

COUNTY OF HALIFAX, VIRGINIA



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF HALIFAX, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF HALIFAX, VIRGINIA
JUNE 30, 2018

BOARD OF SUPERVISORS

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OTHER OFFICIALS

Judge of the Circuit Court	Leslie M. Osborn
Judge of the Circuit Court	Kimberley S. White
Clerk of the Circuit Court	Cathy M. Cosby
Judge of the General District Court	Robert G. Woodson
Judge of the Juvenile and Domestic Relations Court	Nora J. Miller
Commonwealth's Attorney	Tracy Q. Martin
Commissioner of the Revenue	Brenda P. Powell
Treasurer	Ruth Ann Oakes
Sheriff	Fred S. Clark
Superintendent of Schools	Mark Y. Lineburg
Director of Department of Social Services	Kathy Andrews
County Administrator	James Halasz

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of
the Board of Supervisors
County of Halifax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, 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 18 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 18 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 4-9, 110-113, and 114-127 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 the County of Halifax, Virginia's basic financial statements. The combining and individual fund financial statements and schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Other Matters: (Continued)

Supplementary and Other Information: (Continued)

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules 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 other 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2018, on our consideration of the County of Halifax, 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 Halifax, 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 the County of Halifax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 26, 2018

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County of Halifax, Virginia Management's Discussion and Analysis

As management of the County of Halifax (the "County"), 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

- The assets and deferred outflows of resources position of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$31.29 million (*net position*). Of this amount, approximately \$21.22 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$2,726,285 in fiscal year 2018 in comparison to an increase of \$3,596,067 in fiscal year 2017.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$39.6 million, a decrease of \$2.64 million. Twenty-four percent, or \$10.77 million of this amount, is *available for spending* at the County's discretion (*unassigned fund balance*). Details of the increase in fund balance is described under the Financial Analysis of the County's Funds.
- At the end of the current fiscal year, fund balance for the General Fund was approximately \$23.40 million, or 49% of total governmental fund expenditures less capital projects.
- The County's total governmental activities debt decreased \$6.72 million during the current fiscal year including routine payment of principal, recognizing the change in net pension liability, OPEB liabilities and compensated absences.
- The County implemented GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation required a restatement of total net position as of July 1, 2017. Reference Notes 18 and 16 of the Notes to Financial Statements for additional information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the 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 liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

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 this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate industrial development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 10 through 12 of this report.

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

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

The County maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Virginia Public Assistance Fund and the Capital Projects fund, all of which are considered to be major funds. Data from the other County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, Virginia Public Assistance fund, Capital Projects fund, State and Federal Grants fund, William M. Tuck Airport fund. Budgetary comparison statements have been provided to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 17 of this report.

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. The notes to the financial statements can be found on pages 18 through 109 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the General Fund and the Virginia Public Assistance Fund. Required supplementary information can be found on pages 110 through 127 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 86 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows by \$31.29 million at the close of the most recent fiscal year. A large portion of the County's net position (\$9.97 million, 32% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the County's Statement of Net Position:

Comparative Summary of Net Position
As of June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Current and other assets	\$ 60,723,855	\$ 63,563,135
Capital assets	49,389,394	48,998,481
Subtotal assets	\$ 110,113,249	\$ 112,561,616
Deferred outflows of resources	\$ 611,877	\$ 1,438,259
Total assets and deferred outflows of resources	\$ 110,725,126	\$ 113,999,875
Long-term liabilities outstanding	\$ 58,972,493	\$ 64,552,712
Current liabilities	1,045,723	1,336,438
Subtotal liabilities	60,018,216	65,889,150
Deferred inflows of resources	\$ 19,408,936	\$ 18,436,943
Total liabilities and deferred inflows of resources	\$ 79,427,152	\$ 84,326,093
Net position:		
Net investment in capital assets	\$ 9,973,358	\$ 8,783,060
Restricted	107,036	94,314
Unrestricted	21,217,580	20,796,408
Total net position	\$ 31,297,974	\$ 29,673,782

At the end of the current fiscal year, the County is able to report positive balances in all categories of net position.

Government-Wide Financial Analysis: (Continued)

As noted previously, the County's total net position increased by \$2,726,285 during the current fiscal year.

The following table summarizes the County's Statement of Activities:

Comparative Statement of Changes in Net Position As of June 30, 2018 and 2017			
	Governmental Activities		
	2018	2017	
Revenues:			
Program revenues:			
Charges for services	\$ 712,528	\$ 706,430	
Operating grants and contributions	9,579,646	9,430,222	
Capital grants and contributions	98,609	639,097	
General revenues:			
Property taxes	28,200,822	27,264,924	
Other taxes	6,686,235	6,680,061	
Unrestricted revenues	637,656	427,396	
Miscellaneous	649,995	358,835	
Grants and contributions not restricted to specific programs	2,783,539	2,823,257	
Total revenues	\$ 49,349,030	\$ 48,330,222	
Expenses:			
General governmental administration	\$ 2,404,121	\$ 2,390,611	
Judicial administration	1,814,319	1,852,914	
Public safety	9,147,202	8,463,570	
Public works	3,928,409	3,627,228	
Health and welfare	7,072,573	7,371,651	
Parks, recreation, and cultural	416,412	407,567	
Community development	1,196,735	1,139,119	
Interest on long-term debt	1,880,020	2,307,304	
Education	18,762,954	17,174,191	
Total expenses	\$ 46,622,745	\$ 44,734,155	
Increase (decrease) in net position	\$ 2,726,285	\$ 3,596,067	
Net position - beginning of year, restated	28,571,689	26,077,715	
Net position - end of year	\$ 31,297,974	\$ 29,673,782	

Generally, net position changes are the difference between revenues and expenses. Key elements of this decrease are as follows:

- General property taxes, excluding the payments received from the State as reimbursement under the State's personal property tax relief program, were \$28.2 million, which represents an increase of approximately \$935,000 or 3%.
- Other local taxes were consistent with the prior year.
- Miscellaneous income increased approximately \$291,000 resulting from a one-time return of funds previously paid to SRPSA.
- Expenses of the governmental activities were approximately \$1.8 more than fiscal year 2017. The largest increase was reported in the education category resulting from an increased transfer from the Primary Government to the Component Unit School Board. The School Board purchased buses in fiscal year 2018 totaling approximately \$1.3 million.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$39.61 million, a decrease of \$2.64 million over the prior year. The general fund, the County's main operating fund, increased approximately \$623,000. The capital projects fund reported a decrease of approximately \$3.19 million.

The General Fund is the chief operating fund of the County. Including transfers to and from other funds, the general fund's revenues exceeded expenditures by approximately \$623,000. At the end of the current fiscal year, total fund balance of the General Fund was \$23.4 million. The unassigned fund balance is \$9.3 million, nonspendable amounts total \$131,729, restricted amounts total \$107,036, committed amounts total \$571,938, and assigned amounts represent \$13.25 million. As a measure of the General Fund's liquidity, the fund balance represents 49% of general government expenditures, excluding capital outlay.

The County Capital Improvements Fund accounts for all major general public improvements, excluding capital projects related to education, which are accounted for elsewhere. At the end of the fiscal year, the fund balance was \$15.4, which largely represented unexpended debt proceeds and other accumulated funds to be used for capital projects. The County issued the 2016C Lease Revenue Bonds to fund the courthouse and related construction projects in the prior fiscal year. As of June 30, 2018 the County reported unexpended bond proceeds as restricted cash of approximately \$14.42 million. The unexpended proceeds are reported as restricted fund balance. The County expended approximately \$4.7 million on capital projects during the fiscal year, with the majority of the amount expended financed using the previously issued 2016C Lease Revenue Bonds.

Nonmajor special revenue funds included the Airport Fund and the State and Federal Grants Fund. Both funds accounted for the total reported as committed special revenue funds in the amount of \$824,805.

General Fund Budgetary Highlights

There was an increase of \$644,872 between the original budget and the final amended budget expenditures excluding transfers out. However, actual expenditures were less than the amended budget by \$300,331, excluding transfers out. Actual revenues were more than the budgeted amounts by \$839,813. The County reported an increase in the contribution to the School Board over the prior year as previously reported. The education expenditure function exceeded the budgeted amount by \$1,095,217.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$49.39 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Major capital asset events for the Primary Government during the current fiscal year included the following:

- Courthouse renovation and related projects
- Airport improvements - expansion of the apron

Capital Asset and Debt Administration: (Continued)

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	<u>Governmental Activities</u>	<u>Total</u>
Land	\$ 5,075,550	\$ 5,075,550
Buildings and systems	37,206,444	37,206,444
Machinery & Equipment	1,203,008	1,203,008
Contruction in progress	5,904,392	5,904,392
Total	<u>\$ 49,389,394</u>	<u>\$ 49,389,394</u>

Additional information on the County's capital assets can be found in note 7 on pages 35 through 36 of this report.

Long-term obligations: At the end of the current fiscal year, the County had total outstanding obligations of \$56.29 million excluding premium on bond issuance. Details are summarized in the following table:

	<u>Governmental Activities</u>	<u>Total</u>
Bonds Payable:		
General obligation bonds	\$ 31,185,156	\$ 31,185,156
Revenue bonds	17,181,000	17,181,000
Literary loans	2,800,131	2,800,131
Landfill Closure/Postclosure	1,701,247	1,701,247
Net pension liability	766,327	766,327
Note payable	500,399	500,399
Net OPEB liabilities	1,303,170	1,303,170
Compensated absences	859,427	859,427
Total	<u>\$ 56,296,857</u>	<u>\$ 56,296,857</u>

The County's total governmental activities debt decreased by \$6.7 million during the current fiscal year after the payment of principal, recognizing the change in net pension liability, change in net OPEB liabilities and compensated absences. As previously stated, the County implemented GASB Statement Number 75 whereby the beginning balance of the net OPEB liabilities was restated.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County as of September 2018 was 4.1%. The State's average unemployment rate was 2.8% and the national average rate was 3.7%.
- One of the greatest economic impacts to the County currently is the uncertainty of how the State allocations to local governments will be adjusted due to State budgetary issues being addressed by the State.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, County of Halifax, 1030 Cowford Road, P.O. Box 699, Halifax, VA 24558.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2018

	Primary Government	Component Units		
	Governmental Activities	School Board	Industrial Development Authority	Regional Library
ASSETS				
Cash and cash equivalents	\$ 21,738,102	\$ 4,573,560	\$ 3,280,121	\$ 5,573
Receivables (net of allowance for uncollectibles):				
Taxes receivable	19,764,363	-	-	-
Accounts receivable	228,555	309,412	3,956	-
Notes receivable	-	-	51,755	-
Due from component unit	2,460,176	-	-	-
Due from other governmental units	1,868,007	1,532,691	26,109	-
Prepaid items	131,729	451,125	-	-
Property held for resale	-	-	2,553,098	-
Restricted assets:				
Cash and cash equivalents	14,532,923	-	-	-
Capital assets (net of accumulated depreciation):				
Land	5,075,550	130,523	1,328,342	-
Buildings and systems	37,206,444	26,401,058	29,698,352	-
Machinery and equipment	1,203,008	2,212,768	883,472	-
Construction in progress	5,904,392	-	1,725,657	-
Total assets	<u>\$ 110,113,249</u>	<u>\$ 35,611,137</u>	<u>\$ 39,550,862</u>	<u>\$ 5,573</u>
DEFERRED OUTLOWS OF RESOURCES				
Items related to pension	\$ 562,979	\$ 5,502,921	\$ 17,508	\$ 10,736
Items related to OPEB	48,898	494,092	1,752	-
Total deferred inflows of resources	<u>\$ 611,877</u>	<u>\$ 5,997,013</u>	<u>\$ 19,260</u>	<u>\$ 10,736</u>
LIABILITIES				
Accounts payable	\$ 110,084	\$ 113,703	\$ 70,286	\$ 2,502
Accrued liabilities	-	2,851,470	-	-
Accrued interest payable	935,639	21,338	-	-
Unearned revenue	-	-	99,360	-
Due to primary government	-	2,210,776	249,400	-
Long-term liabilities:				
Due within one year	4,633,528	261,732	481,304	-
Due in more than one year	54,338,965	55,957,146	8,473,679	24,299
Total liabilities	<u>\$ 60,018,216</u>	<u>\$ 61,416,165</u>	<u>\$ 9,374,029</u>	<u>\$ 26,801</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 18,389,298	\$ -	\$ -	\$ -
Items related to pension	77,121	586,126	3,012	-
Items related to OPEB	942,517	7,619,922	29,328	17,974
Total deferred inflows of resources	<u>\$ 19,408,936</u>	<u>\$ 8,206,048</u>	<u>\$ 32,340</u>	<u>\$ 17,974</u>
NET POSITION				
Net investment in capital assets	\$ 9,973,358	\$ 27,165,315	\$ 24,787,426	\$ -
Restricted:				
Public safety	107,036	-	-	-
Unrestricted	21,217,580	(55,179,378)	5,376,327	(28,466)
Total net position	<u>\$ 31,297,974</u>	<u>\$ (28,014,063)</u>	<u>\$ 30,163,753</u>	<u>\$ (28,466)</u>

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

COUNTY OF HALIFAX, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,404,121	\$ -	\$ 309,839	\$ -
Judicial administration	1,814,319	52,714	950,422	-
Public safety	9,147,202	300,755	2,506,552	-
Public works	3,928,409	327,611	17,220	-
Health and welfare	7,072,573	-	5,752,764	-
Education	18,762,954	-	-	-
Parks, recreation, and cultural	416,412	8,588	4,500	-
Community development	1,196,735	22,860	38,349	98,609
Interest on long-term debt	1,880,020	-	-	-
Total governmental activities	<u>\$ 46,622,745</u>	<u>\$ 712,528</u>	<u>\$ 9,579,646</u>	<u>\$ 98,609</u>
Total primary government	<u>\$ 46,622,745</u>	<u>\$ 712,528</u>	<u>\$ 9,579,646</u>	<u>\$ 98,609</u>
COMPONENT UNITS:				
School Board	\$ 57,445,627	\$ 1,597,004	\$ 41,192,246	\$ -
Industrial Development Authority	3,477,826	1,865,650	-	409,457
Regional Library	472,230	41,043	211,135	-
Total component units	<u>\$ 61,395,683</u>	<u>\$ 3,503,697</u>	<u>\$ 41,403,381</u>	<u>\$ 409,457</u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers utility taxes				
Motor vehicle licenses				
Solid waste disposal fee				
Other local taxes				
Unrestricted revenues from use of money and property				
Payments from Halifax County				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning, restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government Governmental Activities	Component Units			
	School Board	Industrial Development Authority	Regional Library	
\$ (2,094,282)	\$ -	\$ -	\$ -	
(811,183)	-	-	-	
(6,339,895)	-	-	-	
(3,583,578)	-	-	-	
(1,319,809)	-	-	-	
(18,762,954)	-	-	-	
(403,324)	-	-	-	
(1,036,917)	-	-	-	
(1,880,020)	-	-	-	
<u>\$ (36,231,962)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (36,231,962)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (14,656,377)	\$ -	\$ -	
-	-	(1,202,719)	-	
-	-	-	(220,052)	
<u>\$ -</u>	<u>\$ (14,656,377)</u>	<u>\$ (1,202,719)</u>	<u>\$ (220,052)</u>	
\$ 28,200,822	\$ -	\$ -	\$ -	
3,011,227	-	-	-	
927,994	-	-	-	
926,309	-	-	-	
645,194	-	-	-	
1,175,511	-	-	-	
637,656	984	19,584	-	
-	18,634,005	507,049	195,000	
649,995	644,174	198	19,800	
2,783,539	-	-	-	
<u>\$ 38,958,247</u>	<u>\$ 19,279,163</u>	<u>\$ 526,831</u>	<u>\$ 214,800</u>	
\$ 2,726,285	\$ 4,622,786	\$ (675,888)	\$ (5,252)	
28,571,689	(32,636,849)	30,839,641	(23,214)	
<u>\$ 31,297,974</u>	<u>\$ (28,014,063)</u>	<u>\$ 30,163,753</u>	<u>\$ (28,466)</u>	

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2018

	General	Virginia Public Assistance	County Capital Projects	Total Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 19,816,234	\$ 94,142	\$ 1,009,924	\$ 817,802	\$ 21,738,102
Receivables (net of allowance for uncollectibles):					
Taxes receivable	19,764,363	-	-	-	19,764,363
Accounts receivable	228,555	-	-	-	228,555
Due from other funds	957,208	-	-	4,261	961,469
Due from component units	2,460,176	-	-	-	2,460,176
Due from other governmental units	1,001,180	863,066	-	3,761	1,868,007
Prepaid items	131,729	-	-	-	131,729
Restricted assets:					
Cash and cash equivalents	107,036	-	14,425,887	-	14,532,923
Total assets	<u>\$ 44,466,481</u>	<u>\$ 957,208</u>	<u>\$ 15,435,811</u>	<u>\$ 825,824</u>	<u>\$ 61,685,324</u>
LIABILITIES					
Accounts payable	\$ 60,372	\$ -	\$ 48,693	\$ 1,019	\$ 110,084
Due to other funds	4,261	957,208	-	-	961,469
Total liabilities	<u>\$ 64,633</u>	<u>\$ 957,208</u>	<u>\$ 48,693</u>	<u>\$ 1,019</u>	<u>\$ 1,071,553</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 20,999,362	\$ -	\$ -	\$ -	\$ 20,999,362
Total deferred inflows of resources	<u>\$ 20,999,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,999,362</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	\$ 131,729	\$ -	\$ -	\$ -	\$ 131,729
Restricted:					
Public safety	107,036	-	-	-	107,036
Capital projects	-	-	14,425,887	-	14,425,887
Committed:					
Future projects/grant matching	-	-	-	405,277	405,277
Airport operations	-	-	-	419,528	419,528
E-911 operations	269,797	-	-	-	269,797
Courthouse maintenance	235,932	-	-	-	235,932
Law library	66,209	-	-	-	66,209
Assigned:					
Future capital projects	-	-	961,231	-	961,231
Budget carryovers	136,864	-	-	-	136,864
Long-term debt	6,904,517	-	-	-	6,904,517
Fiscal policy - capital and long-term debt	6,205,788	-	-	-	6,205,788
Unassigned	9,344,614	-	-	-	9,344,614
Total fund balances	<u>\$ 23,402,486</u>	<u>\$ -</u>	<u>\$ 15,387,118</u>	<u>\$ 824,805</u>	<u>\$ 39,614,409</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,466,481</u>	<u>\$ 957,208</u>	<u>\$ 15,435,811</u>	<u>\$ 825,824</u>	<u>\$ 61,685,324</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 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	\$ 39,614,409
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 76,828,578	
Accumulated depreciation	<u>(27,439,184)</u>	49,389,394

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

Unavailable property taxes	2,610,064
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Items related to measurement of the net pension and OPEB liabilities are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and OPEB expense over future years.

Deferred outflows - pension related	562,979	
Deferred outflows - OPEB related	48,898	
Deferred inflows - pension related	(942,517)	
Deferred inflows - OPEB related	<u>(77,121)</u>	(407,761)

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

Bonds and notes payable	\$ (51,666,686)	
Unamortized premium on bonds	(2,675,636)	
Accrued interest payable	(935,639)	
Net OPEB liabilities	(1,303,170)	
Compensated absences	(859,427)	
Net pension liability	(766,327)	
Landfill postclosure liability	<u>(1,701,247)</u>	<u>(59,908,132)</u>

Net position of governmental activities	\$ <u><u>31,297,974</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	General	Virginia Public Assistance	County Capital Projects	Total Nonmajor Governmental Funds	Total
REVENUES					
General property taxes	\$ 28,211,449	\$ -	\$ -	\$ -	\$ 28,211,449
Other local taxes	6,686,235	-	-	-	6,686,235
Permits, privilege fees, and regulatory licenses	149,386	-	-	-	149,386
Fines and forfeitures	86,070	-	-	-	86,070
Revenue from the use of money and property	300,612	-	237,126	99,918	637,656
Charges for services	477,072	-	-	-	477,072
Miscellaneous	555,922	59,691	8,232	26,150	649,995
Recovered costs	248,521	-	-	-	248,521
Intergovernmental:					
Local government	101,803	-	-	-	101,803
Commonwealth	5,745,951	3,336,638	-	579,610	9,662,199
Federal	56,295	2,416,126	-	225,371	2,697,792
Total revenues	\$ 42,619,316	\$ 5,812,455	\$ 245,358	\$ 931,049	\$ 49,608,178
EXPENDITURES					
Current:					
General government administration	\$ 2,374,957	\$ -	\$ -	\$ -	\$ 2,374,957
Judicial administration	1,735,742	-	-	133,070	1,868,812
Public safety	8,319,150	-	-	503,157	8,822,307
Public works	3,261,862	-	-	-	3,261,862
Health and welfare	446,334	6,744,500	-	-	7,190,834
Education	15,088,613	-	431,250	-	15,519,863
Parks, recreation, and cultural	402,002	-	-	10,000	412,002
Community development	1,155,227	-	-	198,487	1,353,714
Nondepartmental	82,542	-	-	-	82,542
Capital projects	-	-	4,771,978	158,869	4,930,847
Debt service:					
Principal retirement	4,163,449	-	-	-	4,163,449
Interest and other fiscal charges	2,269,231	-	-	-	2,269,231
Total expenditures	\$ 39,299,109	\$ 6,744,500	\$ 5,203,228	\$ 1,003,583	\$ 52,250,420
Excess (deficiency) of revenues over (under) expenditures	\$ 3,320,207	\$ (932,045)	\$ (4,957,870)	\$ (72,534)	\$ (2,642,242)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 932,045	\$ 1,764,526	\$ -	\$ 2,696,571
Transfers out	(2,696,571)	-	-	-	(2,696,571)
Total other financing sources (uses)	\$ (2,696,571)	\$ 932,045	\$ 1,764,526	\$ -	\$ -
Net change in fund balances	\$ 623,636	\$ -	\$ (3,193,344)	\$ (72,534)	\$ (2,642,242)
Fund balances - beginning	22,778,850	-	18,580,462	897,339	42,256,651
Fund balances - ending	\$ 23,402,486	\$ -	\$ 15,387,118	\$ 824,805	\$ 39,614,409

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	(2,642,242)
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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. The following are the details of this difference:

Capital asset additions	\$	4,711,443	
Net transfer of joint tenancy assets		(2,366,754)	
Depreciation expense		<u>(1,953,777)</u>	390,912

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

Property taxes recognized as revenue	(10,627)	
Change in deferred inflows related to the measurement of the net OPEB liabilities	(77,121)	
Change in deferred inflows related to the measurement of the net pension liability	<u>(862,359)</u>	(950,107)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following are the details of these differences:

Principal payments	<u>4,163,449</u>	4,163,449
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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.

(Increase) decrease in net OPEB liabilities	\$	99,497	
(Increase) decrease in premium on bond issuance		317,419	
(Increase) decrease in compensated absences		26,442	
(Increase) decrease in accrued interest payable		71,792	
(Increase) decrease in net pension liability		2,149,660	
Increase (decrease) in deferred outflows related to net pension liability		(875,280)	
Increase (decrease) in deferred outflows related to net OPEB liabilities		4,824	
(Increase) decrease in landfill postclosure liability		<u>(30,081)</u>	<u>1,764,273</u>

Change in net position of governmental activities	\$	<u><u>2,726,285</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 285,547
Total assets	\$ <u>285,547</u>
LIABILITIES	
Amounts held for social services clients	\$ 176,334
Amounts held for employees	683
Amounts held for other organizations	108,530
Total liabilities	\$ <u>285,547</u>

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements June 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

The financial statements of the County of Halifax, Virginia have been prepared in conformity with 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.

A. Financial Statement Presentation

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 and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

A. Financial Statement Presentation: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The County does not allocate indirect expenses. The Operating grants include operating-specific and discretionary (operating or capital) grants while the capital grants column reflects capital specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expenses categories based on the internal charges to each function.

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

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

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).

B. 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 Halifax (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.

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

C. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units.

Discretely Presented Component Units.

The School Board members are elected by the citizens of Halifax County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding of the school board 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 Halifax County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority's board members are 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. Complete financial statements for the Authority are available from the Authority in South Boston, Virginia.

The Halifax County - South Boston Regional Library provides public library services to residents of the County and Town. The County appoints four of the five members of the library board. The library is fiscally dependent upon the County for operating contributions. The financial statements of the library are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018. The library does not issue separate financial statements.

D. Other Related Organizations

Included in the County's Financial Report

None

Jointly Governed Organizations

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

The County, in conjunction with other localities, has created the Southside Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$150,000 to the Southside Community Services Board.

The County in conjunction with the Towns of Halifax and South Boston jointly govern the Halifax County Service Authority, a regional authority providing water and sewer service. The Authority's governing body is appointed by the participating governments. The participating governments do not have access to resources and surpluses nor are they liable for the Authority's debt or deficits. During the year, the County contributed \$122,013 to the Halifax County Service Authority.

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

D. Other Related Organizations: (Continued)

Jointly Governed Organizations: (Continued)

The County, in conjunction with the Counties of Mecklenburg and Charlotte are members of the Southside Regional Public Service Authority. The Authority operates as a regional solid waste landfill facility. The County paid the Authority tipping fees of \$909,919 for solid waste transferred to the Authority in fiscal year 2018.

The County is a Member of the Blue Ridge Regional Jail Authority. The Authority provides regional detention and jail facilities to the Member localities. The Authority's governing body is appointed by the Member localities and includes the Sheriff from each locality. The County paid the Authority \$2,368,734 during fiscal year 2018.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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.

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

E. 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 expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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 services, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

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

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

1. Governmental Funds: (Continued)

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the following funds: Virginia Public Assistance Fund, State and Federal Grants Fund and William M. Tuck Airport Fund.

The Virginia Public Assistance Fund is a major special revenue fund used to account for and report the administration of the County's social services program.

Capital Projects Funds - The Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is reported as a major fund.

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. The County does not have a proprietary fund(s).
3. Fiduciary Funds - (Agency Funds) - Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency Funds consist of the Special Welfare Fund, Halifax County War Memorial Fund, Heritage Festival Fund, Health Savings Fund and the Undistributed Local Sales tax Fund.
4. Component Unit

The Halifax County School Board has the following funds:

Governmental Funds:

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

Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the following funds:

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

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

4. Component Unit: (Continued)

The School Cafeteria Fund - Accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a nonmajor fund.

The School Textbook Fund - Accounts for and reports the operations of the textbook rental program. This fund is considered a nonmajor fund.

The Capital Projects Fund: Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The School Capital Projects Fund - Accounts for and reports all financial resources used for the acquisition or construction of major capital facilities. This fund is considered a major fund.

F. 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.

G. 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.

H. Receivables and Payables

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

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

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 \$364,312 at June 30, 2018 for property taxes.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

H. Receivables and Payables: (Continued)

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	January 1	January 1
Due Date	December 5	December 5
Due Date	June 5	N/A
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County 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. 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 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.

The Component Unit Industrial Development Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed at the business park.

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.

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>
Motor vehicles	5-10
Equipment	2-15
Infrastructure	25
Buildings	15-40

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

J. Compensated Absences

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

K. 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.

L. Fund Equity

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

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

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

L. Fund Equity: (Continued)

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.

The County 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. Assigned fund balance is established by the 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).

M. Long-term Obligations

In the government-wide financial statements, other 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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Bond Issuance Costs

Bond issuance costs are expensed as incurred.

O. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Component Unit-Industrial Development Authority consists of land held for resale. Inventory is valued and recorded at the lower of cost and market.

P. 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.

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

Q. Net Position Flow Assumption

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities 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 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

S. Pensions

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

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

T. 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.

Political Subdivision and Teacher Employee Health Insurance Credit Program

The County and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were 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 Employee 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 OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the County and VRS Teacher Employee HIC Programs; and the additions to/deductions from the County and VRS Teacher Employee HIC Programs' 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 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 30th, 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 HALIFAX, 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 County Administrator is authorized to transfer budgeted amounts within general government departments; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

Expenditures exceeded appropriations in the following funds at June 30, 2018:

- School Capital Projects Fund - School Textbook Fund

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).

The County does not have a formal investment policy addressing the various types of risks associated with investments.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 3—Deposits and Investments: (Continued)

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 the Standard and Poor's rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 1,061,979
State Non-Arbitrage Program	14,425,887
Total	\$ 15,487,866

Interest Rate Risk

The County reports investment maturities as follows:

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
Local Government Investment Pool	\$ 1,061,979	\$ 1,061,979
State Non-Arbitrage Program	14,425,887	14,425,887
Total investments	\$ 15,487,866	\$ 15,487,866

* Weighted average maturity in years.

External Investment Pools

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 4—Due from Other Governments:

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

		Component Units	
	Primary Government	School Board	Industrial Development Authority
Component Units:			
Halifax County School Board	\$ 2,210,776	\$ -	\$ -
Halifax County Industrial Development Authority	249,400	-	-
Total due from component units	<u>\$ 2,460,176</u>	<u>\$ -</u>	<u>\$ -</u>
Other Governments:			
Commonwealth of Virginia:			
Local sales tax	\$ 550,263	\$ -	\$ -
Communications tax	170,608	-	-
Shared revenues	17,636	-	-
Shared expenses	246,107	-	-
VPA funds	96,716	-	-
CSA funds	582,689	-	-
State Sales Tax	-	699,497	-
Other state grants	16,565	-	-
Federal Government:			
School fund grants	-	833,194	-
VPA funds	183,661	-	-
Other federal grants	3,762	-	-
Total due from other governments	<u>\$ 1,868,007</u>	<u>\$ 1,532,691</u>	<u>\$ -</u>
Amounts due to other governments are as follows:			
Other Local Governments:			
Halifax County	<u>\$ -</u>	<u>\$ 2,210,776</u>	<u>\$ 249,400</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2018, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General	\$ 957,208	\$ 4,261
State and Federal Grants	4,261	-
Virginia Public Assistance	-	957,208
Component Unit - School Board:		
School Operating	32,056	-
School Textbook	-	32,056
	<u> </u>	<u> </u>
Total	\$ <u>993,525</u>	\$ <u>993,525</u>

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 Fund	\$ -	\$ 2,696,571
County Capital Projects	1,764,526	-
Virginia Public Assistance	932,045	-
	<u> </u>	<u> </u>
Total	\$ <u>2,696,571</u>	\$ <u>2,696,571</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 and School Operating Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Capital Assets:

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 5,075,550	\$ -	\$ -	\$ 5,075,550
Construction in progress	<u>2,238,879</u>	<u>4,481,088</u>	<u>815,575</u>	<u>5,904,392</u>
Total capital assets not being depreciated	\$ <u>7,314,429</u>	\$ <u>4,481,088</u>	\$ <u>815,575</u>	\$ <u>10,979,942</u>
Capital assets being depreciated:				
Buildings and systems	\$ 58,193,169	\$ 815,575	\$ 3,312,765	\$ 55,695,979
Machinery and equipment	<u>9,922,301</u>	<u>230,356</u>	<u>-</u>	<u>10,152,657</u>
Total capital asset being depreciated	\$ <u>68,115,470</u>	\$ <u>1,045,931</u>	\$ <u>3,312,765</u>	\$ <u>65,848,636</u>
Accumulated depreciation:				
Buildings and systems	\$ 17,994,442	\$ 1,441,104	\$ 946,011	\$ 18,489,535
Machinery and equipment	<u>8,436,976</u>	<u>512,673</u>	<u>-</u>	<u>8,949,649</u>
Total accumulated depreciation	\$ <u>26,431,418</u>	\$ <u>1,953,777</u>	\$ <u>946,011</u>	\$ <u>27,439,184</u>
Capital assets, depreciable, net	\$ <u>41,684,052</u>	\$ <u>(907,846)</u>	\$ <u>2,366,754</u>	\$ <u>38,409,452</u>
Net capital assets primary government	\$ <u><u>48,998,481</u></u>	\$ <u><u>3,573,242</u></u>	\$ <u><u>3,182,329</u></u>	\$ <u><u>49,389,394</u></u>
Component Unit-School Board:				
Capital assets not being depreciated:				
Land	\$ <u>130,523</u>	\$ -	\$ -	\$ <u>130,523</u>
Total capital assets not being depreciated	\$ <u>130,523</u>	\$ -	\$ -	\$ <u>130,523</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 8,638,121	\$ 1,329,201	\$ -	\$ 9,967,322
Buildings and systems	<u>48,667,990</u>	<u>3,312,765</u>	<u>-</u>	<u>51,980,755</u>
Total capital assets being depreciated	\$ <u>57,306,111</u>	\$ <u>4,641,966</u>	\$ -	\$ <u>61,948,077</u>
Accumulated depreciation:				
Machinery and equipment	\$ 7,436,385	\$ 318,169	\$ -	\$ 7,754,554
Buildings and systems	<u>23,411,641</u>	<u>2,168,056</u>	<u>-</u>	<u>25,579,697</u>
Total accumulated depreciation	\$ <u>30,848,026</u>	\$ <u>2,486,225</u>	\$ -	\$ <u>33,334,251</u>
Capital assets, depreciable, net	\$ <u>26,458,085</u>	\$ <u>2,155,741</u>	\$ -	\$ <u>28,613,826</u>
Net capital assets component unit school board	\$ <u><u>26,588,608</u></u>	\$ <u><u>2,155,741</u></u>	\$ -	\$ <u><u>28,744,349</u></u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	50,222
Public safety		323,423
Public works and general buildings		683,503
Health and welfare		45,234
Parks, recreation and cultural		7,688
		<hr/>
Subtotal depreciation expense - governmental activities	\$	1,110,070
Education - depreciation on joint tenancy assets		843,707
		<hr/>
Total Governmental activities	\$	<u>1,953,777</u>
Component Unit School Board:		
Depreciation expense	\$	1,540,214
Depreciation on joint tenancy assets		946,011
		<hr/>
Total Component Unit School Board	\$	<u>2,486,225</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the Code of Virginia, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Halifax, Virginia for the year ended June 30, 2018, is that school financed assets in the amount of \$33,748,287 (excluding accumulated depreciation) are reported in the Primary Government for financial reporting purposes.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations:

Primary Government:

A summary of the long-term obligations' transactions are as follows:

	Balance July 1, 2017 *	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 885,869	\$ -	\$ 26,442	\$ 859,427	\$ 85,943
Net OPEB liabilities	1,402,667	61,499	160,996	1,303,170	-
Net pension liability	2,915,987	3,216,037	5,365,697	766,327	-
Landfill postclosure and corrective action costs	1,671,166	30,081	-	1,701,247	-
General obligation bond	293,000	-	56,000	237,000	58,000
Revenue bonds	17,856,000	-	675,000	17,181,000	695,000
Capital leases	75,624	-	75,624	-	-
Note payable	544,459	-	44,060	500,399	45,829
Total incurred by County	\$ 25,644,772	\$ 3,307,617	\$ 6,403,819	\$ 22,548,570	\$ 884,772
Incurred by School Board:					
State Literary Fund Loans	\$ 3,266,801	\$ -	\$ 466,670	\$ 2,800,131	\$ 466,670
General obligation bonds	33,794,251	-	2,846,095	30,948,156	2,979,485
Total incurred by School Board	\$ 37,061,052	\$ -	\$ 3,312,765	\$ 33,748,287	\$ 3,446,155
Premium on bond issuance	2,993,055	-	317,419	2,675,636	302,601
Total incurred by School Board- Financial Statement Presentation	\$ 40,054,107	\$ -	\$ 3,630,184	\$ 36,423,923	\$ 3,748,756
Total Governmental Activities Obligations	\$ 65,698,879	\$ 3,307,617	\$ 10,034,003	\$ 58,972,493	\$ 4,633,528

* The balance as of July 1, 2017 of the net OPEB liabilities has been restated resulting from the implementation of GASB Statement No. 75.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Incurred by County					
	General Obligation Bond		Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 58,000	\$ 4,977	\$ 695,000	\$ 756,095	\$ 45,829	\$ 22,896
2020	59,000	3,759	730,000	726,771	48,473	20,774
2021	60,000	2,520	756,000	696,141	50,236	18,428
2022	60,000	1,260	792,000	663,357	52,880	15,982
2023	-	-	735,000	627,188	55,523	13,515
2024	-	-	769,000	591,188	58,167	10,900
2025	-	-	809,000	553,393	60,811	8,042
2026	-	-	848,000	513,791	63,455	4,935
2027	-	-	888,000	472,265	65,025	1,675
2028	-	-	868,000	430,171	-	-
2029	-	-	913,000	387,529	-	-
2030	-	-	953,000	342,804	-	-
2031	-	-	1,003,000	295,866	-	-
2032	-	-	1,053,000	246,459	-	-
2033	-	-	1,099,000	199,311	-	-
2034	-	-	1,145,000	154,718	-	-
2035	-	-	1,000,000	108,281	-	-
2036	-	-	1,040,000	66,206	-	-
2037	-	-	1,085,000	22,378	-	-
Total	\$ 237,000	\$ 12,516	\$ 17,181,000	\$ 7,853,912	\$ 500,399	\$ 117,147

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Incurred by School Board			
	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2019	\$ 2,979,485	\$ 1,247,155	\$ 466,670	\$ 56,003
2020	3,118,537	1,100,136	466,670	46,669
2021	3,267,990	935,829	466,670	37,336
2022	3,413,489	774,824	466,670	28,002
2023	3,564,581	614,643	466,670	18,669
2024	3,730,870	440,355	466,781	9,336
2025	3,892,866	264,105	-	-
2026	4,065,754	84,108	-	-
2027	2,914,584	12,640	-	-
Total	\$ <u>30,948,156</u>	\$ <u>5,473,795</u>	\$ <u>2,800,131</u>	\$ <u>196,015</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>
<u>Revenue Bonds:</u>	
\$677,000 Public Facilities Lease Revenue Refunding Note, Series 2014 dated April 11, 2014, issued to refund the remaining balance of the \$985,995 Lease Revenue Refunding Bond dated May 8, 2009. The refunding bond is due in varying annual installments through May 2022 with interest payable semi-annually at a rate of 2.1%. The refunding resulted in an economic gain of \$30,000.	\$ 353,000
\$2,771,000 Lease Revenue Refunding Bonds, Series 2014 dated April 11, 2014 due in varying annual principal installments through May 2034 with interest payable semi-annually at a rate of 3.25%.	2,353,000
\$14,455,000 Lease Revenue Bonds, Series 2016C dated November 16, 2016 due in varying annual principal installments through October 2026 with interest payable semi-annually, interest at 3.062%.	14,015,000
\$670,000 Lease Revenue Bonds, Series 2011 (Energy Efficiency Improvements) dated April 15, 2011 due in varying annual principal installments through October 2026 with interest payable semi-annually, interest at 2.125% - 5.125%.	460,000
Total Revenue Bonds - Incurred by Primary Government	\$ <u>17,181,000</u>
<u>General Obligation Bond - Incurred by County:</u>	
\$455,000 General Obligation Refunding Bond dated April 11, 2014, issued to refund the remaining balance of the \$663,075 General Obligation Refunding Bond dated May 8, 2009. The refunding bond is due in varying annual installments through May 2022 with interest payable semi-annually at a rate of 2.1%. The refunding resulted in an economic gain of \$20,000.	\$ <u>237,000</u>
Total General Obligation Bond - Incurred by County	\$ <u>237,000</u>
<u>General Obligation Bonds - Incurred by School Board:</u>	
\$16,615,000 School Bonds, issued November 10, 2005, through the Virginia Public School Authority, due in varying annual installments each July 15 through 2025, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	\$ 8,675,000
\$31,030,000 School Bonds, issued May 11, 2006, through Virginia Public School Authority, due in varying annual installments each July 15 through fiscal year 2027, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	17,760,000

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds - Incurred by School Board: (Continued)</u>	
\$8,920,992 School Bonds, issued November 9, 2006, through the Virginia Public School Authority due in varying annual installments each July 15 through 2026, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	\$ 4,513,156
Premium on bonds issued	<u>2,675,636</u>
Total General Obligation Bonds - Incurred by School Board	<u>\$ 33,623,792</u>
<u>State Literary Fund Loans:</u>	
\$2,500,000, authorized, due in annual principal installments of \$466,670 over 20 years, interest payable annually at 2%. Amount drawn to date.	\$ 678,161
\$4,000,000, authorized, due in annual principal installments of \$183,655 over 20 years, interest payable annually at 2%. Amount drawn to date.	1,101,937
\$3,500,000, authorized, due in annual principal installments of \$170,003 over 20 years, interest payable annually at 2%. Amount drawn to date.	<u>1,020,033</u>
Total State Literary Fund Loans	<u>\$ 2,800,131</u>
<u>Note Payable:</u>	
\$900,000 note payable to the Town of South Boston for the Prizery renovations. The note is due in varying annual payments with interest at a rate of 1.94%. Principal and interest payable through fiscal year 2027.	<u>\$ 500,399</u>
Compensated absences	<u>\$ 859,427</u>
Net OPEB liabilities	<u>\$ 1,303,170</u>
Landfill postclosure and corrective action costs	<u>\$ 1,701,247</u>
Net pension liability	<u>\$ 766,327</u>
Total long-term obligations	<u>\$ 58,972,493</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Units: (Continued)

The following is a summary of long-term debt transactions of the Component Units for the year ended June 30, 2018:

	Balance July 1, 2017 *	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
<u>Component Unit—School Board:</u>					
Compensated absences	\$ 780,595	\$ 30,690	-	\$ 811,285	\$ 81,129
Capital lease	324,513	1,360,863	106,342	1,579,034	180,603
Net pension liability	53,456,324	7,870,219	17,215,811	44,110,732	-
Net OPEB liability	<u>10,407,686</u>	<u>552,857</u>	<u>1,242,716</u>	<u>9,717,827</u>	<u>-</u>
Total long-term obligations	\$ <u>64,969,118</u>	\$ <u>9,814,629</u>	\$ <u>18,564,869</u>	\$ <u>56,218,878</u>	\$ <u>261,732</u>

* The balance as of July 1, 2017 of the net OPEB liabilities has been restated resulting from the implementation of GASB Statement No. 75.

Capital Lease Obligations:

\$744,118 Equipment Lease Purchase Agreement dated June 25, 2013, secured by equipment due in annual installments of \$111,891 through July 2019, includes interest at 1.71%. Balance at June 30, 2018 was \$218,171.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Units: (Continued)

Capital Lease Obligations: (Continued)

\$1,360,863 Lease Purchase Agreement dated January 5, 2018 to finance energy efficiency improvements. The lease is payable annually starting January 5, 2019 through January 5, 2033, includes interest at 3.14%. The balance at June 30, 2018 was \$1,360,863.

Year Ending June 30,	School Board	
	Capital Leases	
	Principal	Interest
2019	\$ 180,603	\$ 46,407
2020	184,725	42,286
2021	77,057	38,062
2022	79,474	35,645
2023	81,966	33,153
2024	84,537	30,583
2025	87,188	27,931
2026	89,922	25,197
2027	92,742	22,377
2028	95,650	19,469
2029	98,650	16,469
2030	101,743	13,376
2031	104,934	10,185
2032	108,225	6,894
2033	111,618	3,500
Total	\$ 1,579,034	\$ 371,534

	Balance July 1, 2017 *	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
<u>Component Unit—Library:</u>					
Net pension liability	\$ 55,596	\$ 48,114	\$ 89,111	\$ 14,599	-
Net OPEB liability	9,000	700	-	9,700	-
Total long-term obligations	\$ 64,596	\$ 48,814	\$ 89,111	\$ 24,299	-

* The balance as of July 1, 2017 of the net OPEB liabilities has been restated resulting from the implementation of GASB Statement No. 75.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 9—Landfill Postclosure Costs:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County records a liability for a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. Closure of the County's landfill site is complete. The \$1,293,523 reported as landfill postclosure care liability, and corrective action liability of \$400,222 at June 30, 2017, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care and corrective action in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulation. Additionally, the County reports closure care liability in the amount of \$7,502, the estimated liability for the transfer station. The County intends to fund these costs from tipping fee revenues and from any fund accumulated for this purpose, including available bond issue proceeds in the County Capital Projects Fund. The County provides for financial assurance requirements for closure and postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC-20-70 of the Virginia Administrative Code.

In addition to the landfill owned and operated by the County, the County participates in the Southside Regional Public Service Authority (SRPSA). SRPSA is a regional authority created by three localities to accept waste. The County is required to demonstrate financial assurance through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC-20-70 of the Virginia Administrative Code for the County's allocable portion of the future liability.

Note 10—Deferred Inflows of Resources:

Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources from unavailable property taxes is comprised of the following:

Primary Government - Property Taxes

Governmental Activities - Exhibit 1:

Prepaid property taxes - property taxes paid in advance	\$ 1,674,512
2nd half property tax assessments	16,714,786
Total deferred inflows of resources - governmental activities (Exhibit 1)	<u>18,389,298</u>

Governmental Funds:

Delinquent taxes not collected within 60 days	2,610,064
Total deferred inflows of resources - governmental funds (Exhibit 3)	<u>\$ 20,999,362</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Commitments and Contingencies:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. 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 County has the following contractual commitments at June 30, 2018:

<u>Project</u>	<u>Amount of Contract Outstanding</u>
Courthouse renovation and related projects	14,840,187
Airport Improvements	27,342
Energy performance contract - School Board	563,679

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 such entities.

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; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool 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, including employee dishonesty and employee health and accident insurance. The Component Unit - School Board, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

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

Note 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.

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.)</p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

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

COUNTY OF HALIFAX, 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: <ul style="list-style-type: none"> 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 HALIFAX, 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	144	139
Inactive members:		
Vested inactive members	31	17
Non-vested inactive members	45	36
Inactive members active elsewhere in VRS	90	40
Total inactive members	166	93
Active members	192	90
Total covered employees	502	322

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 7.27% 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 \$532,699 and \$530,187 and Component Unit Regional Library were \$10,159 and \$9,588 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 8.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$141,618 and \$157,793 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County's (Primary Government and Component Unit Regional Library) and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities 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 (Primary Government and Component Unit Regional Library) 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 HALIFAX, 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%

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.

Note 14—Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (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%

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:

<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 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 (Primary Government and Component Unit Regional Library) 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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Primary Government			
Balances at June 30, 2016	\$ 35,202,890	\$ 32,376,035	\$ 2,826,855
Changes for the year:			
Service cost	\$ 793,737	\$ -	\$ 793,737
Interest	2,395,636	-	2,395,636
Differences between expected and actual experience	(384,393)	-	(384,393)
Assumption changes	(187,001)	-	(187,001)
Contributions - employer	-	528,755	(528,755)
Contributions - employee	-	380,201	(380,201)
Net investment income	-	3,795,997	(3,795,997)
Benefit payments, including refunds	(1,958,626)	(1,958,626)	-
Administrative expenses	-	(23,016)	23,016
Other changes	-	(3,430)	3,430
Net changes	\$ 659,353	\$ 2,719,881	\$ (2,060,528)
Balances at June 30, 2017	\$ 35,862,243	\$ 35,095,916	\$ 766,327
Component Unit-Library			
Balances at June 30, 2016	\$ 671,169	\$ 615,573	\$ 55,596
Changes for the year:			
Service cost	\$ 15,338	\$ -	\$ 15,338
Interest	45,688	-	45,688
Benefit changes	-	-	-
Differences between expected and actual experience	(7,331)	-	(7,331)
Assumption changes	(3,566)	-	(3,566)
Contributions - employer	-	10,084	(10,084)
Contributions - employee	-	7,251	(7,251)
Net investment income	-	74,295	(74,295)
Benefit payments, including refunds	(37,354)	(37,354)	-
Administrative expenses	-	(439)	439
Other changes	-	(65)	65
Net changes	\$ 12,775	\$ 53,772	\$ (40,997)
Balances at June 30, 2017	\$ 683,944	\$ 669,345	\$ 14,599

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability: (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Component School Board (nonprofessional)			
Balances at June 30, 2016	\$ 13,513,047	\$ 11,872,723	\$ 1,640,324
Changes for the year:			
Service cost	\$ 190,138	\$ -	\$ 190,138
Interest	918,297	-	918,297
Benefit changes	-	-	-
Differences between expected and actual experience	(983,685)	-	(983,685)
Assumption changes	(31,127)	-	(31,127)
Contributions - employer	-	154,312	(154,312)
Contributions - employee	-	86,232	(86,232)
Net investment income	-	1,415,455	(1,415,455)
Benefit payments, including refunds	(789,037)	(789,037)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(8,540)	8,540
Other changes	-	(1,244)	1,244
Net changes	\$ (695,414)	\$ 857,178	\$ (1,552,592)
Balances at June 30, 2017	\$ 12,817,633	\$ 12,729,901	\$ 87,732

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

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

The following presents the net pension liability of the Primary Government, Component Unit Regional Library 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 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 Net Pension Liability (Asset)	\$ 5,310,180	\$ 766,327	\$ (3,013,226)
Component Unit Regional Library Net Pension Liability (Asset)	101,273	14,599	(57,467)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	1,423,994	87,732	(1,050,072)

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

For the year ended June 30, 2018, the Primary Government, Component Unit Regional Library and Component Unit School Board (nonprofessional) recognized pension expense of \$120,678, \$1,773 and \$(897,435), respectively. At June 30, 2018, the Primary Government, Component Unit Regional Library 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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,280	\$ 308,765
Change in assumptions	-	127,065
Net difference between projected and actual earnings on pension plan investments	-	506,687
Employer contributions subsequent to the measurement date	532,699	-
Total	\$ 562,979	\$ 942,517

COUNTY OF HALIFAX, 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: (Continued)

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Component Unit Regional Library (nonprofessional)		
Differences between expected and actual experience	\$ 577	\$ 5,888
Change in assumptions	-	2,423
Net difference between projected and actual earnings on pension plan investments	-	9,663
Employer contributions subsequent to the measurement date	10,159	-
Total	<u>\$ 10,736</u>	<u>\$ 17,974</u>
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ -	\$ 401,623
Change in assumptions	-	12,709
Net difference between projected and actual earnings on pension plan investments	-	169,590
Employer contributions subsequent to the measurement date	141,618	-
Total	<u>\$ 141,618</u>	<u>\$ 583,922</u>

\$532,699, \$10,159 and \$141,618 reported as deferred outflows of resources related to pensions resulting from the Primary Government, Component Unit Regional Library and Component Unit School Board (nonprofessional) contributions, respectively, 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>	<u>Primary Government</u>	<u>Component Unit Regional Library</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (519,979)	\$ (9,917)	\$ (536,984)
2020	(42,841)	(817)	66,451
2021	(16,827)	(321)	7,391
2022	(332,590)	(6,342)	(120,780)
2023	-	-	-
Thereafter	-	-	-

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 \$4,352,303 and \$4,281,961 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 \$44,023,000 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 .35797% as compared to .36974% at June 30, 2016.

COUNTY OF HALIFAX, 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 \$2,568,000. 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	\$ -	\$ 3,117,000
Change in assumptions	642,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,599,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	367,000	2,320,000
Employer contributions subsequent to the measurement date	<u>4,352,303</u>	<u>-</u>
Total	<u>\$ 5,361,303</u>	<u>\$ 7,036,000</u>

\$4,352,303 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	\$ (2,410,000)
2020	(693,000)
2021	(868,000)
2022	(1,728,000)
2023	(328,000)

COUNTY OF HALIFAX, 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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional): (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 HALIFAX, 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:

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 Asests	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 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 HALIFAX, 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)	\$	65,741,000	\$	44,023,000	\$	26,058,000
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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.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 15—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Clerk of the Circuit Court	\$ 1,500,000
Treasurer	400,000
Commissioner of the Revenue	50,000
Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Nationwide Insurance Company - Surety	
Superintendent of Schools	50,000
Clerk of the School Board	50,000
Continental Insurance Company - Surety	
All County employees - blanket bond	25,000
Selective Insurance Company of America - Surety	
Faithful performance blanket position bond all social service employees	100,000

Note 16—Other Postemployment Benefits

Health Insurance (Single-employer Defined Benefit Plan)

Plan Description

The County and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

Benefits Provided

Employees who retire from the County, Library or School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

	<u>County</u>	<u>Library</u>	<u>School Board</u>
Total active employees with coverage	178	4	801
Total inactive employees or retirees with coverage	<u>13</u>	<u>-</u>	<u>47</u>
Total	<u>191</u>	<u>4</u>	<u>848</u>

Contributions

The County, Library and School Board do 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, Library and School Board.

Total OPEB Liability

The County, Library and School Board's total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

County, Library and School Board

Salary Increases	Increases of 2.5%
Discount Rate	3.56% as of June 30, 2017

Mortality rates for active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Discount Rate

The discount rate represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the County, Library and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Total OPEB Liability

	Changes in Net OPEB Liability		
	Primary Government- County Total OPEB Liability	Component Unit- Library Total OPEB Liability	Component Unit- School Board Total OPEB Liability
Balances at June 30, 2017	\$ 614,300	\$ 9,000	\$ 2,595,200
Changes for the year:			
Service cost	23,000	400	93,900
Interest	22,000	300	92,500
Benefit payments	(39,800)	-	(181,600)
Net changes	5,200	700	4,800
Balances at June 30, 2018	\$ 619,500	\$ 9,700	\$ 2,600,000

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

The following amounts present the total OPEB liability of the County, Library 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 (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
County Rate	\$ 673,985	\$ 619,500	\$ 570,179
Library Rate	\$ 10,553	\$ 9,700	\$ 8,928
School Board Rate	\$ 2,828,662	\$ 2,600,000	\$ 2,392,993

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

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

The following presents the total OPEB liabilities of the County, Library and School Board, as well as what the total OPEB liabilities 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 rate used of 0.00%:

	Rates		
	1% Decrease (-3.95%)	Healthcare Cost Trend (-2.95%)	1% Increase (-1.95%)
County Rate	\$ 552,432	\$ 619,500	\$ 698,750
Library Rate	\$ 8,650	\$ 9,700	\$ 10,941
School Board Rate	\$ 2,318,519	\$ 2,600,000	\$ 2,932,609

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

For the year ended June 30, 2018, the County, Library and School Board recognized OPEB expense in the amount of \$45,000, \$700 and \$186,400, respectively. At June 30, 2018, the County, Library and School Board did not have deferred outflows of resources and deferred inflows of resources related to OPEB.

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.

Group Life Insurance:

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.

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (Continued)

Plan Description: (Continued)

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
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>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.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>

Note 16—Other Postemployment Benefits: (Continued)**Group Life Insurance: (Continued)*****Plan Description: (Continued)*****GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)****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 \$40,141 and \$39,475 for the years ended June 30, 2018 and June 30, 2017, respectively and \$150,854 and \$159,873 from the School Board.

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 \$619,938 and the School Board \$2,431,000 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 participating employer's proportion for the County was .04295% as compared to .04283% at June 30, 2016. At June 30, 2017, the participating employer's proportion for the School Board was .16668% as compared to .16621% at June 30, 2016.

For the year ended June 30, 2018, the County and School Board recognized GLI OPEB expense of \$8,624 and \$11,000. 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.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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)

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:

		Deferred Outflows of Resources	Deferred Inflows of Resources
County			
Differences between expected and actual experience	\$	-	\$ 14,373
Net difference between projected and actual earnings on GLI OPEB program investments		-	22,997
Change in assumptions		-	31,621
Employer contributions subsequent to the measurement date		40,141	-
Total	\$	40,141	\$ 68,990
School Board			
Differences between expected and actual experience	\$	-	\$ 54,000
Net difference between projected and actual earnings on GLI OPEB program investments		-	91,000
Change in assumptions		-	125,000
Changes in proportion		-	93,000
Employer contributions subsequent to the measurement date		150,854	-
Total	\$	150,854	\$ 363,000

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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)

\$40,141 and \$150,854 (County and School Board) reported as deferred outflows of resources related to the GLI OPEB resulting from the employer'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>County</u>	<u>School Board</u>
2019	\$ (14,373)	\$ (72,000)
2020	(14,373)	(72,000)
2021	(14,373)	(72,000)
2022	(14,373)	(72,000)
2023	(8,624)	(50,000)
Thereafter	(2,875)	(25,000)

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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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%

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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.

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Group Life Insurance: (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 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%

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.

Note 16—Other Postemployment Benefits: (Continued)**Group Life Insurance: (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:

<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 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%.

Note 16—Other Postemployment Benefits: (Continued)**Group Life Insurance: (Continued)*****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.

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

The follow 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	\$	801,824	\$ 619,938	\$ 472,489
School Board's proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	3,144,239	\$ 2,431,000	\$ 1,852,797

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—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional):

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent 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 about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • <u>Disability Retirement</u>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • 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.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (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 HIC OPEB plan:

	<u>County</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	24	58
Inactive members:		
Vested inactive members	6	1
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	<u>-</u>	<u>-</u>
Total inactive members	<u>30</u>	<u>59</u>
Active members	<u>94</u>	<u>90</u>
Total covered employees	<u>124</u>	<u>149</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The County and School Board's contractually required employer contribution rate for the year ended June 30, 2018 was .23% and .73%, respectively, 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 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 County and School Board to the Health Insurance Credit Program were \$8,757 and \$8,448 and \$12,049 and \$12,990 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (Continued)

Net HIC OPEB Liability

The County and School Board’s net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was 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

The total HIC 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:	
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 the OPEB liabilities.

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (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 Life Mortality Table 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%

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (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 Life Mortality Table 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%

Note 16—Other Postemployment Benefits: (Continued)**Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (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:

<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 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 HIC OPEB liability 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 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 HIC 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 HIC 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 HIC OPEB liability.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (Continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
<u>County:</u>			
Balances at June 30, 2016	\$ 169,888	\$ 99,193	\$ 70,695
Changes for the year:			
Service cost	\$ 5,294	\$ -	\$ 5,294
Interest	11,579	-	11,579
Assumption changes	(5,456)	-	(5,456)
Contributions - employer	-	6,705	(6,705)
Net investment income	-	11,277	(11,277)
Benefit payments	(8,948)	(8,948)	-
Administrative expenses	-	(182)	182
Other changes	-	580	(580)
Net changes	\$ 2,469	\$ 9,432	\$ (6,963)
Balances at June 30, 2017	\$ 172,357	\$ 108,625	\$ 63,732
<u>School Board - Nonprofessional:</u>			
Balances at June 30, 2016	\$ 298,107	\$ 109,621	\$ 188,486
Changes for the year:			
Service cost	\$ 3,295	\$ -	\$ 3,295
Interest	20,068	-	20,068
Assumption changes	(630)	-	(630)
Contributions - employer	-	12,990	(12,990)
Net investment income	-	11,933	(11,933)
Benefit payments	(22,828)	(22,828)	-
Administrative expenses	-	(178)	178
Other changes	-	647	(647)
Net changes	\$ (95)	\$ 2,564	\$ (2,659)
Balances at June 30, 2017	\$ 298,012	\$ 112,185	\$ 185,827

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (Continued)

Sensitivity of the School Board's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The follow presents the School Board's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the School Board's 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	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's Net HIC OPEB Liability	\$ 80,833	\$ 63,732	\$ 49,182
School Board's (Nonprofessional) Net HIC OPEB Liability	209,751	185,827	164,898

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the County and School Board recognized Health Insurance Credit Program OPEB expense of \$7,875 and \$14,457, respectively. At June 30, 2018, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board's Health Insurance Credit Program from the following sources:

<u>County:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 4,615
Change in assumptions	-	3,518
Employer contributions subsequent to the measurement date	8,757	-
Total	\$ 8,757	\$ 8,133

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

Health Insurance Credit (HIC) Program - County and School Board (Nonprofessional): (Continued)

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

<u>School Board - Nonprofessional:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 456
Change in assumptions	-	3,670
Employer contributions subsequent to the measurement date	<u>12,049</u>	<u>-</u>
Total	<u>\$ 12,049</u>	<u>\$ 4,126</u>

\$8,757 and \$12,049 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>County</u>	<u>School Board</u>
2019	\$ (1,721)	\$ (1,092)
2020	(1,721)	(1,092)
2021	(1,721)	(1,026)
2022	(1,719)	(916)
2023	(841)	-
Thereafter	(410)	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program 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—Other Postemployment Benefits: (Continued)

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
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - 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. • <u>Disability Retirement</u> - 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: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • 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—Other Postemployment Benefits: (Continued)

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 \$331,189 and \$310,780 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 \$4,501,000 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 .35477% as compared to .36972% 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 \$341,000. 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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

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	\$ -	\$ 8,000
Change in assumptions	-	46,000
Change in proportion	-	165,000
Employer contributions subsequent to the measurement date	<u>331,189</u>	<u>-</u>
Total	<u>\$ 331,189</u>	<u>\$ 219,000</u>

\$331,189 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:

<u>Year Ended June 30</u>	
2019	\$ (34,000)
2020	(34,000)
2021	(34,000)
2022	(34,000)
2023	(32,000)
Thereafter	(51,000)

Note 16—Other Postemployment Benefits: (Continued)

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 HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Other Postemployment Benefits: (Continued)

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%
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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.

Note 16—Other Postemployment Benefits: (Continued)**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:

<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 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%.

Note 16—Other Postemployment Benefits: (Continued)**Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****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.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The follow 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	\$	5,023,000	\$	4,501,000
				\$ 4,056,000

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 HALIFAX, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

Note 17—Restricted Cash:

Cash is temporarily restricted for the following purposes:

Asset forfeiture	\$	107,036
Unexpended debt proceeds		14,425,887

Note 18—Adoption of Accounting Principles:

The County, Library and School Board 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, Library and School Board 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:

	<u>County</u>	<u>Regional Library</u>	<u>School Board</u>
Net Position as reported at July 1, 2017	\$ 29,673,782	\$ (22,014)	\$ (22,931,254)
Implementation of GASB Statement No. 75	<u>(1,102,093)</u>	<u>(1,200)</u>	<u>(9,705,595)</u>
Net Position as restated at July 1, 2017	<u>\$ 28,571,689</u>	<u>\$ (23,214)</u>	<u>\$ (32,636,849)</u>

Note 19—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.

Note 19—Upcoming Pronouncements: (Continued)

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 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.

Required Supplementary Information

Note to Required Supplementary Information:

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

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 - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 27,365,327	\$ 27,488,945	\$ 28,211,449	\$ 722,504
Other local taxes	6,811,172	6,811,172	6,686,235	(124,937)
Permits, privilege fees, and regulatory licenses	178,000	178,000	149,386	(28,614)
Fines and forfeitures	72,000	72,000	86,070	14,070
Revenue from the use of money and property	276,994	276,994	300,612	23,618
Charges for services	478,000	491,204	477,072	(14,132)
Miscellaneous	94,980	185,411	555,922	370,511
Recovered costs	117,690	210,376	248,521	38,145
Intergovernmental:				
Local government	151,000	151,000	101,803	(49,197)
Commonwealth	5,795,334	5,874,401	5,745,951	(128,450)
Federal	40,000	40,000	56,295	16,295
Total revenues	\$ 41,380,497	\$ 41,779,503	\$ 42,619,316	\$ 839,813
EXPENDITURES				
Current:				
General government administration	\$ 2,395,944	\$ 2,477,356	\$ 2,374,957	\$ 102,399
Judicial administration	1,758,753	1,865,566	1,735,742	129,824
Public safety	8,411,688	8,724,561	8,319,150	405,411
Public works	3,297,765	3,577,751	3,261,862	315,889
Health and welfare	411,199	411,199	446,334	(35,135)
Education	13,993,396	13,993,396	15,088,613	(1,095,217)
Parks, recreation, and cultural	447,716	485,848	402,002	83,846
Community development	1,147,268	1,219,497	1,155,227	64,270
Nondepartmental	308,500	61,927	82,542	(20,615)
Debt service:				
Principal retirement	4,087,831	4,087,831	4,163,449	(75,618)
Interest and other fiscal charges	2,694,508	2,694,508	2,269,231	425,277
Total expenditures	\$ 38,954,568	\$ 39,599,440	\$ 39,299,109	\$ 300,331
Excess (deficiency) of revenues over (under) expenditures	\$ 2,425,929	\$ 2,180,063	\$ 3,320,207	\$ 1,140,144
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,425,929)	\$ (3,573,148)	\$ (2,696,571)	\$ 876,577
Total other financing sources (uses)	\$ (2,425,929)	\$ (3,573,148)	\$ (2,696,571)	\$ 876,577
Net change in fund balances	\$ -	\$ (1,393,085)	\$ 623,636	\$ 2,016,721
Fund balances - beginning	-	1,393,085	22,778,850	21,385,765
Fund balances - ending	\$ -	\$ -	\$ 23,402,486	\$ 23,402,486

Virginia Public Assistance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 59,691	\$ 59,691
Intergovernmental:				
Commonwealth	3,553,381	3,553,381	3,336,638	(216,743)
Federal	2,524,016	2,524,016	2,416,126	(107,890)
Total revenues	<u>\$ 6,077,397</u>	<u>\$ 6,077,397</u>	<u>\$ 5,812,455</u>	<u>\$ (264,942)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 7,852,397	\$ 7,852,397	\$ 6,744,500	\$ 1,107,897
Total expenditures	<u>\$ 7,852,397</u>	<u>\$ 7,852,397</u>	<u>\$ 6,744,500</u>	<u>\$ 1,107,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,775,000)</u>	<u>\$ (1,775,000)</u>	<u>\$ (932,045)</u>	<u>\$ 842,955</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,775,000	\$ 1,775,000	\$ 932,045	\$ (842,955)
Total other financing sources (uses)	<u>\$ 1,775,000</u>	<u>\$ 1,775,000</u>	<u>\$ 932,045</u>	<u>\$ (842,955)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF HALIFAX, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government and Component Unit Halifax County Regional Library
 For the Years Ended June 30, 2015 through June 30, 2018

	2017		2016	
	Primary Government	Regional Library	Primary Government	Regional Library
Total pension liability				
Service cost	\$ 793,955	\$ 15,142	\$ 779,075	\$ 14,854
Interest	2,395,636	45,688	2,313,571	44,111
Differences between expected and actual experience	(384,393)	(7,331)	(112,741)	(2,150)
Changes in assumptions	(187,001)	(3,566)	-	-
Benefit payments, including refunds of employee contributions	(1,958,626)	(37,354)	(1,656,210)	(31,577)
Net change in total pension liability	\$ 659,571	\$ 12,579	\$ 1,323,695	\$ 25,238
Total pension liability - beginning	35,202,890	671,169	33,879,195	645,931
Total pension liability - ending (a)	\$ 35,862,461	\$ 683,748	\$ 35,202,890	\$ 671,169
Plan fiduciary net position				
Contributions - employer	\$ 528,755	\$ 10,084	\$ 673,810	\$ 12,847
Contributions - employee	380,201	7,251	358,651	6,838
Net investment income	3,885,346	74,099	555,064	10,583
Benefit payments, including refunds of employee contributions	(1,958,626)	(37,354)	(1,656,210)	(31,577)
Administrative expense	(23,016)	(439)	(20,213)	(385)
Other	(3,430)	(65)	(234)	(5)
Net change in plan fiduciary net position	\$ 2,809,231	\$ 53,576	\$ (89,132)	\$ (1,699)
Plan fiduciary net position - beginning	32,286,903	615,573	32,376,035	617,272
Plan fiduciary net position - ending (b)	\$ 35,096,134	\$ 669,149	\$ 32,286,903	\$ 615,573
Net pension liability - ending (a) - (b)	\$ 766,327	\$ 14,599	\$ 2,915,987	\$ 55,596
Plan fiduciary net position as a percentage of the total pension liability	97.86%	97.86%	91.72%	91.72%
Covered payroll	\$ 7,511,881	\$ 145,187	\$ 7,269,350	\$ 161,325
Net pension liability as a percentage of covered payroll	10.20%	10.06%	40.11%	34.46%

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.

2015		2014	
Primary Government	Regional Library	Primary Government	Regional Library
\$ 825,925	\$ 15,747	\$ 826,346	\$ 15,754
2,214,719	42,226	2,135,142	40,706
198,493	3,784	-	-
-	-	-	-
(1,997,565)	(38,086)	(1,651,739)	(31,490)
\$ 1,241,572	\$ 23,671	\$ 1,309,749	\$ 24,970
32,637,623	622,260	31,327,890	597,259
\$ 33,879,195	\$ 645,931	\$ 32,637,639	\$ 622,229
\$ 678,950	\$ 12,945	\$ 790,792	\$ 15,076
363,627	6,933	367,756	7,011
1,448,398	27,615	4,392,966	83,751
(1,997,565)	(38,086)	(1,651,739)	(31,490)
(20,446)	(390)	(23,867)	(455)
(303)	(6)	232	4
\$ 472,661	\$ 9,011	\$ 3,876,140	\$ 73,897
31,903,374	608,261	28,027,250	534,333
\$ 32,376,035	\$ 617,272	\$ 31,903,390	\$ 608,230
\$ 1,503,160	\$ 28,659	\$ 734,249	\$ 13,999
95.56%	95.56%	97.75%	97.75%
\$ 7,348,452	\$ 140,456	\$ 7,410,339	\$ 141,278
20.46%	20.40%	9.91%	9.91%

Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 190,138	\$ 234,268	\$ 325,663	\$ 332,205
Interest	918,297	949,873	936,401	905,803
Differences between expected and actual experience	(983,685)	(781,526)	(183,885)	-
Changes in assumptions	(31,127)	-	-	-
Benefit payments, including refunds of employee contributions	(789,037)	(918,376)	(853,050)	(748,730)
Net change in total pension liability	\$ (695,414)	\$ (515,761)	\$ 225,129	\$ 489,278
Total pension liability - beginning	13,513,047	14,028,808	13,803,679	13,314,401
Total pension liability - ending (a)	\$ 12,817,633	\$ 13,513,047	\$ 14,028,808	\$ 13,803,679
Plan fiduciary net position				
Contributions - employer	\$ 154,312	\$ 203,113	\$ 234,453	\$ 217,625
Contributions - employee	86,232	91,360	106,219	148,448
Net investment income	1,415,455	198,450	546,114	1,699,873
Benefit payments, including refunds of employee contributions	(789,037)	(918,376)	(853,050)	(748,730)
Administrative expense	(8,540)	(7,852)	(7,872)	(9,403)
Other	(1,244)	(87)	(115)	90
Net change in plan fiduciary net position	\$ 857,178	\$ (433,392)	\$ 25,749	\$ 1,307,903
Plan fiduciary net position - beginning	11,872,723	12,306,115	12,280,366	10,972,463
Plan fiduciary net position - ending (b)	\$ 12,729,901	\$ 11,872,723	\$ 12,306,115	\$ 12,280,366
School Division's net pension liability - ending (a) - (b)	\$ 87,732	\$ 1,640,324	\$ 1,722,693	\$ 1,523,313
Plan fiduciary net position as a percentage of the total pension liability	99.32%	87.86%	87.72%	88.96%
Covered payroll	\$ 1,781,410	\$ 1,868,079	\$ 2,143,702	\$ 2,946,669
School Division's net pension liability as a percentage of covered payroll	4.92%	87.81%	80.36%	51.70%

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

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.35797%	0.36974%	0.36544%	0.37552%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 44,023,000	\$ 51,816,000	\$ 45,996,000	\$ 45,380,000
Employer's Covered Payroll	27,984,897	28,206,524	26,974,861	27,484,133
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	157.31%	183.70%	170.51%	165.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	68.28%	70.88%	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.

Schedule of Employer Contributions
For the Year Ended 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					
2015	\$ 687,092	\$ 687,092	\$ -	\$ 7,348,452	9.35%
2016	670,634	670,634	-	7,269,350	9.23%
2017	530,187	530,187	-	7,511,881	7.06%
2018	532,699	532,699	-	7,655,707	6.96%
Component Unit Regional Library					
2015	\$ 13,099	\$ 13,099	\$ -	\$ 140,456	9.33%
2016	14,883	14,883	-	161,325	9.23%
2017	9,588	9,588	-	145,187	6.60%
2018	10,159	10,159	-	146,005	6.96%
Component Unit School Board (nonprofessional)					
2015	\$ 235,378	\$ 235,378	\$ -	\$ 2,143,702	10.98%
2016	203,679	203,679	-	1,868,079	10.90%
2017	157,793	157,793	-	1,781,410	8.86%
2018	141,618	141,618	-	1,650,535	8.58%
Component Unit School Board (professional)					
2015	\$ 3,753,274	\$ 3,753,274	\$ -	\$ 26,974,861	13.91%
2016	3,927,810	3,927,810	-	28,206,524	13.93%
2017	4,281,961	4,281,961	-	27,984,897	15.30%
2018	4,352,303	4,352,303	-	27,147,195	16.03%

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

Notes to Required Supplementary Information - Pension
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, 2016 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

OPEB - Health Insurance Plan
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>
County:	
Total OPEB liability	
Service cost	\$ 23,000
Interest	22,000
Benefit payments	(39,800)
Net change in total OPEB liability	\$ 5,200
Total OPEB liability - beginning	614,300
Total OPEB liability - ending	<u>\$ 619,500</u>
 Covered employee payroll	 \$ 6,896,400
 County's total OPEB liability (asset) as a percentage of covered employee payroll	 9.0%
Library:	
Total OPEB liability	
Service cost	\$ 400
Interest	300
Benefit payments	-
Net change in total OPEB liability	\$ 700
Total OPEB liability - beginning	9,000
Total OPEB liability - ending	<u>\$ 9,700</u>
 Covered employee payroll	 \$ 107,980
 County's total OPEB liability (asset) as a percentage of covered employee payroll	 9.0%
School Board:	
Total OPEB liability	
Service cost	\$ 93,900
Interest	92,500
Benefit payments	(181,600)
Net change in total OPEB liability	\$ 4,800
Total OPEB liability - beginning	2,595,200
Total OPEB liability - ending	<u>\$ 2,600,000</u>
 Covered employee payroll	 \$ 28,943,720
 School Boards total OPEB liability (asset) as a percentage of covered employee payroll	 9.0%

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

OPEB - Health Insurance Plan
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Valuation Date: 7/1/2016

Measurement Date: 7/1/2017

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 - County, Library and School Board:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Healthcare Trend Rate	5.80% for the School Board and -2.95% for the County and Library for fiscal year ending 2017 (to reflect actual experience). The rates reverts to 6.50% for fiscal year ending 2018, decreasing .50% per year to an ultimate rate of 5.00%
Salary Increase Rates	Increases of 2.5%
Retirement Age	Age 50 and 10 years of service or Age 55 and 5 years of service - Plan 1 employees; Age 60 and 5 years of service - Plan 2 employees
Mortality Rates	RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Schedule of 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)
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County:

2017	0.04295%	\$ 619,938	\$ 7,511,881	8.25%	48.86%
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School Board:

2017	0.16668%	\$ 2,431,000	\$ 29,791,538	8.16%	48.86%
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Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 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)
County:					
2018	\$ 40,141	\$ 40,141	\$ -	\$ 7,655,707	0.52%
2017	39,475	39,475	-	7,511,881	0.52%
School Board:					
2018	\$ 150,854	\$ 150,854	\$ -	\$ 28,797,730	0.52%
2017	159,873	159,873	-	29,791,538	0.52%

Schedule is intended to show information for 10 years. Additional information will be reported in future years when available.

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
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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%

Schedule of Changes in Net OPEB Liability and Related Ratios
Health Insurance Credit Program (HIC) - County and School Board-Non-professional
For the Year Ended June 30, 2018

County:

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 5,294
Interest	11,579
Changes in assumptions	(5,456)
Benefit payments	(8,948)
Net change in total HIC OPEB liability	\$ 2,469
Total HIC OPEB Liability - beginning	169,888
Total HIC OPEB Liability - ending (a)	\$ 172,357
 Plan fiduciary net position	
Contributions - employer	\$ 6,705
Net investment income	11,277
Benefit payments	(8,948)
Administrative expense	(182)
Other	580
Net change in plan fiduciary net position	\$ 9,432
Plan fiduciary net position - beginning	99,193
Plan fiduciary net position - ending (b)	\$ 108,625
 School Board's net HIC OPEB liability - ending (a) - (b)	\$ 63,732
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	63.02%
 Covered payroll	\$ 3,520,054
 School Board's net HIC OPEB liability as a percentage of covered payroll	1.81%

School Board -Non-professional:

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 3,295
Interest	20,068
Changes in assumptions	(630)
Benefit payments	(22,828)
Net change in total HIC OPEB liability	\$ (95)
Total HIC OPEB Liability - beginning	298,107
Total HIC OPEB Liability - ending (a)	\$ 298,012
 Plan fiduciary net position	
Contributions - employer	\$ 12,990
Net investment income	11,933
Benefit payments	(22,828)
Administrative expense	(178)
Other	647
Net change in plan fiduciary net position	\$ 2,564
Plan fiduciary net position - beginning	109,621
Plan fiduciary net position - ending (b)	\$ 112,185
 School Board's net HIC OPEB liability - ending (a) - (b)	\$ 185,827
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	62.36%
 Covered payroll	\$ 1,781,410
 School Board's net HIC OPEB liability as a percentage of covered payroll	10.43%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

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

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)

School Board - Professional:

2017	0.35477% \$	4,501,000 \$	27,998,178	16.08%	48.86%
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Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2017 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)
County:					
2018	\$ 8,757	\$ 8,757	\$ -	\$ 3,648,680	0.24%
2017	8,448	8,448	-	3,520,054	0.24%
School Board - Non-professional:					
2018	\$ 12,049	\$ 12,049	\$ -	\$ 1,650,535	0.73%
2017	12,990	12,990	-	1,781,410	0.73%
School Board - Professional:					
2018	\$ 331,189	\$ 331,189	\$ -	\$ 27,109,935	1.11%
2017	310,780	310,780	-	27,998,178	1.11%

Schedule is intended to show information for 10 years. Additional information will be reported in future years when available.

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:

Largest Ten Locality Employers - General Employees

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

School Board - Professional:

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

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Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

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

County Capital Projects Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 237,126	\$ 237,126
Miscellaneous	-	-	8,232	8,232
Total revenues	\$ -	\$ -	\$ 245,358	\$ 245,358
EXPENDITURES				
Current:				
Education	\$ 431,250	\$ 431,250	\$ 431,250	\$ -
Capital projects	919,501	19,947,663	4,771,978	15,175,685
Total expenditures	\$ 1,350,751	\$ 20,378,913	\$ 5,203,228	\$ 15,175,685
Excess (deficiency) of revenues over (under) expenditures	\$ (1,350,751)	\$ (20,378,913)	\$ (4,957,870)	\$ 15,421,043
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,350,751	\$ 1,764,526	\$ 1,764,526	\$ -
Total other financing sources (uses)	\$ 1,350,751	\$ 1,764,526	\$ 1,764,526	\$ -
Net change in fund balances	\$ -	\$ (18,614,387)	\$ (3,193,344)	\$ 15,421,043
Fund balances - beginning	-	18,614,387	18,580,462	(33,925)
Fund balances - ending	\$ -	\$ -	\$ 15,387,118	\$ 15,387,118

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 817,802	\$ 817,802
Due from other funds	4,261	4,261
Due from other governmental units	3,761	3,761
Total assets	<u>\$ 825,824</u>	<u>\$ 825,824</u>
LIABILITIES		
Accounts payable	\$ 1,019	\$ 1,019
Total liabilities	<u>\$ 1,019</u>	<u>\$ 1,019</u>
FUND BALANCES		
Committed:		
Future projects/grant matching	\$ 405,277	\$ 405,277
Airport operations	419,528	419,528
Total fund balances	<u>\$ 824,805</u>	<u>\$ 824,805</u>
Total liabilities and fund balances	<u>\$ 825,824</u>	<u>\$ 825,824</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
Revenue from the use of money and property	\$ 99,918	99,918
Miscellaneous	26,150	\$ 26,150
Intergovernmental:		
Commonwealth	579,610	579,610
Federal	225,371	225,371
Total revenues	<u>\$ 931,049</u>	<u>\$ 931,049</u>
EXPENDITURES		
Current:		
Judicial administration	\$ 133,070	\$ 133,070
Public safety	503,157	503,157
Parks, recreation, and cultural	10,000	10,000
Community development	198,487	198,487
Capital projects	158,869	158,869
Total expenditures	<u>\$ 1,003,583</u>	<u>\$ 1,003,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (72,534)</u>	<u>\$ (72,534)</u>
Net change in fund balances	\$ (72,534)	\$ (72,534)
Fund balances - beginning	897,339	897,339
Fund balances - ending	<u><u>\$ 824,805</u></u>	<u><u>\$ 824,805</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	State and Federal Grants Fund	William M. Tuck Airport Fund	Total
ASSETS			
Cash and cash equivalents	\$ 398,149	\$ 419,653	\$ 817,802
Due from other funds	4,261	-	4,261
Due from other governmental units	3,761	-	3,761
Total assets	<u>\$ 406,171</u>	<u>\$ 419,653</u>	<u>\$ 825,824</u>
LIABILITIES			
Accounts payable	\$ 894	\$ 125	\$ 1,019
Total liabilities	<u>\$ 894</u>	<u>\$ 125</u>	<u>\$ 1,019</u>
FUND BALANCES			
Committed:			
Future projects/grant matching	\$ 405,277	\$ -	\$ 405,277
Airport operations	-	419,528	419,528
Total fund balances	<u>\$ 405,277</u>	<u>\$ 419,528</u>	<u>\$ 824,805</u>
Total liabilities and fund balances	<u>\$ 406,171</u>	<u>\$ 419,653</u>	<u>\$ 825,824</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	State and Federal Grants Fund	William M. Tuck Airport Fund	Total
REVENUES			
Revenue from the use of money and property	\$ -	\$ 99,918	\$ 99,918
Miscellaneous	26,150	-	26,150
Intergovernmental:			
Commonwealth	573,973	5,637	579,610
Federal	132,399	92,972	225,371
Total revenues	<u>\$ 732,522</u>	<u>\$ 198,527</u>	<u>\$ 931,049</u>
EXPENDITURES			
Current:			
Judicial administration	\$ 133,070	\$ -	\$ 133,070
Public safety	503,157	-	503,157
Parks, recreation, and cultural	10,000	-	10,000
Community development	98,108	100,379	198,487
Capital projects	-	158,869	158,869
Total expenditures	<u>\$ 744,335</u>	<u>\$ 259,248</u>	<u>\$ 1,003,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,813)</u>	<u>\$ (60,721)</u>	<u>\$ (72,534)</u>
Net change in fund balances	\$ (11,813)	\$ (60,721)	\$ (72,534)
Fund balances - beginning	<u>417,090</u>	<u>480,249</u>	<u>897,339</u>
Fund balances - ending	<u><u>\$ 405,277</u></u>	<u><u>\$ 419,528</u></u>	<u><u>\$ 824,805</u></u>

COUNTY OF HALIFAX, VIRGINIA

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

	State and Federal Grants Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	27,649	27,649	26,150	(1,499)
Intergovernmental:				
Commonwealth	550,059	556,024	573,973	17,949
Federal	184,719	613,119	132,399	(480,720)
Total revenues	<u>\$ 762,427</u>	<u>\$ 1,196,792</u>	<u>\$ 732,522</u>	<u>\$ (464,270)</u>
EXPENDITURES				
Current:				
Judicial administration	\$ 230,586	\$ 232,139	\$ 133,070	\$ 99,069
Public safety	508,841	514,806	503,157	11,649
Parks, recreation, and cultural	10,000	10,000	10,000	-
Community development	18,000	452,500	98,108	354,392
Capital projects	-	-	-	-
Total expenditures	<u>\$ 767,427</u>	<u>\$ 1,209,445</u>	<u>\$ 744,335</u>	<u>\$ 465,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,000)</u>	<u>\$ (12,653)</u>	<u>\$ (11,813)</u>	<u>\$ 840</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,000	\$ 5,973	\$ -	\$ (5,973)
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ 5,973</u>	<u>\$ -</u>	<u>\$ (5,973)</u>
Net change in fund balances	\$ -	\$ (6,680)	\$ (11,813)	\$ (5,133)
Fund balances - beginning	-	6,680	417,090	410,410
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 405,277</u></u>	<u><u>\$ 405,277</u></u>

William M. Tuck Airport Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 60,000	\$ 85,500	\$ 99,918	\$ 14,418
-	-	-	-
-	6,000	5,637	(363)
-	160,500	92,972	(67,528)
\$ 60,000	\$ 252,000	\$ 198,527	\$ (53,473)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
60,000	102,500	100,379	2,121
-	166,500	158,869	7,631
\$ 60,000	\$ 269,000	\$ 259,248	\$ 9,752
\$ -	\$ (17,000)	\$ (60,721)	\$ (43,721)
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ (17,000)	\$ (60,721)	\$ (43,721)
-	17,000	480,249	463,249
\$ -	\$ -	\$ 419,528	\$ 419,528

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Agency Funds				
	Special Welfare	Halifax County War Memorial	Heritage Festival	Health Savings Account	Total
ASSETS					
Cash and cash equivalents	\$ 176,334	\$ 13,893	\$ 94,637	\$ 683	\$ 285,547
LIABILITIES					
Amounts held for social services clients	\$ 176,334	\$ -	\$ -	\$ -	\$ 176,334
Amounts held for employees	-	-	-	683	683
Amounts held for other organizations	-	13,893	94,637	-	108,530
Total liabilities	\$ 176,334	\$ 13,893	\$ 94,637	\$ 683	\$ 285,547

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 95,697	\$ 160,000	\$ 79,363	\$ 176,334
Liabilities:				
Amounts held for social service clients	\$ 95,697	\$ 160,000	\$ 79,363	\$ 176,334
Heritage Festival:				
Assets:				
Cash and cash equivalents	\$ 108,557	\$ 39,057	\$ 52,977	\$ 94,637
Liabilities:				
Amounts held for other organizations	\$ 108,557	\$ 39,057	\$ 52,977	\$ 94,637
Halifax County War Memorial:				
Assets:				
Cash and cash equivalents	\$ 14,043	\$ -	\$ 150	\$ 13,893
Liabilities:				
Accrued liabilities	\$ 14,043	\$ -	\$ 150	\$ 13,893
Undistributed Local Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 477,276	\$ 477,276	\$ -
Liabilities:				
Amounts held for other organizations	\$ -	\$ 477,276	\$ 477,276	\$ -
Health Savings Account Fund:				
Assets:				
Cash and cash equivalents	\$ 1,261	\$ 10,422	\$ 11,000	\$ 683
Liabilities:				
Amounts held for employees	\$ 1,261	\$ 10,422	\$ 11,000	\$ 683
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 219,558	\$ 686,755	\$ 620,766	\$ 285,547
Liabilities:				
Amounts held for social service clients	\$ 95,697	\$ 160,000	\$ 79,363	\$ 176,334
Amounts held for employees	1,261	10,422	11,000	683
Amounts held for other organizations	122,600	516,333	530,403	108,530
Total liabilities	\$ 219,558	\$ 686,755	\$ 620,766	\$ 285,547

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Discretely Presented Component Units

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,799,098	\$ 903,748	\$ 870,714	\$ 4,573,560
Receivables (net of allowance for uncollectibles):				
Accounts receivable	309,412	-	-	309,412
Due from other funds	32,056	-	-	32,056
Due from other governmental units	1,492,027	-	40,664	1,532,691
Prepaid items	451,125	-	-	451,125
Total assets	<u>\$ 5,083,718</u>	<u>\$ 903,748</u>	<u>\$ 911,378</u>	<u>\$ 6,898,844</u>
LIABILITIES				
Accounts payable	\$ 73,844	\$ 39,859	\$ -	\$ 113,703
Accrued liabilities	2,799,098	-	52,372	2,851,470
Due to other funds	-	-	32,056	32,056
Due to primary government	2,210,776	-	-	2,210,776
Total liabilities	<u>\$ 5,083,718</u>	<u>\$ 39,859</u>	<u>\$ 84,428</u>	<u>\$ 5,208,005</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 451,125	\$ -	\$ -	\$ 451,125
Committed:				
Education - major capital projects	-	863,889	-	863,889
Education - food service	-	-	607,847	607,847
Unassigned	(451,125)	-	219,103	(232,022)
Total fund balances	<u>\$ -</u>	<u>\$ 863,889</u>	<u>\$ 826,950</u>	<u>\$ 1,690,839</u>
Total liabilities and fund balances	<u>\$ 5,083,718</u>	<u>\$ 903,748</u>	<u>\$ 911,378</u>	<u>\$ 6,898,844</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 1,690,839

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

Capital assets	\$ 62,078,600	
Accumulated depreciation	<u>(33,334,251)</u>	28,744,349

Items related to measurement of the net pension and OPEB liabilities are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and OPEB expense over future years.

Deferred outflows - pension related	5,502,921	
Deferred outflows - OPEB related	494,092	
Deferred inflows - pension related	(7,619,922)	
Deferred inflows - OPEB related	<u>(586,126)</u>	(2,209,035)

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

Accrued interest payable	\$ (21,338)	
Net OPEB liabilities	(9,717,827)	
Net pension liability	(44,110,732)	
Capital lease	(1,579,034)	
Compensated absences	<u>(811,285)</u>	(56,240,216)

Net position of governmental activities \$ (28,014,063)

Combining 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 Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ 984	\$ -	\$ 984
Charges for services	419,019	-	1,177,985	1,597,004
Miscellaneous	644,174	-	-	644,174
Intergovernmental:				
Local government	15,423,544	-	-	15,423,544
Commonwealth	35,121,435	-	35,803	35,157,238
Federal	3,824,801	-	2,210,207	6,035,008
Total revenues	\$ 55,432,973	\$ 984	\$ 3,423,995	\$ 58,857,952
EXPENDITURES				
Current:				
Education	\$ 55,321,082	\$ -	\$ 2,950,812	\$ 58,271,894
Capital projects	-	797,184	-	797,184
Debt service:				
Principal retirement	106,342	-	-	106,342
Interest and other fiscal charges	5,549	-	-	5,549
Total expenditures	\$ 55,432,973	\$ 797,184	\$ 2,950,812	\$ 59,180,969
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (796,200)	\$ 473,183	\$ (323,017)
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ 1,360,863	\$ -	\$ 1,360,863
Total other financing sources (uses)	\$ -	\$ 1,360,863	\$ -	\$ 1,360,863
Net change in fund balances	\$ -	\$ 564,663	\$ 473,183	\$ 1,037,846
Fund balances - beginning	-	299,226	353,767	652,993
Fund balances - ending	\$ -	\$ 863,889	\$ 826,950	\$ 1,690,839

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	\$ 1,037,846
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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 capital outlays exceeded depreciation expense in the current period.

Net transfer of joint tenancy assets	\$ 3,312,765	
Depreciation expense	(2,486,225)	2,155,741

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of capital leases	\$ (1,360,863)	
Principal payments	106,342	(1,254,521)

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

Change in deferred inflows related to the measurement of the net OPEB liabilities	\$ (586,126)	
Change in deferred inflows related to the measurement of the net pension liability	(4,050,183)	(4,636,309)

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.

(Increase) decrease in net OPEB liabilities	\$ 689,860	
(Increase) decrease in accrued interest payable	(21,338)	
Increase (decrease) in deferred outflows related to net pension liability	(2,682,495)	
Increase (decrease) in deferred outflows related to net OPEB liabilities	19,100	
(Increase) decrease in net pension liability	9,345,592	
(Increase) decrease in compensated absences	(30,690)	7,320,029

Change in net assets of governmental activities	\$ 4,622,786
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COUNTY OF HALIFAX, VIRGINIA

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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	-
Charges for services	425,000	425,000	419,019	(5,981)
Miscellaneous	955,712	955,712	644,174	(311,538)
Intergovernmental:				
Local government	14,328,327	14,328,327	15,423,544	1,095,217
Commonwealth	34,324,517	34,324,517	35,121,435	796,918
Federal	5,218,445	5,218,445	3,824,801	(1,393,644)
Total revenues	\$ 55,252,001	\$ 55,252,001	\$ 55,432,973	\$ 180,972
EXPENDITURES				
Current:				
Education	\$ 55,140,110	\$ 55,140,110	\$ 55,321,082	\$ (180,972)
Debt service:				
Principal retirement	106,342	106,342	106,342	-
Interest and other fiscal charges	5,549	5,549	5,549	-
Total expenditures	\$ 55,252,001	\$ 55,252,001	\$ 55,432,973	\$ (180,972)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	-
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ -	\$ -	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	-
Net change in fund balances	\$ -	\$ -	\$ -	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	-

School Capital Projects Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ 984	\$	984
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984</u>	<u>\$</u>	<u>984</u>
\$ -	\$ -	\$ -	\$	-
-	-	-		-
-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,184</u>	<u>\$</u>	<u>(797,184)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796,200)</u>	<u>\$</u>	<u>(796,200)</u>
\$ -	\$ -	\$ 1,360,863	\$	1,360,863
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360,863</u>	<u>\$</u>	<u>1,360,863</u>
\$ -	\$ -	\$ 564,663	\$	564,663
-	-	299,226		299,226
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,889</u>	<u>\$</u>	<u>863,889</u>

Combining Balance Sheet

Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board

June 30, 2018

	School Cafeteria Fund	School Textbook Fund	Total
ASSETS			
Cash and cash equivalents	\$ 619,555	\$ 251,159	\$ 870,714
Due from other governmental units	40,664	-	40,664
Total assets	<u>\$ 660,219</u>	<u>\$ 251,159</u>	<u>\$ 911,378</u>
LIABILITIES			
Accrued liabilities	\$ 52,372	\$ -	\$ 52,372
Due to other funds	-	32,056	32,056
Total liabilities	<u>\$ 52,372</u>	<u>\$ 32,056</u>	<u>\$ 84,428</u>
FUND BALANCES			
Committed:			
Education - food service	\$ 607,847	\$ -	\$ 607,847
Education - textbooks	-	219,103	219,103
Total fund balances	<u>\$ 607,847</u>	<u>\$ 219,103</u>	<u>\$ 826,950</u>
Total liabilities and fund balances	<u>\$ 660,219</u>	<u>\$ 251,159</u>	<u>\$ 911,378</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Cafeteria Fund	School Textbook Fund	Total
REVENUES			
Charges for services	\$ 634,505	\$ 543,480	\$ 1,177,985
Intergovernmental:			
Commonwealth	35,803	-	35,803
Federal	2,210,207	-	2,210,207
Total revenues	<u>\$ 2,880,515</u>	<u>\$ 543,480</u>	<u>\$ 3,423,995</u>
EXPENDITURES			
Current:			
Education	\$ 2,646,228	\$ 304,584	\$ 2,950,812
Total expenditures	<u>\$ 2,646,228</u>	<u>\$ 304,584</u>	<u>\$ 2,950,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 234,287</u>	<u>\$ 238,896</u>	<u>\$ 473,183</u>
Net change in fund balances	\$ 234,287	\$ 238,896	\$ 473,183
Fund balances - beginning	373,560	(19,793)	353,767
Fund balances - ending	<u>\$ 607,847</u>	<u>\$ 219,103</u>	<u>\$ 826,950</u>

COUNTY OF HALIFAX, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 635,000	\$ 635,000	\$ 634,505	\$ (495)
Intergovernmental:				
Commonwealth	-	-	35,803	35,803
Federal	2,215,000	2,215,000	2,210,207	(4,793)
Total revenues	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,880,515</u>	<u>\$ 30,515</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,646,228</u>	<u>\$ 203,772</u>
Total expenditures	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,646,228</u>	<u>\$ 203,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,287</u>	<u>\$ 234,287</u>
Net change in fund balances	\$ -	\$ -	\$ 234,287	\$ 234,287
Fund balances - beginning	-	-	373,560	373,560
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 607,847</u>	<u>\$ 607,847</u>

School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 543,480	\$ 543,480
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 543,480	\$ 543,480
\$ -	\$ -	\$ 304,584	\$ (304,584)
\$ -	\$ -	\$ 304,584	\$ (304,584)
\$ -	\$ -	\$ 238,896	\$ 238,896
\$ -	\$ -	\$ 238,896	\$ 238,896
-	-	(19,793)	(19,793)
\$ -	\$ -	\$ 219,103	\$ 219,103

Balance Sheet

Discretely Presented Component Unit - Regional Library

June 30, 2018

		<u>Regional Library</u>
ASSETS		
Cash and cash equivalents	\$	5,573
Total assets	\$	<u>5,573</u>
LIABILITIES		
Accounts payable	\$	2,502
Total liabilities		<u>2,502</u>
FUND BALANCES		
Assigned		
Library operations	\$	3,071
Total fund balance	\$	<u>3,071</u>
Total liabilities and fund balances	\$	<u>5,573</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	3,071
Items related to measurement of the net pension and OPEB liabilities are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and OPEB expense over future years.		
Deferred outflows - pension related	\$	10,736
Deferred inflows - pension related		<u>(17,974)</u> (7,238)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB liability	\$	(9,700)
Net pension liability		<u>(14,599)</u> (24,299)
Net position of governmental activities	\$	<u>(28,466)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Regional Library
For the Year Ended June 30, 2018

	<u>Regional Library</u>
REVENUES	
Charges for services	\$ 41,043
Miscellaneous	19,800
Intergovernmental:	
Local government	288,643
Commonwealth	117,492
Total revenues	<u>\$ 466,978</u>
EXPENDITURES	
Current:	
Parks, recreation, and cultural	\$ 479,916
Total expenditures	<u>\$ 479,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,938)</u>
Net change in fund balances	\$ (12,938)
Fund balances - beginning	16,009
Fund balances - ending	<u>\$ 3,071</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	\$ (12,938)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows related to the measurement of the net pension liability	(16,446)
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.	
Increase (decrease) in deferred outflows related to net pension liability	\$ (16,165)
(Increase) decrease in net OPEB liability	(700)
(Increase) decrease in net pension liability	<u>40,997</u>
Change in net position of governmental activities	<u>\$ (5,252)</u>

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Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,866,902	\$ 12,866,902	\$ 12,923,049	\$ 56,147
Real and personal public service corporation taxes	5,324,000	5,443,037	5,546,735	103,698
Personal property taxes	6,934,425	6,934,425	7,261,781	327,356
Mobile home taxes	70,000	70,000	73,510	3,510
Machinery and tools taxes	1,350,000	1,350,000	1,422,556	72,556
Penalties and administrative fees	500,000	504,581	646,819	142,238
Interest	320,000	320,000	336,999	16,999
Total general property taxes	\$ 27,365,327	\$ 27,488,945	\$ 28,211,449	\$ 722,504
Other local taxes:				
Local sales and use taxes	\$ 3,085,746	\$ 3,085,746	\$ 3,011,227	\$ (74,519)
Consumers' utility taxes	915,000	915,000	927,994	12,994
Utility consumption tax	120,426	120,426	107,440	(12,986)
Business license taxes	375,000	375,000	315,831	(59,169)
Utility license taxes	45,000	45,000	42,610	(2,390)
Motor vehicle licenses	1,000,000	1,000,000	926,309	(73,691)
Solid waste disposal fee	600,000	600,000	645,194	45,194
Taxes on recordation and wills	170,000	170,000	201,684	31,684
Transient lodging tax	200,000	200,000	227,676	27,676
Meals tax	300,000	300,000	280,270	(19,730)
Total other local taxes	\$ 6,811,172	\$ 6,811,172	\$ 6,686,235	\$ (124,937)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 47,000	\$ 47,000	\$ 36,594	\$ (10,406)
Transfer fees	1,000	1,000	1,150	150
Building permits	130,000	130,000	111,642	(18,358)
Total permits, privilege fees, and regulatory licenses	\$ 178,000	\$ 178,000	\$ 149,386	\$ (28,614)
Fines and forfeitures:				
Court fines and forfeitures	\$ 72,000	\$ 72,000	\$ 86,070	\$ 14,070
Revenue from use of money and property:				
Revenue from use of money	\$ 18,380	\$ 18,380	\$ 16,063	\$ (2,317)
Revenue from use of property	258,614	258,614	284,549	25,935
Total revenue from use of money and property	\$ 276,994	\$ 276,994	\$ 300,612	\$ 23,618
Charges for services:				
Charges for law library	\$ 8,500	\$ 13,500	\$ 9,536	\$ (3,964)
Sheriff fees	2,500	2,500	-	(2,500)
Charges for courthouse maintenance	22,000	22,000	15,145	(6,855)
Courthouse construction fees	24,000	24,000	21,989	(2,011)
Charges for courthouse security	62,500	62,500	54,740	(7,760)
Charges for commonwealth's attorney	4,500	4,500	4,894	394
Animal redemption fees	2,000	9,139	10,334	1,195
Charges for sanitation and waste removal	329,000	329,000	327,611	(1,389)
Charges for parks and recreation	7,000	7,000	8,588	1,588
Charges for planning fees	16,000	16,000	22,860	6,860
Charges for project lifesaver program	-	1,065	1,375	310
Total charges for services	\$ 478,000	\$ 491,204	\$ 477,072	\$ (14,132)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 75,980	\$ 120,498	\$ 490,332	\$ 369,834
County fair donations and other revenue	19,000	19,000	21,635	2,635
Insurance recoveries	-	44,083	42,225	(1,858)
Crime prevention collections	-	1,830	1,730	(100)
Total miscellaneous	<u>\$ 94,980</u>	<u>\$ 185,411</u>	<u>\$ 555,922</u>	<u>\$ 370,511</u>
Recovered costs:				
Soil and water conservation technician	\$ 107,536	\$ 129,473	\$ 113,242	\$ (16,231)
Detention home refund	-	38,413	38,413	-
Other recovered costs	10,154	42,490	96,866	54,376
Total recovered costs	<u>\$ 117,690</u>	<u>\$ 210,376</u>	<u>\$ 248,521</u>	<u>\$ 38,145</u>
Total revenue from local sources	<u>\$ 35,394,163</u>	<u>\$ 35,714,102</u>	<u>\$ 36,715,267</u>	<u>\$ 1,001,165</u>
Intergovernmental:				
Revenue from local government:				
Town of South Boston	<u>\$ 151,000</u>	<u>\$ 151,000</u>	<u>\$ 101,803</u>	<u>\$ (49,197)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 70,000	\$ 70,000	\$ 63,247	\$ (6,753)
Mobile home titling tax	45,000	45,000	58,391	13,391
Motor vehicle rental tax	3,050	3,050	3,724	674
State recordation tax	42,000	42,000	47,377	5,377
Personal property tax relief funds	1,503,234	1,503,234	1,503,234	-
Communications taxes	1,100,000	1,100,000	1,062,413	(37,587)
Total noncategorical aid	<u>\$ 2,763,284</u>	<u>\$ 2,763,284</u>	<u>\$ 2,738,386</u>	<u>\$ (24,898)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 454,176	\$ 456,963	\$ 489,006	\$ 32,043
Drug prosecutor	123,100	123,100	124,624	1,524
Sheriff	1,582,678	1,584,645	1,466,280	(118,365)
Commissioner of revenue	131,544	142,201	145,108	2,907
Treasurer	117,276	122,897	121,732	(1,165)
Registrar/electoral board	41,389	42,067	42,999	932
Clerk of the Circuit Court	308,063	341,070	336,792	(4,278)
Total shared expenses	<u>\$ 2,758,226</u>	<u>\$ 2,812,943</u>	<u>\$ 2,726,541</u>	<u>\$ (86,402)</u>
Other categorical aid:				
Emergency medical services grants	\$ 122,000	\$ 122,000	\$ 82,701	\$ (39,299)
Virginia juvenile community crime control act grant	61,824	61,824	63,763	1,939
Fire program funds	70,000	88,650	88,650	-
Other state funds	20,000	25,700	45,910	20,210
Total other categorical aid	<u>\$ 273,824</u>	<u>\$ 298,174</u>	<u>\$ 281,024</u>	<u>\$ (17,150)</u>
Total categorical aid	<u>\$ 3,032,050</u>	<u>\$ 3,111,117</u>	<u>\$ 3,007,565</u>	<u>\$ (103,552)</u>
Total revenue from the Commonwealth	<u>\$ 5,795,334</u>	<u>\$ 5,874,401</u>	<u>\$ 5,745,951</u>	<u>\$ (128,450)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 40,000	\$ 40,000	\$ 45,153	\$ 5,153
Categorical aid:				
Homeland security grant program	\$ -	\$ -	\$ 11,142	\$ 11,142
Total categorical aid	\$ -	\$ -	\$ 11,142	\$ 11,142
Total revenue from the federal government	\$ 40,000	\$ 40,000	\$ 56,295	\$ 16,295
Total General Fund	\$ 41,380,497	\$ 41,779,503	\$ 42,619,316	\$ 839,813
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 59,691	\$ 59,691
Total revenue from local sources	\$ -	\$ -	\$ 59,691	\$ 59,691
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,300,209	\$ 1,300,209	\$ 1,217,986	\$ (82,223)
Children Services Act	2,253,172	2,253,172	2,118,652	(134,520)
Total categorical aid	\$ 3,553,381	\$ 3,553,381	\$ 3,336,638	\$ (216,743)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,524,016	\$ 2,524,016	\$ 2,344,157	\$ (179,859)
Comprehensive Services Act program - Federal	-	-	71,969	71,969
Total categorical aid	\$ 2,524,016	\$ 2,524,016	\$ 2,416,126	\$ (107,890)
Total Virginia Public Assistance Fund	\$ 6,077,397	\$ 6,077,397	\$ 5,812,455	\$ (264,942)
State and Federal Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 27,649	\$ 27,649	\$ 26,150	\$ (1,499)
Total miscellaneous	\$ 27,649	\$ 27,649	\$ 26,150	\$ (1,499)
Total revenue from local sources	\$ 27,649	\$ 27,649	\$ 26,150	\$ (1,499)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Litter control grant	\$ 18,000	\$ 18,000	\$ 17,220	\$ (780)
Community corrections board grant	508,841	514,806	514,806	-
Crime victims grant	18,218	18,218	21,568	3,350
Commission for the arts grant	5,000	5,000	4,500	(500)
Other state funds	-	-	15,879	15,879
Total categorical aid	\$ 550,059	\$ 556,024	\$ 573,973	\$ 17,949
Total revenue from the Commonwealth	\$ 550,059	\$ 556,024	\$ 573,973	\$ 17,949

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 428,400	\$ 22,470	\$ (405,930)
Alcohol open container requirements	-	-	8,935	8,935
National priority safety grant	-	-	3,288	3,288
State and community highway safety	-	-	6,411	6,411
Drug forfeiture	116,666	116,666	10,727	(105,939)
Crime victim assistance	68,053	68,053	80,568	12,515
Total categorical aid	<u>\$ 184,719</u>	<u>\$ 613,119</u>	<u>\$ 132,399</u>	<u>\$ (480,720)</u>
Total revenue from the federal government	<u>\$ 184,719</u>	<u>\$ 613,119</u>	<u>\$ 132,399</u>	<u>\$ (480,720)</u>
Total State and Federal Grants Fund	<u>\$ 762,427</u>	<u>\$ 1,196,792</u>	<u>\$ 732,522</u>	<u>\$ (464,270)</u>
William M. Tuck Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	<u>\$ 60,000</u>	<u>\$ 85,500</u>	<u>\$ 99,918</u>	<u>\$ 14,418</u>
Total revenue from local sources	<u>\$ 60,000</u>	<u>\$ 85,500</u>	<u>\$ 99,918</u>	<u>\$ 14,418</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Airport aid	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 5,637</u>	<u>\$ (363)</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 5,637</u>	<u>\$ (363)</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 5,637</u>	<u>\$ (363)</u>
Revenue from the federal government:				
Categorical aid:				
Airport aid - FAA	<u>\$ -</u>	<u>\$ 160,500</u>	<u>\$ 92,972</u>	<u>\$ (67,528)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 160,500</u>	<u>\$ 92,972</u>	<u>\$ (67,528)</u>
Total William M. Tuck Airport Fund	<u>\$ 60,000</u>	<u>\$ 252,000</u>	<u>\$ 198,527</u>	<u>\$ (53,473)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,126</u>	<u>\$ 237,126</u>
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,126</u>	<u>\$ 237,126</u>
Miscellaneous:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,232</u>	<u>\$ 8,232</u>
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,232</u>	<u>\$ 8,232</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,358</u>	<u>\$ 245,358</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,358</u>	<u>\$ 245,358</u>
Total Primary Government	<u>\$ 48,280,321</u>	<u>\$ 49,305,692</u>	<u>\$ 49,608,178</u>	<u>\$ 302,486</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 425,000	\$ 425,000	\$ 419,019	\$ (5,981)
Total charges for services	\$ 425,000	\$ 425,000	\$ 419,019	\$ (5,981)
Miscellaneous:				
Other miscellaneous	\$ 955,712	\$ 955,712	\$ 644,174	\$ (311,538)
Total revenue from local sources	\$ 1,380,712	\$ 1,380,712	\$ 1,063,193	\$ (317,519)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Halifax, Virginia	\$ 14,328,327	\$ 14,328,327	\$ 15,423,544	\$ 1,095,217
Total revenues from local governments	\$ 14,328,327	\$ 14,328,327	\$ 15,423,544	\$ 1,095,217
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,757,331	\$ 5,757,331	\$ 5,446,690	\$ (310,641)
Basic school aid	15,465,612	15,465,612	15,400,210	(65,402)
Medicaid	-	-	240,348	240,348
Gifted and talented	161,772	161,772	161,432	(340)
Remedial education	822,064	822,064	820,336	(1,728)
Special education	3,420,314	3,420,314	3,413,123	(7,191)
Textbook payment	-	-	82,243	82,243
Vocational standards of quality payments	316,940	316,940	351,888	34,948
Fringe benefits	3,562,277	3,562,277	3,554,787	(7,490)
Early reading intervention	104,779	104,779	95,668	(9,111)
Lottery payments	904,997	904,997	821,675	(83,322)
K-3 Primary class	891,047	891,047	859,336	(31,711)
At risk payments	1,533,789	1,533,789	1,551,549	17,760
Other state funds	1,383,595	1,383,595	2,322,150	938,555
Total categorical aid	\$ 34,324,517	\$ 34,324,517	\$ 35,121,435	\$ 796,918
Total revenue from the Commonwealth	\$ 34,324,517	\$ 34,324,517	\$ 35,121,435	\$ 796,918
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,725,033	\$ 1,795,635	\$ 70,602
Title VI-B, special education flow-through	1,380,712	1,380,712	1,428,250	47,538
Vocational education	-	-	74,973	74,973
Title VI-B, special education pre-school	-	-	99,154	99,154
English language acquisition grants	-	-	428	428
School improvement grants	-	-	112,223	112,223
Title II, Part A; Improving teacher quality - state grants	-	-	198,935	198,935
JROTC	-	-	26,486	26,486
Title VI, Rural and low income schools	-	-	88,717	88,717
AP incentive payments	-	-	-	-
Other federal funds	3,837,733	2,112,700	-	(2,112,700)
Total categorical aid	\$ 5,218,445	\$ 5,218,445	\$ 3,824,801	\$ (1,393,644)
Total revenue from the federal government	5,218,445	5,218,445	3,824,801	(1,393,644)
Total School Operating Fund	\$ 55,252,001	\$ 55,252,001	\$ 55,432,973	\$ 180,972

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 635,000	\$ 635,000	\$ 634,505	\$ (495)
Total revenue from local sources	\$ 635,000	\$ 635,000	\$ 634,505	\$ (495)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ -	\$ -	\$ 35,803	\$ 35,803
Total revenue from the Commonwealth	\$ -	\$ -	\$ 35,803	\$ 35,803
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 2,215,000	\$ 2,215,000	\$ 2,210,207	\$ (4,793)
Total revenue from the federal government	\$ 2,215,000	\$ 2,215,000	\$ 2,210,207	\$ (4,793)
Total School Cafeteria Fund	\$ 2,850,000	\$ 2,850,000	\$ 2,880,515	\$ 30,515
School Textbook Fund:				
Revenue from local sources:				
Charges for services:				
Textbook rentals	\$ -	\$ -	\$ 543,480	\$ 543,480
Total charges for services	\$ -	\$ -	\$ 543,480	\$ 543,480
Total School Textbook Fund	\$ -	\$ -	\$ 543,480	\$ 543,480
Capital Projects Fund:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 984	\$ 984
Total revenue from use of money and property	\$ -	\$ -	\$ 984	\$ 984
Total revenue from local sources	\$ -	\$ -	\$ 984	\$ 984
Total School Capital Improvements Fund	\$ -	\$ -	\$ 984	\$ 984
Total Discretely Presented Component Unit-School Board	\$ 58,102,001	\$ 58,102,001	\$ 58,857,952	\$ 755,951

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 213,858	\$ 226,462	\$ 211,295	\$ 15,167
General and financial administration:				
County administrator	\$ 287,715	\$ 288,784	\$ 281,870	\$ 6,914
Legal services	65,000	65,000	45,570	19,430
Commissioner of revenue	373,232	390,603	381,403	9,200
Assessment	215,082	216,635	203,889	12,746
Treasurer	433,007	443,491	433,435	10,056
Central accounting	539,530	575,970	566,608	9,362
Professional services	61,500	61,500	53,900	7,600
Total general and financial administration	\$ 1,975,066	\$ 2,041,983	\$ 1,966,675	\$ 75,308
Board of elections:				
Electoral board and officials	\$ 97,707	\$ 97,707	\$ 83,928	\$ 13,779
Registrar	109,313	111,204	113,059	(1,855)
Total board of elections	\$ 207,020	\$ 208,911	\$ 196,987	\$ 11,924
Total general government administration	\$ 2,395,944	\$ 2,477,356	\$ 2,374,957	\$ 102,399
Judicial administration:				
Courts:				
Circuit court	\$ 49,694	\$ 50,819	\$ 47,208	\$ 3,611
General district court	18,750	18,750	18,107	643
Special magistrates	2,400	2,400	2,497	(97)
Juvenile and domestic relations district court	16,150	16,150	13,735	2,415
Law library	8,500	13,500	13,185	315
Courthouse security	304,874	308,953	257,908	51,045
Courthouse maintenance	22,000	22,000	-	22,000
Clerk of the circuit court	533,362	587,149	558,661	28,488
Total courts	\$ 955,730	\$ 1,019,721	\$ 911,301	\$ 108,420
Commonwealth's attorney:				
Commonwealth's attorney	\$ 653,758	\$ 687,074	\$ 663,071	\$ 24,003
Multi-jurisdictional drug prosecutor	149,265	158,771	161,370	(2,599)
Total commonwealth's attorney	\$ 803,023	\$ 845,845	\$ 824,441	\$ 21,404
Total judicial administration	\$ 1,758,753	\$ 1,865,566	\$ 1,735,742	\$ 129,824
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,966,087	\$ 3,162,347	\$ 2,867,036	\$ 295,311
Emergency operations center	985,559	999,948	924,520	75,428
Total law enforcement and traffic control	\$ 3,951,646	\$ 4,162,295	\$ 3,791,556	\$ 370,739

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 753,639	\$ 793,158	\$ 800,259	\$ (7,101)
Ambulance and rescue services	199,775	202,769	200,143	2,626
Emergency services	120,359	119,920	111,272	8,648
Forestry service	31,887	31,887	31,887	-
Total fire and rescue services	<u>\$ 1,105,660</u>	<u>\$ 1,147,734</u>	<u>\$ 1,143,561</u>	<u>\$ 4,173</u>
Correction and detention:				
Regional jail and other corrections	<u>\$ 2,839,228</u>	<u>\$ 2,857,962</u>	<u>\$ 2,854,830</u>	<u>\$ 3,132</u>
Inspections:				
Building	<u>\$ 235,010</u>	<u>\$ 264,771</u>	<u>\$ 260,612</u>	<u>\$ 4,159</u>
Other protection:				
Animal control	\$ 279,644	\$ 291,299	\$ 268,191	\$ 23,108
Medical examiner	500	500	400	100
Total other protection	<u>\$ 280,144</u>	<u>\$ 291,799</u>	<u>\$ 268,591</u>	<u>\$ 23,208</u>
Total public safety	<u>\$ 8,411,688</u>	<u>\$ 8,724,561</u>	<u>\$ 8,319,150</u>	<u>\$ 405,411</u>
Public works:				
Sanitation and waste removal:				
Public works and environmental services	\$ 2,239,632	\$ 2,516,143	\$ 2,370,285	\$ 145,858
Contribution to Halifax County Service Authority -debt service	122,013	122,013	122,013	-
Total sanitation and waste removal	<u>\$ 2,361,645</u>	<u>\$ 2,638,156</u>	<u>\$ 2,492,298</u>	<u>\$ 145,858</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 936,120</u>	<u>\$ 939,595</u>	<u>\$ 769,564</u>	<u>\$ 170,031</u>
Total public works	<u>\$ 3,297,765</u>	<u>\$ 3,577,751</u>	<u>\$ 3,261,862</u>	<u>\$ 315,889</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 249,199</u>	<u>\$ 249,199</u>	<u>\$ 249,199</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 35,135	\$ (35,135)
Other social services	12,000	12,000	12,000	-
Total welfare	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 47,135</u>	<u>\$ (35,135)</u>
Total health and welfare	<u>\$ 411,199</u>	<u>\$ 411,199</u>	<u>\$ 446,334</u>	<u>\$ (35,135)</u>

Schedule of Expenditures - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 96,319	\$ 96,319	\$ 96,319	\$ -
Contribution to County School Board	13,897,077	13,897,077	14,992,294	(1,095,217)
Total education	<u>\$ 13,993,396</u>	<u>\$ 13,993,396</u>	<u>\$ 15,088,613</u>	<u>\$ (1,095,217)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 212,216	\$ 243,315	\$ 176,954	\$ 66,361
Contribution to YMCA	6,500	6,500	1,625	4,875
County fair	34,000	41,033	28,423	12,610
Total parks and recreation	<u>\$ 252,716</u>	<u>\$ 290,848</u>	<u>\$ 207,002</u>	<u>\$ 83,846</u>
Library:				
Contribution to county library	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 447,716</u>	<u>\$ 485,848</u>	<u>\$ 402,002</u>	<u>\$ 83,846</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 63,709	\$ 74,426	\$ 81,448	\$ (7,022)
Tri-County Community Action Agency	50,766	50,766	38,073	12,693
Southside Planning District	45,301	45,301	45,301	-
Halifax County tourism	125,791	144,006	155,750	(11,744)
Contribution to Industrial Development Authority	543,122	543,122	506,453	36,669
Total planning and community development	<u>\$ 828,689</u>	<u>\$ 857,621</u>	<u>\$ 827,025</u>	<u>\$ 30,596</u>
Environmental management:				
Environmental management	<u>\$ 125,536</u>	<u>\$ 147,473</u>	<u>\$ 129,971</u>	<u>\$ 17,502</u>
Cooperative extension program:				
Extension office	\$ 115,543	\$ 115,543	\$ 114,471	\$ 1,072
Agricultural development agent	77,500	98,860	83,760	15,100
Total cooperative extension program	<u>\$ 193,043</u>	<u>\$ 214,403</u>	<u>\$ 198,231</u>	<u>\$ 16,172</u>
Total community development	<u>\$ 1,147,268</u>	<u>\$ 1,219,497</u>	<u>\$ 1,155,227</u>	<u>\$ 64,270</u>
Nondepartmental:				
Miscellaneous	\$ 308,500	\$ 61,927	\$ 82,542	\$ (20,615)
Total nondepartmental	<u>\$ 308,500</u>	<u>\$ 61,927</u>	<u>\$ 82,542</u>	<u>\$ (20,615)</u>

Schedule of Expenditures - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 4,087,831	\$ 4,087,831	\$ 4,163,449	\$ (75,618)
Interest and other fiscal charges	2,694,508	2,694,508	2,269,231	425,277
Total debt service	<u>\$ 6,782,339</u>	<u>\$ 6,782,339</u>	<u>\$ 6,432,680</u>	<u>\$ 349,659</u>
Total General Fund	<u>\$ 38,954,568</u>	<u>\$ 39,599,440</u>	<u>\$ 39,299,109</u>	<u>\$ 300,331</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration and assistance	\$ 4,820,550	\$ 4,820,550	\$ 4,146,572	\$ 673,978
Comprehensive services	3,031,847	3,031,847	2,597,928	433,919
Total welfare and social services	<u>\$ 7,852,397</u>	<u>\$ 7,852,397</u>	<u>\$ 6,744,500</u>	<u>\$ 1,107,897</u>
Total Virginia Public Assistance Fund	<u>\$ 7,852,397</u>	<u>\$ 7,852,397</u>	<u>\$ 6,744,500</u>	<u>\$ 1,107,897</u>
State and Federal Grants Fund:				
Judicial administration:				
Courts:				
Crime victims grant	\$ 86,271	\$ 87,244	\$ 61,350	\$ 25,894
Federal drug court	144,315	144,895	55,841	89,054
Refurbishing clerk of circuit court	-	-	15,879	(15,879)
Total judicial administration	<u>\$ 230,586</u>	<u>\$ 232,139</u>	<u>\$ 133,070</u>	<u>\$ 99,069</u>
Public safety:				
Correction and detention:				
Community corrections board	\$ 508,841	\$ 514,806	\$ 503,157	\$ 11,649
Total public safety	<u>\$ 508,841</u>	<u>\$ 514,806</u>	<u>\$ 503,157</u>	<u>\$ 11,649</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Commission for the Arts	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Improvement council	\$ 18,000	\$ 18,000	\$ 14,818	\$ 3,182
Housing grant - Sunnybrook	-	428,000	82,270	345,730
Halifax downtown project	<u>-</u>	<u>6,500</u>	<u>1,020</u>	<u>5,480</u>
Total community development	<u>\$ 18,000</u>	<u>\$ 452,500</u>	<u>\$ 98,108</u>	<u>\$ 354,392</u>
Total State and Federal Grants Fund	<u>\$ 767,427</u>	<u>\$ 1,209,445</u>	<u>\$ 744,335</u>	<u>\$ 465,110</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
William M. Tuck Airport Fund:				
Community development:				
Planning and community development:				
Airport expenditures	\$ 60,000	\$ 102,500	\$ 100,379	\$ 2,121
Capital projects:				
Capital projects	\$ -	\$ 166,500	\$ 158,869	\$ 7,631
Total William M. Tuck Airport Fund	<u>\$ 60,000</u>	<u>\$ 269,000</u>	<u>\$ 259,248</u>	<u>\$ 9,752</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Education:				
Contribution to County School Board	\$ 431,250	\$ 431,250	\$ 431,250	\$ -
Capital projects expenditures:				
VFD capital project	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
VISION - CAMA system	-	60,742	-	60,742
Broadband system	100,000	120,000	5,969	114,031
Accounting software	-	75,000	32,580	42,420
Farm Service building renovation	-	19,272	21,890	(2,618)
Commonwealth Attorney renovation	-	-	4,167	(4,167)
School building improvements	170,000	120,000	32,630	87,370
Phase I: Sheriffs office renovation	-	2,294,270	1,879,023	415,247
STEM Center renovation	-	135,699	-	135,699
Event center	-	246,978	24,859	222,119
Courthouse renovation	-	16,306,521	2,395,860	13,910,661
Volunteer fire department projects	250,000	250,000	250,000	-
Other capital projects	299,501	219,181	25,000	194,181
Total capital projects	<u>\$ 919,501</u>	<u>\$ 19,947,663</u>	<u>\$ 4,771,978</u>	<u>\$ 15,175,685</u>
Total County Capital Projects Fund	<u>\$ 1,350,751</u>	<u>\$ 20,378,913</u>	<u>\$ 5,203,228</u>	<u>\$ 15,175,685</u>
Total Primary Government	<u>\$ 48,985,143</u>	<u>\$ 69,309,195</u>	<u>\$ 52,250,420</u>	<u>\$ 17,058,775</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board and administration	\$ 3,044,750	\$ 3,044,750	\$ 3,359,869	\$ (315,119)
Instruction costs:				
Elementary and secondary schools	\$ 39,559,082	\$ 39,559,082	\$ 38,546,625	\$ 1,012,457
Federal programs	3,300,000	3,300,000	2,816,876	483,124
Total instruction costs	<u>\$ 42,859,082</u>	<u>\$ 42,859,082</u>	<u>\$ 41,363,501</u>	<u>\$ 1,495,581</u>
Operating costs:				
Pupil transportation	\$ 4,258,413	\$ 4,258,413	\$ 5,635,398	\$ (1,376,985)
Operation and maintenance of school plant	4,977,865	4,977,865	4,962,314	15,551
Total operating costs	<u>\$ 9,236,278</u>	<u>\$ 9,236,278</u>	<u>\$ 10,597,712</u>	<u>\$ (1,361,434)</u>
Total education	<u>\$ 55,140,110</u>	<u>\$ 55,140,110</u>	<u>\$ 55,321,082</u>	<u>\$ (180,972)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Debt service:				
Principal retirement	\$ 106,342	\$ 106,342	\$ 106,342	\$ -
Interest and other fiscal charges	5,549	5,549	5,549	-
Total debt service	<u>\$ 111,891</u>	<u>\$ 111,891</u>	<u>\$ 111,891</u>	<u>\$ -</u>
 Total School Operating Fund	 <u>\$ 55,252,001</u>	 <u>\$ 55,252,001</u>	 <u>\$ 55,432,973</u>	 <u>\$ (180,972)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services	\$ 2,850,000	\$ 2,850,000	\$ 2,646,228	\$ 203,772
 Total School Cafeteria Fund	 <u>\$ 2,850,000</u>	 <u>\$ 2,850,000</u>	 <u>\$ 2,646,228</u>	 <u>\$ 203,772</u>
School Textbook Fund:				
Education:				
Instruction	\$ -	\$ -	\$ 304,584	\$ (304,584)
 Total School Textbook Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 304,584</u>	 <u>\$ (304,584)</u>
School Capital Projects Fund:				
Capital projects expenditures:				
School construction projects	\$ -	\$ -	\$ 797,184	\$ (797,184)
Total capital projects	<u>-</u>	<u>-</u>	<u>797,184</u>	<u>(797,184)</u>
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,184</u>	<u>\$ (797,184)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 58,102,001</u>	 <u>\$ 58,102,001</u>	 <u>\$ 59,180,969</u>	 <u>\$ (1,078,968)</u>

Other Statistical Information

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COUNTY OF HALIFAX, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Administration	Public Safety		Public Works	Health and Welfare		Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt		Business-Type Activities (1)	Total
	Administration														
2008-09	\$ 2,312,849	\$ 1,405,780	\$ 7,804,899	\$ 3,990,358	\$ 8,085,471	\$ 18,242,542	\$ 612,848	\$ 1,767,995	\$ 2,815,705	\$ -	\$ 47,038,447				
2009-10	3,090,119	1,429,764	7,325,326	3,812,180	7,787,497	16,063,821	552,569	2,002,198	2,585,383	-	44,648,857				
2010-11	2,418,864	1,482,464	7,564,127	5,195,264	7,904,249	17,312,615	632,558	1,680,884	2,471,149	-	46,662,174				
2011-12	2,272,954	1,487,486	7,594,784	3,752,716	7,760,643	16,442,784	436,121	2,132,612	2,346,703	-	44,226,803				
2012-13	2,325,357	1,596,842	7,458,534	3,531,002	7,551,029	16,578,196	474,772	2,754,844	2,240,418	-	44,510,994				
2013-14	2,198,400	1,638,022	7,190,142	3,810,125	6,813,100	17,009,842	454,679	2,014,030	1,177,375	-	42,305,715				
2014-15	2,245,594	1,623,467	8,236,832	3,238,819	6,958,509	16,189,829	413,002	1,249,001	2,000,501	-	42,155,554				
2015-16	2,173,095	1,971,714	8,892,448	3,380,010	7,117,283	17,100,618	418,643	1,313,406	1,815,323	-	44,182,540				
2016-17	2,390,611	1,852,914	8,463,570	3,627,228	7,371,651	17,174,191	407,567	1,139,119	2,307,304	-	44,734,155				
2017-18	2,404,121	1,814,319	9,147,202	3,928,409	7,072,573	18,762,954	416,412	1,196,735	1,880,020	-	46,622,745				

Table includes primary government only.

(1) The water and sewer operations, including the blended component unit, were transferred to the Halifax County Service Authority during FY 2008.

COUNTY OF HALIFAX, VIRGINIA

Table 2

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes (1)	Unrestricted Investment Earnings	Miscellaneous	Restricted to Specific Programs (1)
2008-09	\$ 638,515	\$ 9,801,128	\$ 1,177,293	\$ 24,538,078	\$ 5,905,056	\$ 589,508	\$ 437,425	\$ 1,502,504	\$ 44,589,507
2009-10	695,753	9,934,844	347,708	23,945,473	4,686,780	411,274	1,104,045	2,658,996	43,784,873
2010-11	690,073	9,353,614	440,717	23,996,264	4,834,750	406,707	854,368	2,577,185	43,153,678
2011-12	620,628	9,329,540	1,442,756	22,779,396	5,236,780	394,117	519,922	2,602,321	42,925,460
2012-13	672,784	9,034,629	1,461,144	24,306,577	6,164,352	343,065	302,982	2,667,870	44,953,403
2013-14	706,508	8,537,054	928,245	24,807,716	6,583,756	343,804	507,624	2,897,174	45,311,881
2014-15	741,032	8,951,159	201,229	25,366,255	7,086,089	314,961	309,273	2,874,716	45,844,714
2015-16	694,359	9,104,536	17,124	26,313,725	6,725,483	346,296	521,278	2,837,831	46,560,632
2016-17	706,430	9,430,222	639,097	27,264,924	6,680,061	427,396	358,835	2,823,257	48,330,222
2017-18	712,528	9,579,646	98,609	28,200,822	6,686,235	637,656	649,995	2,783,539	49,349,030

Table includes primary government only.

(1) Beginning in fiscal year 2010 communication tax revenue is reported as noncategorical aid from Commonwealth. In prior years, communication tax revenue was reported as other local taxes.

COUNTY OF HALIFAX, VIRGINIA

Table 3

General Governmental Expenditures by Function

Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Adminis- tration	Public Safety		Public Works	Health and Welfare		Parks, Recreation, and Cultural		Community Development	Non- Departmental	Debt Service	Total
	Adminis- tration													
2008-09	\$ 2,141,122	\$ 1,391,667	\$ 7,440,463	\$ 3,325,895	\$ 8,019,717	\$ 64,323,460	\$ 591,205	\$ 1,763,924	\$ 391,150	\$ 6,051,488	\$ 95,440,091			
2009-10	2,630,693	1,419,225	7,397,339	3,175,611	7,733,969	61,376,043	584,207	2,387,062	418,979	5,885,023	93,008,151			
2010-11	2,186,834	1,471,621	7,242,714	3,712,592	7,875,823	61,062,113	598,521	1,778,597	351,167	6,011,756	92,291,738			
2011-12	2,170,032	1,466,653	7,524,324	3,111,801	7,765,276	57,736,555	397,131	2,347,462	236,293	5,496,482	88,252,009			
2012-13	2,241,420	1,589,595	7,625,905	3,322,434	7,524,746	57,919,116	427,362	2,866,356	133,077	5,503,566	89,153,577			
2013-14	2,233,023	1,654,197	7,794,656	3,080,549	6,744,418	55,173,973	442,560	2,090,780	131,883	4,784,580	84,130,619			
2014-15	2,208,915	1,656,372	8,468,444	3,477,487	7,128,536	55,971,025	412,663	1,382,070	753	5,640,779	86,347,044			
2015-16	2,143,280	1,748,263	8,867,753	3,186,652	7,379,474	57,061,154	443,764	1,419,642	64,342	5,617,723	87,932,047			
2016-17	2,276,628	1,833,593	8,478,787	2,962,589	7,479,213	57,381,775	425,325	1,256,108	112,162	5,852,201	88,058,381			
2017-18	2,374,957	1,868,812	8,822,307	3,261,862	7,190,834	58,368,213	412,002	1,353,714	82,542	6,544,571	90,279,814			

Table includes General and Special Revenue funds of the Primary Government and Discretely Presented Component Unit - School Board.

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

COUNTY OF HALIFAX, VIRGINIA

Table 4

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes (2)		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental (1)(2)		Total	
2008-09	\$	24,346,869	\$	5,905,056	\$	122,761	\$	73,379	\$	591,734	\$	2,334,130	\$	1,536,350	\$	121,259	\$	60,305,548	\$	95,337,086
2009-10		23,509,675		4,686,780		130,416		62,043		413,567		2,131,400		2,786,770		124,571		59,105,452		92,950,674
2010-11		24,004,456		4,834,750		141,352		74,226		407,741		1,555,945		2,718,034		261,080		56,726,586		90,724,170
2011-12		22,052,531		5,236,780		134,832		60,924		394,157		1,438,063		2,545,673		427,976		54,432,215		86,723,151
2012-13		24,546,393		6,164,352		154,721		62,785		343,065		1,355,080		1,959,857		903,938		54,462,534		89,952,725
2013-14		24,894,828		6,583,756		185,344		73,681		342,926		1,159,147		1,945,739		739,564		52,160,431		88,085,416
2014-15		25,975,109		7,083,089		181,932		89,105		311,928		1,267,571		2,002,311		612,170		52,608,090		90,131,305
2015-16		26,236,246		6,725,483		144,763		66,606		339,598		1,309,056		2,027,740		202,997		52,962,072		90,014,561
2016-17		26,818,027		6,680,061		173,170		111,148		344,945		1,237,451		1,109,865		458,276		54,723,696		91,656,639
2017-18		28,211,449		6,686,235		149,386		86,070		400,530		2,074,076		1,285,937		248,521		53,654,040		92,796,244

Table includes General and Special Revenue funds of the Primary Government and Discretely Presented Component Unit - School Board.

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

(2) Beginning in fiscal year 2010 communication tax revenue is reported as noncategorical aid from Commonwealth. In prior years, communication tax revenue was reported as other local taxes.

COUNTY OF HALIFAX, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax		Current Tax		Delinquent Tax		Total Tax		Percent of Current Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1,2)		Percent of Delinquent Taxes to Current Tax Levy	
	Levy (1,3,4)	Collections (1)	Collections (1)(5)	Tax	Collections (1)(5)	Tax	Collections	Tax	to Tax Levy		Taxes (1,2)		Tax Levy	
2008-09	\$ 25,471,645	\$ 25,086,207	\$ 199,676	\$ 25,285,883	\$ 98.49%	\$ 2,164,820	8.50%							
2009-10	24,450,576	23,182,891	1,252,839	24,435,730	94.82%	2,279,104	9.32%							
2010-11	24,968,092	22,516,171	2,446,207	24,962,378	90.18%	2,380,138	9.53%							
2011-12	23,760,658	20,348,558	2,546,293	22,894,851	85.64%	1,856,116	7.81%							
2012-13	25,032,718	22,313,363	2,972,629	25,285,992	89.14%	1,742,146	6.96%							
2013-14	25,423,840	23,063,969	2,718,690	25,782,659	90.72%	1,886,208	7.42%							
2014-15	26,260,762	22,795,740	3,834,801	26,630,541	86.81%	1,906,508	7.26%							
2015-16	27,063,589	24,486,314	2,443,952	26,930,266	90.48%	2,254,834	8.33%							
2016-17	27,820,071	24,555,238	2,936,579	27,491,817	88.26%	2,457,035	8.83%							
2017-18	28,865,077	26,422,667	2,308,198	28,730,865	91.54%	2,557,521	8.86%							

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(4) In fiscal year 2008 the County assessed and billed property taxes in installments, Dec. 5 and June 5

(5) Delinquent tax collections represent total delinquent taxes collected by fiscal year not tax assessment year.

COUNTY OF HALIFAX, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)(3)	Personal Property (1)	Machinery and Tools		Mobile Homes	Public Utility (2)	Total
2008-09	\$ 2,582,057,659	\$ 221,649,707	\$ 118,967,559	\$	24,513,892	\$ 1,025,725,027	\$ 3,972,913,844
2009-10	2,642,838,286	194,222,175	105,229,100		24,281,492	1,071,208,087	4,037,779,140
2010-11	2,682,107,141	195,399,423	102,266,400		21,607,200	1,144,472,640	4,145,852,804
2011-12	2,642,140,247	208,849,364	104,232,700		21,636,849	1,043,796,759	4,020,655,919
2012-13	2,611,941,867	206,995,250	115,491,600		21,858,449	939,796,330	3,896,083,496
2013-14	2,604,844,290	216,430,806	109,754,900		21,548,300	974,075,062	3,926,653,358
2014-15	2,592,875,041	214,359,000	113,167,200		18,805,800	1,012,476,276	3,951,683,317
2015-16	2,610,672,606	220,453,300	104,637,400		19,919,600	1,060,511,659	4,016,194,565
2016-17	2,626,126,937	232,771,900	108,532,100		18,811,900	1,092,693,520	4,078,936,357
2017-18	2,625,339,034	242,403,900	108,262,200		18,806,000	1,122,256,625	4,117,067,759

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

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

(3) Starting in FY 2009, real estate is collected semi-annually, assessments are reported on the fiscal year basis.

COUNTY OF HALIFAX, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (2)	Personal Property	Machinery and Tools
2008-09	\$ 0.44	\$ 3.60	\$ 1.26
2009-10	.44 / .43	3.60	1.26
2010-11	.43 / .43	3.60	1.26
2011-12	.43 / .45	3.60	1.26
2012-13	.45 / .45	3.60	1.26
2013-14	.45 / .46	3.60	1.26
2014-15	.46 / .48	3.60	1.26
2015-16	.48 / .48	3.60	1.26
2016-17	.48 / .48	3.60	1.26
2017-18	.48 / .48	3.85	1.26

(1) Per \$100 of assessed value.

(2) In fiscal year 2008 the County assessed and billed property taxes in installments, Dec. 5 and June 5

The rates include first and second half installments, respectively.

COUNTY OF HALIFAX, VIRGINIA

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	36,700	\$ 2,582,058	\$ 61,471,134	\$ 61,471,134	2.38%	\$ 1,675
2009-10	36,700	2,642,838	58,708,346	58,708,346	2.22%	1,600
2010-11	36,241	2,682,107	55,850,717	55,850,717	2.08%	1,541
2011-12	36,241	2,642,140	53,109,975	53,109,975	2.01%	1,465
2012-13	35,849	2,611,942	50,276,791	50,276,791	1.92%	1,402
2013-14	35,407	2,604,844	47,353,729	47,353,729	1.82%	1,337
2014-15	35,200	2,592,875	44,325,482	44,325,482	1.71%	1,259
2015-16	35,125	2,610,673	41,173,927	41,173,927	1.58%	1,172
2016-17	35,125	2,626,127	37,898,511	37,898,511	1.44%	1,079
2017-18	34,563	2,625,339	34,485,686	34,485,686	1.31%	998

(1) US Census Bureau - population estimates

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

(3) Includes all long-term general obligation bonded debt, general obligation notes, and literary fund loans.

Excludes revenue bonds, landfill liabilities, capital leases, compensated absences, net pension liability and OPEB liabilities.

COUNTY OF HALIFAX, VIRGINIA

Table 9

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2008-09	\$ 3,066,056	\$ 3,047,366	\$ 6,113,422	\$ 95,440,091	6.41%
2009-10	3,118,375	2,816,570	5,934,945	93,008,151	6.38%
2010-11	3,293,277	2,649,193	5,942,470	92,291,738	6.44%
2011-12	2,938,897	2,557,585	5,496,482	88,252,009	6.23%
2012-13	3,055,320	2,448,246	5,503,566	89,153,577	6.17%
2013-14	3,281,525	1,503,055	4,784,580	84,130,619	5.69%
2014-15	3,028,247	1,933,163	4,961,410	86,347,044	5.75%
2015-16	3,601,356	2,016,367	5,617,723	87,932,047	6.39%
2016-17	3,677,311	2,174,890	5,852,201	88,058,381	6.65%
2017-18	4,269,791	2,274,780	6,544,571	90,279,814	7.25%

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of
the Board of Supervisors
County of Halifax, 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, discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, 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 Halifax, Virginia's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox Associates".

Charlottesville, Virginia
November 26, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Memers of
the Board of Supervisors
County of Halifax, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Halifax, 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 the County of Halifax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Halifax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Halifax, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 26, 2018

COUNTY OF HALIFAX, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950117/0950116	\$ 2,912
Temporary Assistance for Needy Families (TANF)	93.558	0400118/0400117	381,311
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500117	588
Low-income Home Energy Assistance	93.568	0600417/0600418	55,647
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	65,300
Chafee Education and Training Vouchers Program	93.599	9160117	311
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	1,361
Foster Care - Title IV-E	93.658	1100117/1100118	302,456
Adoption Assistance	93.659	1120117/1120118	263,135
Social Services Block Grant	93.667	1000117/1000118	322,915
Chafee Foster Care Independence Program	93.674	9150117/9150118	4,040
Children's Health Insurance Program	93.767	0540117/0540118	18,465
Medical Assistance Program	93.778	1200117/1200118	488,629
Total Department of Health and Human Services			\$ 1,907,070
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	2017IN109941/2018IN16109941	\$ 194,265
Department of Education:			
National School Lunch Program	10.555	2017IN109941/2018IN16109941	1,410,869
Subtotal CFDA 10.555			\$ 1,605,134
School Breakfast Program	10.553	2017IN109941/2018IN16109941	528,308
Summer Food Service Program for Children	10.559	N/A	40,664
Subtotal Child Nutrition Cluster			\$ 2,174,106
Department of Education:			
Child and Adult Care Food Program	10.558	201817N202041/201818N109941	2,784
Fresh Fruit and Vegetable Program	10.582	2017IL160341/2018IL160341	33,317
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118/0040118/0040117	478,035
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP	10.596	0060115	31,021
Total Department of Agriculture			\$ 2,719,263
Department of Defense:			
Direct payments:			
ROTC Language and Culture Training Grants	12.357		\$ 26,486
Total Department of Defense			\$ 26,486

COUNTY OF HALIFAX, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/States' Program and Non-Entitlement Grants in Hawaii	14.228	CAMS 17PG04	\$ 22,470
Total Department of Housing and Urban Development			\$ 22,470
Department of Justice:			
Direct payments:			
Drug Court Discretionary Grant Program	16.585		\$ 10,727
Pass Through Payments:			
Virginia Department of Criminal Justice:			
Crime Victim Assistance	16.575	15VAGX0043	\$ 80,568
Total Department of Justice			\$ 91,295
Department of Transportation:			
Direct payments:			
Airport Improvement Program	20.106		\$ 92,972
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SC-2017-57184-6833	\$ 6,411
National Priority Safety Programs	20.616	FDL*AL-2018-58427-8437	3,288
Subtotal Highway Safety Cluster			9,699
Alcohol Open Container Requirements	20.607	154AL-2017-57185-6834	8,935
Total Department of Transportation			\$ 111,606
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.067	201707019787	\$ 11,142
Total Department of Homeland Security			\$ 11,142
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A150046/S010A160046/S010A170046	\$ 1,795,635
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A160107/H027A150107/H027A170107	1,428,250
Special Education - Preschool Grants	84.173	H173A150112/H173A160112/H173A170112	99,154
Subtotal Special Education Cluster			1,527,404
Career and Technical Education: Basic Grants to States	84.048	V048A160046/V048A150046/V048A170046	74,973
Supporting Effective Instruction State Grants	84.367	S367A150044/S367A140044	198,935
School Improvement Grants	84.377	S377A140047	112,223
English Language Acquisition State Grants	84.365	S365A160046	428
Rural Education	84.358	S358B160046/S358B170046	88,717
Total Department of Education			\$ 3,798,315
Total Expenditures of Federal Awards			\$ 8,687,647

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF HALIFAX, 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 ("Schedule") includes the federal award activity of the County of Halifax, 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 for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Halifax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Halifax, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Indirect Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	56,295
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Special Revenue Funds:

Virginia Public Assistance Fund		2,416,126
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State and Federal Grants Fund		132,399
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William M. Tuck Airport Fund		92,972
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Total primary government	\$	<u>2,697,792</u>
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Component Unit School Board:

School Operating Fund	\$	3,824,801
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School Cafeteria Fund		2,210,207
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Total component unit School Board	\$	<u>6,035,008</u>
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Less amounts not reported on Schedule of Expenditures of Federal Awards

Department of Interior - Payments in lieu of taxes	15.226	<u>(45,153)</u>
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Total federal expenditures per basic financial statements	\$	<u>8,687,647</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>8,687,647</u></u>
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Note 7 - Loan Balances

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

COUNTY OF HALIFAX, 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?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a)	No
Identification of major programs:	

CFDA #	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program
10.555	Food Distribution
10.559	Summer Food Service Program for Children
10.553	School Breakfast Program
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

2017-001 - Requesting Reimbursement of Expenditures / Recording Accruals

Condition:

The School Board is requesting reimbursement of funds routinely under the Title VI-B Special Education Cluster, however certain requests for reimbursement of funds do not correspond to the expenditures incurred in the fiscal year. The requests for reimbursement under the Title VI-B program for salaries and benefits represent salaries and benefits paid in a prior year fiscal year. The expenditures are valid and reasonable however the reimbursement revenue is not recorded in the proper fiscal year. Further, the School Board did not record a grant/accounts receivable recognizing the revenue in the proper fiscal year.

Recommendation:

The School Board should evaluate the procedures for requesting funds under all grant funded programs to ensure timely request for reimbursement of funds for expenditures incurred in the current fiscal year and implement procedures sufficient to record all material revenue accruals.

Current Status:

Management resolved this matter during fiscal year 2018 and therefore the finding was not present for the fiscal year ending June 30, 2018.

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