198</u>	<u>\$ (9,588)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 162,966	\$ 162,966	\$ 162,738	\$ (228)
Sheriff	496,173	496,173	482,417	(13,756)
Commissioner of revenue	76,088	76,088	76,025	(63)
Treasurer	70,236	70,236	70,211	(25)
Registrar/electoral board	35,388	35,388	35,656	268
Clerk of the Circuit Court	147,874	147,874	157,888	10,014
Total shared expenses	<u>\$ 988,725</u>	<u>\$ 988,725</u>	<u>\$ 984,935</u>	<u>\$ (3,790)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 216,829	\$ 216,829	\$ 198,024	\$ (18,805)
Children's services act	299,135	306,924	263,294	(43,630)
Litter control	-	4,240	4,240	-

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Art grant	\$ 5,000	\$ 5,000	\$ 4,500	\$ (500)
School resource officer	27,584	27,584	22,905	(4,679)
PSAP grant	30,000	32,000	47,937	15,937
Fire programs fund	22,997	22,997	24,258	1,261
Four for life	8,500	8,500	-	(8,500)
Record preservation	-	-	2,816	2,816
Other state funds	3,030	3,230	10,031	6,801
Total other categorical aid	<u>\$ 613,075</u>	<u>\$ 627,304</u>	<u>\$ 578,005</u>	<u>\$ (49,299)</u>
Total categorical aid	<u>\$ 1,601,800</u>	<u>\$ 1,616,029</u>	<u>\$ 1,562,940</u>	<u>\$ (53,089)</u>
Total revenue from the Commonwealth	<u>\$ 2,472,586</u>	<u>\$ 2,486,815</u>	<u>\$ 2,424,138</u>	<u>\$ (62,677)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 1,144</u>	<u>\$ 1,144</u>	<u>\$ 2,613</u>	<u>\$ 1,469</u>
Categorical aid:				
Public assistance and welfare administration	\$ 576,557	\$ 576,557	\$ 526,553	\$ (50,004)
Transportation safety	-	13,500	14,567	1,067
Emergency services	20,500	20,500	7,900	(12,600)
Total categorical aid	<u>\$ 597,057</u>	<u>\$ 610,557</u>	<u>\$ 549,020</u>	<u>\$ (61,537)</u>
Total revenue from the federal government	<u>\$ 598,201</u>	<u>\$ 611,701</u>	<u>\$ 551,633</u>	<u>\$ (60,068)</u>
Total General Fund	<u>\$ 15,847,985</u>	<u>\$ 15,875,714</u>	<u>\$ 16,942,521</u>	<u>\$ 1,066,807</u>
Total Primary Government	<u>\$ 15,847,985</u>	<u>\$ 15,875,714</u>	<u>\$ 16,942,521</u>	<u>\$ 1,066,807</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 property	<u>\$ 4,290</u>	<u>\$ 29,448</u>	<u>\$ 35,158</u>	<u>\$ 5,710</u>

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 24,090	\$ 24,090	\$ 83,511	\$ 59,421
Total revenue from local sources	\$ 28,380	\$ 53,538	\$ 118,669	\$ 65,131
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 5,673,115	\$ 5,706,939	\$ 5,627,867	\$ (79,072)
Total revenues from local governments	\$ 5,673,115	\$ 5,706,939	\$ 5,627,867	\$ (79,072)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 941,472	\$ 941,472	\$ 881,942	\$ (59,530)
Basic school aid	1,588,001	1,588,001	1,567,797	(20,204)
Gifted and talented	15,239	15,239	15,123	(116)
Remedial education	70,286	70,286	69,751	(535)
Compensation supplement	17,340	17,340	17,205	(135)
Special education	255,330	255,330	303,370	48,040
Security grant	-	57,780	58,493	713
GED funding	7,859	7,859	8,294	435
Vocational education	94,233	94,233	93,516	(717)
English as a second language	6,338	6,338	6,074	(264)
School fringes	349,563	349,563	346,903	(2,660)
Technology grant	102,000	102,000	93,186	(8,814)
Early reading intervention	11,634	11,634	13,296	1,662
Project graduation	3,282	3,282	3,282	-
Lottery proceeds	85,251	85,251	84,679	(572)
At risk payments	84,098	84,098	86,757	2,659
Primary class size	84,391	84,391	74,145	(10,246)
Standards of Learning algebra readiness	8,449	8,449	8,359	(90)
Mentor teacher	211	211	-	(211)
Preschool initiative	49,882	49,882	49,882	-
Homebound	1,789	1,789	4,708	2,919
Vocational education	3,240	6,239	5,492	(747)
Other state	-	-	5,000	5,000
Total categorical aid	\$ 3,779,888	\$ 3,840,667	\$ 3,797,254	\$ (43,413)
Total revenue from the Commonwealth	\$ 3,779,888	\$ 3,840,667	\$ 3,797,254	\$ (43,413)

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated 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)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 191,660	\$ 280,775	\$ 200,107	\$ (80,668)
Vocational education	12,863	10,019	9,348	(671)
Title VIB	297,952	310,350	287,568	(22,782)
Preschool grant	7,837	21,412	9,362	(12,050)
Title II -- part a	40,000	53,417	14,474	(38,943)
Title III	-	5,552	3,933	(1,619)
21st Century learning	-	90,549	52,703	(37,846)
JROTC grant	71,477	71,477	60,385	(11,092)
Total categorical aid	<u>\$ 621,789</u>	<u>\$ 843,551</u>	<u>\$ 637,880</u>	<u>\$ (205,671)</u>
Total revenue from the federal government	<u>\$ 621,789</u>	<u>\$ 843,551</u>	<u>\$ 637,880</u>	<u>\$ (205,671)</u>
Total School Operating Fund	<u>\$ 10,103,172</u>	<u>\$ 10,444,695</u>	<u>\$ 10,181,670</u>	<u>\$ (263,025)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 94,411	\$ 94,411	\$ 69,168	\$ (25,243)
Total revenue from local sources	<u>\$ 94,411</u>	<u>\$ 94,411</u>	<u>\$ 69,168</u>	<u>\$ (25,243)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 30,000	\$ 30,000	\$ 55,000	\$ 25,000
Total revenues from local governments	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 55,000</u>	<u>\$ 25,000</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 6,112	\$ 6,112	\$ 6,777	\$ 665
Total revenue from the Commonwealth	<u>\$ 6,112</u>	<u>\$ 6,112</u>	<u>\$ 6,777</u>	<u>\$ 665</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 232,558	\$ 232,558	\$ 204,630	\$ (27,928)
Commodities	17,896	17,896	20,377	2,481
Total categorical aid	<u>\$ 250,454</u>	<u>\$ 250,454</u>	<u>\$ 225,007</u>	<u>\$ (25,447)</u>
Total revenue from the federal government	<u>\$ 250,454</u>	<u>\$ 250,454</u>	<u>\$ 225,007</u>	<u>\$ (25,447)</u>
Total School Cafeteria Fund	<u>\$ 380,977</u>	<u>\$ 380,977</u>	<u>\$ 355,952</u>	<u>\$ (25,025)</u>

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 32,934	\$ 32,934	\$ 32,934	\$ -
Total revenues from local governments	\$ 32,934	\$ 32,934	\$ 32,934	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 34,141	\$ 34,141	\$ 33,882	\$ (259)
Total revenue from the Commonwealth	\$ 34,141	\$ 34,141	\$ 33,882	\$ (259)
Total Textbook Fund	\$ 67,075	\$ 67,075	\$ 66,816	\$ (259)
Total Discretely Presented Component Unit - School Board	\$ 10,551,224	\$ 10,892,747	\$ 10,604,438	\$ (288,309)

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 64,879	\$ 64,879	\$ 56,495	\$ 8,384
General and financial administration:				
County administrator	\$ 155,869	\$ 155,869	\$ 177,236	\$ (21,367)
Legal services	59,734	59,734	66,274	(6,540)
Commissioner of revenue	244,267	244,267	241,626	2,641
Treasurer	171,627	171,627	177,672	(6,045)
Reassessment	60,840	60,840	66,977	(6,137)
Motor pool	66,005	66,005	74,041	(8,036)
Central gas	14,139	14,139	12,996	1,143
Memberships	2,550	2,550	2,473	77
Information technology	350,681	350,681	304,813	45,868
Management services	221,692	221,692	216,489	5,203
Other general and financial administration	387,872	399,228	487,197	(87,969)
Total general and financial administration	\$ 1,735,276	\$ 1,746,632	\$ 1,827,794	\$ (81,162)
Board of elections:				
Electoral board and officials	\$ 78,824	\$ 78,824	\$ 58,706	\$ 20,118
Registrar	86,301	86,301	96,898	(10,597)
Total board of elections	\$ 165,125	\$ 165,125	\$ 155,604	\$ 9,521
Total general government administration	\$ 1,965,280	\$ 1,976,636	\$ 2,039,893	\$ (63,257)
Judicial administration:				
Courts:				
Circuit court	\$ 32,135	\$ 32,135	\$ 21,777	\$ 10,358
General district court	8,775	8,775	7,665	1,110
Courthouse security fund	68,266	68,266	75,607	(7,341)
Special Magistrates	800	800	201	599
Sheriff	144,745	144,745	140,037	4,708
9th district court services	21,370	21,370	4,524	16,846
Crater Criminal Justice	10,932	10,932	10,932	-
Clerk of the circuit court	220,355	220,355	215,860	4,495
Total courts	\$ 507,378	\$ 507,378	\$ 476,603	\$ 30,775
Commonwealth's attorney:				
Commonwealth's attorney	\$ 216,522	\$ 216,522	\$ 218,207	\$ (1,685)
Total commonwealth's attorney	\$ 216,522	\$ 216,522	\$ 218,207	\$ (1,685)
Total judicial administration	\$ 723,900	\$ 723,900	\$ 694,810	\$ 29,090

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 961,949	\$ 975,449	\$ 949,995	\$ 25,454
E-911	119,950	121,950	162,539	(40,589)
Total law enforcement and traffic control	<u>\$ 1,081,899</u>	<u>\$ 1,097,399</u>	<u>\$ 1,112,534</u>	<u>\$ (15,135)</u>
Fire and rescue services:				
Fire department	\$ 144,292	\$ 144,292	\$ 166,156	\$ (21,864)
Ambulance and rescue services	566,184	566,184	559,330	6,854
Total fire and rescue services	<u>\$ 710,476</u>	<u>\$ 710,476</u>	<u>\$ 725,486</u>	<u>\$ (15,010)</u>
Correction and detention:				
Confinement and care of prisoners	\$ 305,904	\$ 294,548	\$ 236,424	\$ 58,124
Criminal justice planner	6,307	6,307	6,207	100
Total correction and detention	<u>\$ 312,211</u>	<u>\$ 300,855</u>	<u>\$ 242,631</u>	<u>\$ 58,224</u>
Other protection:				
Animal control	\$ 139,374	\$ 139,374	\$ 116,332	\$ 23,042
Codes enforcement	146,634	146,634	145,107	1,527
Emergency services	58,000	58,000	23,311	34,689
VJCCCA	9,400	9,400	9,400	-
Medical examiner	50	50	40	10
Total other protection	<u>\$ 353,458</u>	<u>\$ 353,458</u>	<u>\$ 294,190</u>	<u>\$ 59,268</u>
Total public safety	<u>\$ 2,458,044</u>	<u>\$ 2,462,188</u>	<u>\$ 2,374,841</u>	<u>\$ 87,347</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 279,457	\$ 279,457	\$ 259,404	\$ 20,053
Maintenance of general buildings and grounds:				
General properties	\$ 854,510	\$ 854,510	\$ 851,732	\$ 2,778
Total public works	<u>\$ 1,133,967</u>	<u>\$ 1,133,967</u>	<u>\$ 1,111,136</u>	<u>\$ 22,831</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 112,198	\$ 112,198	\$ 110,718	\$ 1,480
Mental health and mental retardation:				
Henrico area community services	\$ 116,260	\$ 116,260	\$ 116,260	\$ -

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 1,146,060	\$ 1,146,060	\$ 838,326	\$ 307,734
Children's services act	401,300	446,825	396,293	50,532
Contributions	84,419	84,419	84,419	-
Total welfare	<u>\$ 1,631,779</u>	<u>\$ 1,677,304</u>	<u>\$ 1,319,038</u>	<u>\$ 358,266</u>
Total health and welfare	<u>\$ 1,860,237</u>	<u>\$ 1,905,762</u>	<u>\$ 1,546,016</u>	<u>\$ 359,746</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,229	\$ 1,229	\$ 1,229	\$ -
Contribution to County School Board	5,736,049	5,769,873	5,715,801	54,072
Total education	<u>\$ 5,737,278</u>	<u>\$ 5,771,102</u>	<u>\$ 5,717,030</u>	<u>\$ 54,072</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 482,651	\$ 482,651	\$ 534,841	\$ (52,190)
Total parks and recreation	<u>\$ 482,651</u>	<u>\$ 482,651</u>	<u>\$ 534,841</u>	<u>\$ (52,190)</u>
Cultural enrichment:				
Center for local history	\$ 17,450	\$ 17,450	\$ 9,586	\$ 7,864
Cultural alliance	5,000	5,000	5,000	-
Total cultural enrichment	<u>\$ 22,450</u>	<u>\$ 22,450</u>	<u>\$ 14,586</u>	<u>\$ 7,864</u>
Library:				
Library	\$ 72,500	\$ 72,500	\$ 75,316	\$ (2,816)
Total library	<u>\$ 72,500</u>	<u>\$ 72,500</u>	<u>\$ 75,316</u>	<u>\$ (2,816)</u>
Total parks, recreation, and cultural	<u>\$ 577,601</u>	<u>\$ 577,601</u>	<u>\$ 624,743</u>	<u>\$ (47,142)</u>
Community development:				
Planning and community development:				
Planning commission	\$ 725	\$ 725	\$ -	\$ 725
Department of development	216,420	216,420	229,842	(13,422)
IRS grant	-	96,350	94,822	1,528
United Way grant	-	200	200	-
Community development contribution	29,570	29,570	29,570	-
Total planning and community development	<u>\$ 246,715</u>	<u>\$ 343,265</u>	<u>\$ 354,434</u>	<u>\$ (11,169)</u>
Environmental management:				
Litter control program	\$ -	\$ 4,240	\$ 4,321	\$ (81)
Conservation grant	18,800	18,800	18,800	-
Total environmental management	<u>\$ 18,800</u>	<u>\$ 23,040</u>	<u>\$ 23,121</u>	<u>\$ (81)</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 41,962	\$ 41,962	\$ 17,766	\$ 24,196
Total cooperative extension program	\$ 41,962	\$ 41,962	\$ 17,766	\$ 24,196
Total community development	\$ 307,477	\$ 408,267	\$ 395,321	\$ 12,946
Capital projects:				
County capital improvements	\$ 3,984,838	\$ 3,984,838	\$ 742,971	\$ 3,241,867
Total capital projects	\$ 3,984,838	\$ 3,984,838	\$ 742,971	\$ 3,241,867
Debt service:				
Principal retirement	\$ 465,370	\$ 465,370	\$ 480,833	\$ (15,463)
Interest and other fiscal charges	-	-	55,081	(55,081)
Total debt service	\$ 465,370	\$ 465,370	\$ 535,914	\$ (70,544)
Total General Fund	\$ 19,213,992	\$ 19,409,631	\$ 15,782,675	\$ 3,626,956
Total Primary Government	\$ 19,213,992	\$ 19,409,631	\$ 15,782,675	\$ 3,626,956
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 978,735	\$ 897,882	\$ 885,737	\$ 12,145
Instruction costs	5,755,273	5,720,300	5,702,871	17,429
Pupil transportation	786,366	806,366	788,446	17,920
Grants	556,834	839,374	641,480	197,894
Operation and maintenance of school plant	1,096,753	1,218,323	1,203,758	14,565
Technology	456,049	454,207	451,279	2,928
Capital projects	473,162	508,243	508,099	144
Total education	\$ 10,103,172	\$ 10,444,695	\$ 10,181,670	\$ 263,025
Total School Operating Fund	\$ 10,103,172	\$ 10,444,695	\$ 10,181,670	\$ 263,025

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 363,081	\$ 363,081	\$ 350,552	\$ 12,529
Commodities	17,896	17,896	20,377	(2,481)
Total School Cafeteria Fund	\$ 380,977	\$ 380,977	\$ 370,929	\$ 10,048
Textbook Fund				
Education:				
Purchase of textbooks	\$ 67,075	\$ 67,075	\$ 55,535	\$ 11,540
Total Textbook Fund	\$ 67,075	\$ 67,075	\$ 55,535	\$ 11,540
Total Discretely Presented Component Unit - School Board	\$ 10,551,224	\$ 10,892,747	\$ 10,608,134	\$ 284,613

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STATISTICAL INFORMATION

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Table 1

County of Charles City, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural			Community Development	Interest on Long-Term Debt	Sanitary District	Broadband	Total										
	Administration	Government					Education	Recreation, and Cultural	Development															
2008-09	\$	1,647,362	\$	791,996	\$	1,804,071	\$	1,104,170	\$	2,197,436	\$	5,364,940	\$	525,758	\$	355,897	\$	292,134	\$	473,618	\$	-	\$	14,557,382
2009-10		1,739,638		738,957		2,055,534		1,084,483		1,877,355		5,490,863		414,432		612,185		199,819		448,855		-		14,662,121
2010-11		1,656,026		738,044		1,660,029		1,059,608		1,539,830		5,368,675		481,388		972,003		139,078		429,105		-		14,043,786
2011-12		1,767,309		774,788		2,056,551		1,061,341		1,359,051		5,033,080		535,238		635,421		117,319		393,013		-		13,733,111
2012-13		1,920,864		785,863		2,231,982		1,414,659		1,362,437		4,720,314		571,404		583,638		93,477		469,770		-		14,154,408
2013-14		1,897,055		814,653		2,321,388		1,602,108		1,270,786		4,400,292		605,196		388,732		88,355		512,061		-		13,900,626
2014-15		1,846,717		775,554		2,272,359		1,234,850		1,286,666		4,269,529		544,669		255,424		72,458		644,129		-		13,202,355
2015-16		1,965,562		713,982		2,288,796		1,136,050		1,396,921		5,162,868		563,736		375,828		61,550		627,054		-		14,292,347
2016-17		2,201,506		818,695		2,287,587		1,125,138		1,406,217		5,436,358		499,706		291,077		40,243		618,944		54,902		14,780,373
2017-18		2,113,816		808,465		2,378,549		1,126,433		1,498,555		5,754,083		654,913		228,622		52,743		617,706		43,926		15,277,811

Table 2

County of Charles City, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Gain on Disposal of Capital Assets	Total
2008-09	\$ 3,114,550	\$ 2,950,534	\$ -		\$ 6,450,632	\$ 755,316	\$ 185,085	\$ 206,711	\$ 724,303	\$ -	\$ 14,387,131
2009-10	2,893,295	2,756,479	343,256		6,651,861	625,777	26,038	222,205	702,501	55,500	14,276,912
2010-11	3,091,665	2,698,173	-		6,943,710	692,967	14,926	161,279	882,985	55,327	14,541,032
2011-12	3,082,016	2,247,585	-		7,305,508	721,386	23,341	227,354	884,612	17,474	14,509,276
2012-13	3,000,008	2,279,861	-		7,456,501	889,625	24,459	188,867	883,286	-	14,722,607
2013-14	2,240,451	2,209,143	-		7,897,223	1,178,872	64,037	180,066	882,192	-	14,651,984
2014-15	3,652,959	1,944,606	-		8,488,574	954,554	21,755	133,304	876,251	136,218	16,208,221
2015-16	2,647,314	1,985,462	-		8,738,110	952,052	23,213	226,897	1,527,837	-	16,100,885
2016-17	3,573,174	2,030,014	22,355		9,311,704	1,023,184	22,263	377,568	874,042	-	17,234,304
2017-18	3,602,062	1,825,761	200,745		9,468,127	781,089	24,985	175,836	1,150,010	-	17,228,615

Table 3

County of Charles City, 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	Non-departmental	Debt Service	Total (3)				
	\$		\$					\$	\$		\$									
2008-09	\$	1,672,398	\$	655,982	\$	1,817,459	\$	1,068,700	\$	2,113,520	\$	487,283	\$	364,286	\$	18,143	\$	1,251,056	\$	21,298,001
2009-10		1,676,350		606,158		2,023,606		1,056,667		1,852,837		476,678		669,925		20,649		1,247,240		21,527,351
2010-11		1,619,203		607,375		1,621,518		1,046,797		1,524,240		497,944		992,238		1,185		1,145,983		19,877,387
2011-12		1,599,706		635,502		2,052,116		972,931		1,339,500		537,786		627,515		-		1,092,964		19,377,034
2012-13		1,717,109		649,772		2,167,817		1,137,354		1,354,067		517,637		621,719		-		475,464		19,139,229
2013-14		1,859,467		679,325		2,420,561		1,303,923		1,263,042		545,073		415,686		-		541,956		18,720,067
2014-15		1,778,812		649,049		2,285,098		1,269,162		1,298,581		544,818		316,659		-		539,673		18,249,155
2015-16		1,888,944		675,639		2,249,616		1,116,457		1,413,620		490,951		436,098		-		574,311		19,293,642
2016-17		2,020,484		686,041		2,212,889		1,110,474		1,421,423		571,953		334,780		-		546,327		19,568,388
2017-18		2,039,893		694,810		2,374,841		1,111,136		1,546,016		624,743		395,321		-		535,914		19,932,037

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

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

(3) Excludes capital projects expenditures.

Table 4

County of Charles City, Virginia
General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	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
2008-09	\$ 6,498,076	\$ 755,316	\$ 2,811,953	\$ 8,137	\$ 185,085	\$ 350,930	\$ 272,665	\$ 126,053	\$ 10,218,831	\$ 21,227,046		
2009-10	6,713,249	625,777	2,652,175	1,616	57,861	340,307	254,759	191,348	10,372,397	21,209,489		
2010-11	6,947,917	692,967	2,837,442	6,818	29,486	334,967	179,577	114,394	9,439,113	20,582,681		
2011-12	7,246,242	721,386	2,746,988	1,202	25,470	399,660	266,737	260,840	8,897,618	20,566,143		
2012-13	7,494,925	889,625	2,656,407	54,685	24,684	330,019	227,016	298,924	8,572,939	20,549,224		
2013-14	7,865,938	1,178,872	1,905,919	44,463	65,694	366,007	210,598	259,432	8,074,928	19,971,851		
2014-15	8,699,478	954,554	3,332,388	50,725	23,135	277,187	215,006	155,605	7,884,890	21,592,968		
2015-16	8,721,012	952,052	2,317,438	33,132	27,757	306,285	297,944	102,257	8,644,428	21,402,305		
2016-17	9,283,165	1,023,184	3,204,429	28,615	42,615	324,385	396,520	86,483	8,075,389	22,464,785		
2017-18	9,318,071	781,089	3,216,189	39,644	60,143	285,209	259,347	194,895	7,676,571	21,831,158		

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)		Current Tax Collections (1,3)		Percent of Levy Collected	Delinquent Tax Collections (1)		Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of	
2008-09	\$	7,332,724	\$	6,955,920	94.86%	\$	121,905	\$	7,077,825	96.52%	\$	553,342	7.55%
2009-10		7,264,395		6,919,265	95.25%		236,066		7,155,331	98.50%		682,660	9.40%
2010-11		7,705,043		7,223,716	93.75%		272,961		7,496,677	97.30%		729,005	9.46%
2011-12		7,915,274		7,476,887	94.46%		300,303		7,777,190	98.26%		792,435	10.01%
2012-13		8,159,392		7,720,167	94.62%		301,807		8,021,974	98.32%		750,599	9.20%
2013-14		8,866,386		8,115,767	91.53%		278,136		8,393,903	94.67%		772,137	8.71%
2014-15		9,227,999		8,767,376	95.01%		391,118		9,158,494	99.25%		621,511	6.74%
2015-16		9,195,464		9,002,438	97.90%		254,806		9,257,244	100.67%		577,152	6.28%
2016-17		10,049,936		9,557,062	95.10%		267,367		9,824,429	97.76%		632,705	6.30%
2017-18		9,347,805		8,916,240	95.38%		270,307		9,186,547	98.27%		791,275	8.46%

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years and first half of current tax year.

(3) Does not include land redemptions.

Table 6

County of Charles City, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property		Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
		Homes	and Mobile				
2008-09	\$ 589,551,974	\$ 58,210,197	\$ 3,659,829	\$ 805,521	\$ 28,920,474	\$ 681,147,995	
2009-10	597,928,422	59,492,001	6,351,653	820,569	26,054,623	690,647,268	
2010-11	765,790,469	55,409,143	3,052,807	809,342	27,769,101	852,830,862	
2011-12	783,055,397	55,156,017	4,385,891	784,140	54,891,549	898,272,994	
2012-13	760,354,950	58,619,679	6,189,565	799,942	60,307,748	886,271,884	
2013-14	770,185,362	61,739,681	6,498,282	1,109,586	66,079,189	905,612,100	
2014-15	800,468,341	70,476,897	4,302,865	1,038,516	82,706,970	958,993,589	
2015-16	801,527,679	78,994,920	4,051,269	975,709	117,744,746	1,003,294,323	
2016-17	790,919,731	77,480,198	3,696,329	1,230,421	134,975,217	1,008,301,896	
2017-18	798,309,368	81,538,613	3,670,953	941,251	138,092,607	1,022,552,792	

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2008-09	\$ 0.82	\$ 0.82	\$ 3.50	\$ 2.80	\$ 2.50
2009-10	0.68	0.68	3.50	2.80	2.50
2010-11	0.68	0.68	3.50	2.80	2.50
2011-12	0.70	0.68	3.50	2.80	2.50
2012-13	0.70	0.70	3.50	2.80	2.50
2013-14	0.72	0.70	3.50	2.80	2.50
2014-15	0.72	0.72	3.75	2.80	3.00
2015-16	0.72	0.72	3.75	2.80	3.00
2016-17	0.76	0.76	3.75	2.80	3.00
2017-18	0.76	0.76	3.75	2.80	3.00

(1) Per \$100 of assessed value.

Table 8

County of Charles City, Virginia
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	6,926	\$ 681,147,995	\$ 1,709,337	\$ 1,709,337	0.25%	247
2009-10	6,926	690,647,268	1,158,660	1,158,660	0.17%	167
2010-11	7,256	852,830,862	589,448	589,448	0.07%	81
2011-12	7,256	898,272,994	-	-	0.00%	-
2012-13	7,256	886,271,884	-	-	0.00%	-
2013-14	7,256	905,612,100	-	-	0.00%	-
2014-15	7,256	958,993,589	-	-	0.00%	-
2015-16	7,256	1,003,294,323	-	-	0.00%	-
2016-17	7,256	1,008,301,896	-	-	0.00%	-
2017-18	7,256	1,022,552,792	2,500,000	2,500,000	0.24%	345

(1) Weldon Cooper Center for Public Service.

(2) From Table 6.

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

COMPLIANCE

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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 Charles City
Charles City, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness, 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Charles City, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2018-002.

County of Charles City, Virginia's Response to Findings

County of Charles City, Virginia's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Charles City, 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.



Richmond, Virginia
November 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

**To the Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia**

Report on Compliance for Each Major Federal Program

We have audited County of Charles City, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Charles City, Virginia's major federal programs for the year ended June 30, 2018. County of Charles City, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, County of Charles City, 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, 2018.

Report on Internal Control over Compliance

Management of County of Charles City, 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 Charles City, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Charles City, Virginia's internal control over compliance.

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

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

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



Richmond, Virginia
November 30, 2018

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass-Through Grantor/ Program Title 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:			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 5,582
Temporary Assistance for Needy Families	93.558	0400117/0400118	92,144
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	130
Low Income Home Energy Assistance	93.568	0600417/0600418	13,618
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760117/0760118	15,631
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	329
Foster Care - Title IV-E	93.658	1100117/1100118	48,566
Adoption Assistance	93.659	1120117/1120118	8,766
Social Services Block Grant	93.667	1000117/1000118	82,355
Chafee Foster Care Independence Program	93.674	9150117/9150118	578
Children's Health Insurance Program	93.767	0540117/0540118	4,261
Medical Assistance Program	93.778	1200117/1200118	127,644
			<u>399,604</u>
Total Department of Health and Human Services			\$ 399,604
Department of Homeland Security:			
Pass-Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	77501-52749	\$ 7,900
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 20,377
Department of Education:			
National School Lunch Program	10.555	17901-40623	144,584
Total CFDA# 10.555			<u>\$ 164,961</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	60,046
			\$ 225,007
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	126,949
Total Department of Agriculture			<u>\$ 351,956</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-52230	\$ 14,567
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 200,107
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	\$ 287,568
Special Education - Preschool Grants	84.173	17901-62521	9,362
Career and Technical Education - Basic Grants to States	84.048	17901-61095	9,348
Supporting Effective Instruction State Grant	84.367	17901-61480	14,474
English Language Acquisition State Grants	84.365	17901-60512	3,933
Twenty-First Century Community Learning Centers	84.287	17901-60565	52,703
Total Department of Education			\$ 577,495
Department of Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	\$ 60,385
Total Expenditures of Federal Awards			\$ 1,411,907

See accompanying notes to the Schedule of Expenditures of Federal Awards.

County of Charles City, Virginia

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Charles City, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Charles City, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of County of Charles City, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 551,633
Total primary government	\$ 551,633

Component Unit School Board:

School Operating Fund	\$ 637,880
School Cafeteria Fund	225,007
Total component unit school board	\$ 862,887

Total federal expenditures per basic financial statements	\$ 1,414,520
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Payment in lieu of taxes	\$ (2,613)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,411,907
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? ✓ yes no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

Any findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? yes ✓ no

Identification of major programs:

CFDA Number(s)
10.553/10.555
84.027/84.173

Name of Federal Program or Cluster
Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 ✓ yes no

County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II-Financial Statement Findings

2018-001

Criteria:	Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	We noted errors which required adjustments to current financial statements, indicating a material weakness or significant deficiency in controls over financial reporting.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented by the entity's internal controls over financial reporting.
Cause of Condition:	Procedures were not in place to provide the necessary internal controls over financial reporting and year-end adjusting entries were not identified prior to the auditor's arrival to conduct the audit.
Recommendation:	The County should implement steps to improve its financial reporting process.
Management's Response:	The County is taking corrective action for FY19.

Section III-Federal Award Findings and Questioned Costs

None

**County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section IV-Commonwealth of Virginia Findings and Questioned Costs

2018-002

Criteria:	Section 22.1-92 of the Code of Virginia requires that before any School Board gives final approval to its budget for submission to the governing body, the school board must hold at least one public hearing to receive the view of citizens within the school division. The School Board shall cause public notice to be given at least 10 days prior to the public hearing by publication in a newspaper of general circulation in the School Division.
Condition:	The School Board held their public hearing on February 7, 2017 on the FY17-18 budget but did not provide 10 days of public notice to the citizens within the school division. The public hearing was advertised in the New Kent-Charles City Chronicle on February 2, 2017.
Effect of Condition:	The citizens within the school division were not given ample notice to attend the public hearing of the FY17-18 School Budget.
Cause of Condition:	Procedures were not in place to ensure that the public hearing was advertised 10 days prior to the date of the public hearing.
Recommendation:	School Board management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the Code of Virginia.
Management's Response:	The School Board office is making corrective action for FY19.

**County of Charles City, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018**

There were no prior year findings.

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