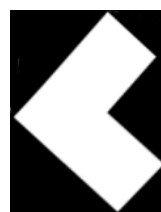


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2018



***Creedle, Jones
& Alga, P.C.***
Certified Public Accountants

County of Mecklenburg, Virginia

Table of Contents

Year Ended June 30, 2018

	Pages
FINANCIAL SECTION	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-8
Basic Financial Statements	
Exhibits	
Government-Wide Financial Statements	
1 Statement of Net Position	9
2 Statement of Activities	10
Fund Financial Statements	
3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5 Statement of Fiduciary Assets and Liabilities	15
Notes to the Financial Statements	16-84
Required Supplementary Information	
Exhibit	
6 Budgetary Comparison Schedule – General Fund, Public Assistance Fund, and Comprehensive Services Fund	85-91
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	92-93
Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan	94
Schedule of Employer Contributions	95
Notes to Required Supplementary Information	96-97
Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program	98-100
Schedule of County Contributions – OPEB Group Life Insurance (GLI)	101

	Pages
Notes to Required Supplementary Information for OPEB Group Life Insurance	102-104
Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher	105
Schedule of County Contributions – Teachers' Health Insurance Credit	106
Notes to Required Supplementary Information – HIC OPEB Teacher	107
Schedule of Changes in the Political Subdivision's Net OPEB Retiree Health Insurance Liability and Related Ratios	108
Schedule of County Contributions – OPEB Retiree Health Insurance	109
Schedule of Changes in the School Board's Net OPEB Retiree Health Insurance Liability and Related Ratios	110
Schedule of County Contributions – OPEB Retiree Health Insurance – School Board	111

Other Supplementary Information

Schedules

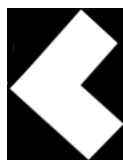
1	Combining Balance Sheet – Other Governmental Funds	112
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	113
3	Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	114
4	Component Unit School Board – Combining Balance Sheet and Component Unit School Board – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	115-116
5	Component Unit School Board – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and Component Unit School Board – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	117-118
6	Budgetary Comparison Schedule – Component Unit School Board – School Operating Fund	119-120
7	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Net Position	121
8	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Revenues, Expenses, and Changes in Net Position	122
9	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Cash Flows	123

COMPLIANCE (SINGLE AUDIT) SECTION

	Pages
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	124-125
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	126-127
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	128-129
Schedule of Expenditures of Federal Awards	130-131
Notes to Schedule of Expenditures of Federal Awards	132
Schedule of Findings and Questioned Costs	133

FINANCIAL SECTION





**Creedle
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, 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 Mecklenburg, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 and specifications 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 auditor's 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer's share of net pension liability – VRS teacher retirement plan, schedule of employer contributions, notes to required supplementary information, schedule of employer's share of net OPEB liability group life insurance program, schedule of County contributions – OPEB GLI, notes to required supplementary information for OPEB GLI, schedule of employer's share of net OPEB liability health insurance credit program teacher, schedule of County contributions – teachers' HIC, notes to required supplementary information – HIC OPEB teacher, schedule of changes in the political subdivision's net OPEB retiree health insurance liability and related ratios, schedule of County contributions – OPEB retiree health insurance, schedule of changes in the School Board's net OPEB retiree health insurance liability and related ratios, and schedule of County contributions – OPEB retiree health insurance – School Board on pages 85-111 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecklenburg, Virginia's basic financial statements. The combining nonmajor fund and component units' financial statements 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.

The combining nonmajor fund and component units' financial statements 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 nonmajor fund and component units' financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the County of Mecklenburg, 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 the County of Mecklenburg, 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 Mecklenburg, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Mecklenburg, Virginia presents the following discussion and analysis as an overview of the County of Mecklenburg, Virginia's financial activities for the fiscal year ending June 30, 2018. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$89,951,583. Of this amount, \$50,554,709 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net position increased by \$10,816,021 during the current fiscal year.

As of June 30, 2018, the County's Governmental Funds reported combined ending fund balances of \$57,529,968, an increase of \$8,383,369 in comparison with the prior year. Approximately 10% of this amount is available for spending at the County's discretion (unassigned fund balance).

At the end of fiscal year 2018, the general fund unassigned fund balance was \$5,800,309, or approximately 9.7% of total general fund expenditures.

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 required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development.

Furthermore, the government-wide financial statements include the Mecklenburg County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it. It also includes the Industrial Development Authority of Mecklenburg County, Virginia because it appoints its Board of Directors.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole.

The County has two types of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). 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, Capital Outlay Fund, DEQ and Landfill Funds, Comprehensive Services Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, and New School Funds, all of which are considered to be major funds. Data from the other County non-major 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 presented later in this report.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2018 and 2017

	<u>Primary Government Governmental Activities</u>		<u>Component Units</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets				
Current and other assets	\$ 109,180,387	\$ 51,457,245	\$ 3,374,102	\$ 2,980,800
Capital assets (net)	44,958,769	42,768,073	34,739,422	32,733,403
Other noncurrent assets	-	-	372,882	409,616
Total Assets	154,139,156	94,225,318	38,486,406	36,123,819
Deferred Outflows of Resources	<u>1,105,581</u>	<u>1,735,780</u>	<u>5,129,838</u>	<u>6,305,758</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 155,244,737</u>	<u>\$ 95,961,098</u>	<u>\$ 43,616,244</u>	<u>\$ 42,429,577</u>
Liabilities				
Current liabilities	\$ 1,949,141	\$ 2,053,470	\$ 1,194,680	\$ 930,007
Noncurrent liabilities	61,340,906	14,167,694	45,329,967	44,456,836
Total Liabilities	63,290,047	16,221,164	46,524,647	45,386,843
Deferred Inflows of Resources	<u>2,003,107</u>	<u>1,322,372</u>	<u>6,798,672</u>	<u>3,652,477</u>
Net Position				
Net investment in capital assets	39,396,874	37,089,682	31,543,381	30,011,993
Unrestricted	50,554,709	41,327,880	(41,250,456)	(36,621,736)
Total Net Position (Deficit)	<u>89,951,583</u>	<u>78,417,562</u>	<u>(9,707,075)</u>	<u>(6,609,743)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 155,244,737</u>	<u>\$ 95,961,098</u>	<u>\$ 43,616,244</u>	<u>\$ 42,429,577</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$89,951,583 at June 30, 2018. The portion of the reporting entity's net position, \$39,396,874, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Program Revenues				
Charges for services	\$ 807,787	\$ 977,049	\$ 631,834	\$ 765,373
Operating and capital grants	12,357,401	9,126,644	30,726,280	30,936,927
General Revenues				
General property taxes, real and personal	57,617,378	54,134,184	-	-
Other taxes	5,420,096	6,352,391	-	-
Payment from County of Mecklenburg, Virginia				
Education	-	-	16,440,272	12,810,098
IDA of Mecklenburg County, Virginia	-	-	22,015,720	23,460,508
Grants and contributions not restricted to specific programs	2,127,628	2,136,091	-	-
Unrestricted revenues from use of property	61,237	57,479	48,000	42,384
Investment earnings	867,043	189,091	9,189	9,549
Miscellaneous	862,825	351,807	1,052,979	652,489
Total Revenues	80,121,395	73,324,736	70,924,274	68,677,328
Expenses				
General government administration	3,399,616	3,533,361	-	-
Judicial administration	2,157,491	2,375,856	-	-
Public safety	12,167,327	10,913,894	-	-
Public works	3,092,946	2,601,167	-	-
Health and welfare	5,676,050	4,929,066	-	-
Education - community college	14,533	13,246	-	-
Education - public school system	16,440,272	12,810,098	44,923,639	45,373,434
Parks, recreation, and cultural	764,246	700,149	-	-
Community development - IDA of Mecklenburg County, Virginia	22,015,720	23,460,508	21,817,020	22,443,324
Community development	3,355,264	1,288,109	-	-
Interest on long-term debt	221,909	250,035	-	-
Total Expenses	69,305,374	62,875,489	66,740,659	67,816,758
Increase in Net Position	10,816,021	10,449,247	4,183,615	860,570
Beginning Net Position (Deficit)	78,417,562	69,567,585	(6,609,743)	(7,470,313)
Restatement of OPEB for Primary Government	79,135,562	(1,599,270)	(13,890,690)	-
Ending Net Position (Deficit)	\$ 89,951,583	\$ 78,417,562	\$ (9,707,075)	\$ (6,609,743)

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$10,816,021 for fiscal year 2018. Revenues from governmental activities totaled \$80,121,395. Property taxes comprise the largest source of these revenues, totaling \$57,617,378 or 72% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$69,305,374. Community development was the County's largest program with expenses totaling \$25,370,984. Education, which totals \$16,454,805, represents the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>		<u>2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,399,616	\$ (2,926,438)	\$ 3,533,361	\$ (3,119,825)
Judicial administration	2,157,491	(778,495)	2,375,856	(932,522)
Public safety	12,167,327	(9,709,424)	10,913,894	(8,697,136)
Public works	3,092,946	(2,773,175)	2,601,167	(2,028,075)
Health and welfare	5,676,050	(1,767,828)	4,929,066	(1,525,090)
Education	16,454,805	(16,454,805)	12,823,344	(12,823,344)
Parks, recreation, and cultural	764,246	(593,362)	700,149	(513,124)
Community development	25,370,984	(20,914,750)	24,748,617	(22,882,645)
Interest on long-term debt	<u>221,909</u>	<u>(221,909)</u>	<u>250,035</u>	<u>(250,035)</u>
Total	<u>\$ 69,305,374</u>	<u>\$ (56,140,186)</u>	<u>\$ 62,875,489</u>	<u>\$ (52,771,796)</u>

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. 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 financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The County's governmental funds reported combined ending fund balances of \$57,529,968. The combined governmental fund balance increased \$8,383,369 from the prior year.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$5,800,309. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 9.7% of total fund expenditures, while total fund balance represents 20.8% of that same amount.

- The General Fund contributed \$15,436,947 in operating funds to finance the Schools' operations and \$22,015,720 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund has a total fund balance of \$22,953,584, all of which is restricted and assigned for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Original Budget</u>	<u>2018 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2017 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 52,297,471	\$ 52,297,471	\$ 57,135,074	\$ 44,022,057	\$ 50,210,433	\$ 54,165,404
Other	5,756,262	5,816,887	7,439,034	5,504,086	5,554,303	7,963,364
Intergovernmental	<u>6,025,290</u>	<u>6,049,665</u>	<u>6,233,572</u>	<u>5,933,500</u>	<u>5,990,107</u>	<u>6,004,780</u>
Total	64,079,023	64,164,023	70,807,680	55,459,643	61,754,843	68,133,548
Expenditures	<u>59,568,259</u>	<u>60,964,093</u>	<u>59,616,973</u>	<u>52,392,085</u>	<u>58,687,285</u>	<u>57,793,522</u>
Excess (Deficiency) of Revenues Over Expenditures	4,510,764	3,199,930	11,190,707	3,067,558	3,067,558	10,340,026
Other Financing Sources (Uses)						
Net Transfers	(4,510,764)	(4,510,764)	(11,015,055)	(3,500,920)	(3,500,920)	(9,701,423)
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,362</u>	<u>433,362</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,310,834)</u>	<u>\$ 175,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,603</u>

Final amended budget revenues were more than the original budget by \$85,000.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$1,395,834.

Actual revenues were more than final budget amounts by \$6,643,657, or 10.4%, while actual expenditures were \$1,347,120, or 2.2% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2018, the County's governmental activities net capital assets, exclusive of component units, total \$44,958,769, which represents a net increase of \$690,696 or 1.6% over the previous fiscal year-end balance as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 1,236,411	\$ 626,726	\$ 1,863,137
Construction in progress	-	1,368,185	1,368,185
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	15,110,512	-	15,110,512
Buildings and improvements	24,012,266	100,000	24,112,266
Furniture, equipment, and vehicles	12,539,036	(162,196)	12,376,840
Total Capital Assets	64,572,609	1,932,715	66,505,324
Less: Accumulated depreciation and amortization	(20,304,536)	(1,242,019)	(21,546,555)
Total Capital Assets, Net	<u>\$ 44,268,073</u>	<u>\$ 690,696</u>	<u>\$ 44,958,769</u>

Component Unit School Board

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 1,740,642	\$ -	\$ 1,740,642
Buildings and systems	38,947,834	1,215,466	40,163,300
Furniture, equipment, and vehicles	26,087,172	2,272,979	28,360,151
Total Capital Assets	66,775,648	3,488,445	70,264,093
Less: Accumulated depreciation	(42,915,922)	(2,207,352)	(45,123,274)
Total Capital Assets, Net	<u>\$ 23,859,726</u>	<u>\$ 1,281,093</u>	<u>\$ 25,140,819</u>

Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and buildings held for resale	\$ 8,873,677	\$ 724,926	\$ 9,598,603
Total Capital Assets, Net	<u>\$ 8,873,677</u>	<u>\$ 724,926</u>	<u>\$ 9,598,603</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off. As long as the debt remains unpaid, the South Hill Elementary School will be owned by the County as well as the debt being the responsibility of the County.

Long-Term Debt

As of June 30, 2018, the County's long-term obligations, excluding the component units, total \$58,483,930.

	Balance July 1, 2017	Net Additions and Deletions	Balance June 30, 2018
Governmental Activities			
Long-term debt, plus premiums	\$ 5,678,391	\$ 49,681,605	\$ 55,359,996
Landfill obligation	1,722,712	31,009	1,753,721
Compensated absences	1,276,639	93,574	1,370,213
Total Governmental Activities	<u>\$ 8,677,742</u>	<u>\$ 49,806,188</u>	<u>\$ 58,483,930</u>
Component Unit School Board			
Compensated absences	\$ 225,288	\$ 31,157	\$ 256,445
Capital leases	1,536,351	166,940	1,703,291
Total Component Unit School Board	<u>\$ 1,761,639</u>	<u>\$ 198,097</u>	<u>\$ 1,959,736</u>
Component Unit IDA of Mecklenburg County, Virginia			
Long-term debt	\$ 1,185,059	\$ 307,691	\$ 1,492,750
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 1,185,059</u>	<u>\$ 307,691</u>	<u>\$ 1,492,750</u>

More detailed information on the County's long-term obligations is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Mecklenburg, Virginia in June 2018 was 4.6%, a decrease of .6% from June 2017. This compares unfavorably to the state's rate of 3.3% and the national rate of 4.2%.
- According to the 2010 U.S. Census, the population in Mecklenburg County, Virginia was 32,737, an increase of 1.07% since the 2000 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$19,727, compared to \$27,705 for the State, according to the 2010 U.S. Census data.

The fiscal year 2019 adopted budget anticipates the general fund revenues and expenditures to be \$68,493,483.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Wayne Carter, County Administrator, or Sandra P. Langford, Treasurer, County of Mecklenburg, Virginia, P. O. Box 250, Boydton, Virginia 23917, telephone 434-738-6191, or visit the County's website at www.mecklenburgva.com.

Basic Financial Statements



County of Mecklenburg, Virginia

Statement of Net Position

At June 30, 2018

	Primary Government Governmental Activities	Component Units School Board	Industrial Development Authority
Assets			
Current Assets			
Cash and cash equivalents	\$ 55,532,999	\$ 1,447,386	\$ 1,087,571
Cash - restricted	49,798,101	-	-
Receivables, net	2,028,328	-	-
Due from other governments	1,820,959	839,145	-
Total Current Assets	109,180,387	2,286,531	1,087,571
Noncurrent Assets			
Note receivable	-	-	372,882
Capital Assets			
Land and construction in progress	3,231,322	1,735,479	-
Other capital assets, net of accumulated depreciation	41,727,447	23,405,340	-
Land and buildings held for resale	-	-	9,598,603
Total Noncurrent Assets	44,958,769	25,140,819	9,971,485
Total Assets	154,139,156	27,427,350	11,059,056
Deferred Outflows of Resources			
Deferred outflows - OPEB plans	335,291	548,044	-
Deferred outflows - VRS pension	770,290	4,581,794	-
Total Deferred Outflows of Resources	1,105,581	5,129,838	-
Total Assets and Deferred Outflows of Resources	\$ 155,244,737	\$ 32,557,188	\$ 11,059,056
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 846,593	\$ 214,127	\$ -
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	1,102,548	883,760	96,793
Total Current Liabilities	1,949,141	1,097,887	96,793
Noncurrent Liabilities			
Compensated absences	1,370,213	256,445	-
Net VRS pension liability	2,677,491	35,081,465	-
OPEB liabilities	1,282,033	7,776,569	-
Landfill obligation	1,753,721	-	-
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	54,257,448	819,531	1,395,957
Total Noncurrent Liabilities	61,340,906	43,934,010	1,395,957
Total Liabilities	63,290,047	45,031,897	1,492,750
Deferred Inflows of Resources			
Deferred inflows - VRS pension	1,897,521	6,381,672	-
Deferred inflows - OPEB liabilities	105,586	417,000	-
Total Deferred Inflows of Resources	2,003,107	6,798,672	-
Net Position			
Net investment in capital assets	39,396,874	23,437,528	8,105,853
Unrestricted	50,554,709	(42,710,909)	1,460,453
Total Net Position (Deficit)	89,951,583	(19,273,381)	9,566,306
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 155,244,737	\$ 32,557,188	\$ 11,059,056

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Units</u>	
<u>Primary Government</u>					<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>
Governmental Activities							
General government administration	\$ 3,399,616	\$ 2,799	\$ 470,379	\$ -	\$ (2,926,438)		
Judicial administration	2,157,491	53,230	1,325,766	-	(778,495)		
Public safety	12,167,327	399,063	2,058,840	-	(9,709,424)		
Public works	3,092,946	306,854	12,917	-	(2,773,175)		
Health and welfare	5,676,050	-	3,908,222	-	(1,767,828)		
Education - community college	14,533	-	-	-	(14,533)		
Education - public school system	16,440,272	-	-	-	(16,440,272)		
Parks, recreation, and cultural	764,246	41,581	129,303	-	(593,362)		
Community development - IDA of Mecklenburg County, Virginia	22,015,720	-	-	-	(22,015,720)		
Community development	3,355,264	4,260	4,451,974	-	1,100,970		
Interest on long-term debt	221,909	-	-	-	(221,909)		
Total Governmental Activities	69,305,374	807,787	12,357,401	-	(56,140,186)		
Total Primary Government	<u>\$ 69,305,374</u>	<u>\$ 807,787</u>	<u>\$ 12,357,401</u>	<u>\$ -</u>	<u>(56,140,186)</u>		
Component Units							
School Board							
Education	\$ 44,923,639	\$ 631,834	\$ 30,726,280	\$ -		\$ (13,565,525)	
Total School Board	44,923,639	631,834	30,726,280	-		(13,565,525)	
Industrial Development Authority							
Community development	21,817,020	-	-	-			\$ (21,817,020)
Total Industrial Development Authority	21,817,020	-	-	-			(21,817,020)
Total Component Units	<u>\$ 66,740,659</u>	<u>\$ 631,834</u>	<u>\$ 30,726,280</u>	<u>\$ -</u>			
General Revenues							
Taxes							
General property taxes, real and personal					57,617,378	-	-
Other local taxes					5,420,096	-	-
Payment from County of Mecklenburg, Virginia							
Education					-	16,440,272	-
Community development - IDA of Mecklenburg County, VA					-	-	22,015,720
Grants and contributions not restricted to specific programs					2,127,628	-	-
Unrestricted revenues from use of property					61,237	-	48,000
Investment earnings					867,043	2,812	6,377
Miscellaneous					862,825	698,211	354,768
Total General Revenues					<u>66,956,207</u>	<u>17,141,295</u>	<u>22,424,865</u>
Change in Net Position					10,816,021	3,575,770	607,845
Net Position (Deficit) - Beginning of Year					78,417,562	(15,568,204)	8,958,461
Restatement of OPEB for Primary Government					79,135,562	(22,849,151)	-
Net Position (Deficit) - End of Year					<u>\$ 89,951,583</u>	<u>\$ (19,273,381)</u>	<u>\$ 9,566,306</u>

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

At June 30, 2018

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>DEQ and Landfill Funds</u>	<u>Children's Services Act Fund</u>	<u>Economic Development Fund</u>	<u>Public Assistance Fund</u>	<u>Microsoft Capital Project</u>	<u>New School Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets										
Cash and investments	\$ 10,508,504	\$ 22,953,584	\$ 566,235	\$ 608,543	\$ 3,923,675	\$ 1,555,757	\$ 1,531,682	\$ 13,635,481	\$ 249,538	\$ 55,532,999
Receivables, net	1,914,015	-	-	3,493	109,805	241	-	-	774	2,028,328
Due from other governments	1,528,472	-	-	-	-	195,717	15,603	-	81,167	1,820,959
Total Assets	<u>\$ 13,950,991</u>	<u>\$ 22,953,584</u>	<u>\$ 566,235</u>	<u>\$ 612,036</u>	<u>\$ 4,033,480</u>	<u>\$ 1,751,715</u>	<u>\$ 1,547,285</u>	<u>\$ 13,635,481</u>	<u>\$ 331,479</u>	<u>\$ 59,382,286</u>
Liabilities										
Accounts payable and accrued liabilities	\$ 215,780	-	\$ -	\$ 176,668	\$ 28,664	\$ 8,837	\$ -	\$ -	\$ 83,470	\$ 513,419
Total Liabilities	215,780	-	-	176,668	28,664	8,837	-	-	83,470	513,419
Deferred Inflows of Resources										
Unavailable revenue - taxes and other	1,338,899	-	-	-	-	-	-	-	-	1,338,899
Total Deferred Inflows of Resources	1,338,899	-	-	-	-	-	-	-	-	1,338,899
Fund Balance										
Restricted	-	-	120,000	435,368	-	1,742,878	1,547,285	-	162,172	4,007,703
Committed	4,178,024	-	-	-	-	-	-	13,635,481	-	17,813,505
Assigned	2,417,979	22,953,584	446,235	-	4,004,816	-	-	-	85,837	29,908,451
Unassigned	5,800,309	-	-	-	-	-	-	-	-	5,800,309
Total Fund Balance	<u>12,396,312</u>	<u>22,953,584</u>	<u>566,235</u>	<u>435,368</u>	<u>4,004,816</u>	<u>1,742,878</u>	<u>1,547,285</u>	<u>13,635,481</u>	<u>248,009</u>	<u>57,529,968</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 13,950,991</u>	<u>\$ 22,953,584</u>	<u>\$ 566,235</u>	<u>\$ 612,036</u>	<u>\$ 4,033,480</u>	<u>\$ 1,751,715</u>	<u>\$ 1,547,285</u>	<u>\$ 13,635,481</u>	<u>\$ 331,479</u>	<u>\$ 59,382,286</u>

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

County of Mecklenburg, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2018

Total Fund Balances for Governmental Funds	\$ 57,529,968
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land and land improvements	\$ 1,863,137	
Construction in progress	1,368,185	
Infrastructure - water and sewer	13,390,498	
School buildings, net of accumulated depreciation	8,664,675	
Buildings and improvements, net of accumulated depreciation	16,533,922	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,138,352</u>	
Total Capital Assets		44,958,769

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

Unavailable revenue - taxes and other	1,338,899
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Construction of New High School assets and liabilities:

Restricted cash account from bond proceeds held for construction	49,798,101	
Accounts payable at year end for new high school construction	<u>(333,174)</u>	
High School Construction Assets and Liabilities		49,464,927

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,105,581	
Deferred inflows of resources related to pensions	<u>(2,003,107)</u>	
Total Deferred Outflows and Inflows of Resources		(897,526)

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(55,359,996)	
Net VRS pension liability	(2,677,491)	
OPEB liabilities	(1,282,033)	
Landfill obligation	(1,753,721)	
Compensated absences	<u>(1,370,213)</u>	
Total		<u>(62,443,454)</u>

Total Net Position of Governmental Activities	<u>\$ 89,951,583</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Children's Services Act Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	New School Funds	Other Governmental Funds	Total Governmental Funds
Revenues										
Property taxes	\$ 57,135,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,135,074
Other local taxes	5,420,096	-	-	-	-	-	-	-	-	5,420,096
Permits, privilege fees, and regulatory licenses	182,163	-	-	-	-	-	-	-	-	182,163
Fines and forfeitures	380,887	-	-	-	-	-	-	-	-	380,887
Use of money and property	375,512	-	-	-	-	-	453	-	227	376,192
Charges for services	234,466	-	-	-	-	-	-	-	10,271	244,737
Recovered costs	129,564	-	-	60,161	-	15,218	-	-	-	204,943
Miscellaneous	716,346	-	-	-	110,000	-	-	-	36,479	862,825
Payment from Component Unit School Board	-	-	-	-	-	-	-	262,492	-	262,492
<i>Intergovernmental</i>										
Revenue from the Commonwealth of Virginia	5,844,121	-	-	1,371,138	862,512	920,693	3,165,698	-	16,243	12,180,405
Revenue from the Federal Government	389,451	-	-	-	-	1,616,391	-	-	298,782	2,304,624
Total Revenues	70,807,680	-	-	1,431,299	972,512	2,552,302	3,166,151	262,492	362,002	79,554,438
Expenditures										
Current										
General government administration	3,381,993	-	-	-	-	-	-	-	-	3,381,993
Judicial administration	2,118,230	645	-	-	-	-	-	-	7,455	2,126,330
Public safety	11,535,279	506,974	-	-	-	-	-	-	27,286	12,069,539
Public works	2,983,028	82,740	-	-	-	-	-	-	-	3,065,768
Health and welfare	443,682	-	-	2,121,204	-	3,229,338	-	-	-	5,794,224
Education - community college	14,533	-	-	-	-	-	-	-	-	14,533
Education - public school system	15,436,947	-	-	-	-	-	-	-	-	15,436,947
Parks, recreation, and cultural	693,370	-	-	-	-	-	-	-	-	693,370
Community development - IDA of Meck. Cty., VA	21,698,715	-	-	-	317,005	-	-	-	-	22,015,720
Community development	1,270,571	-	-	-	-	-	-	-	313,113	1,583,684
Capital projects	40,625	-	-	-	385,385	-	2,226,617	2,336,334	-	4,988,961
Total Expenditures	59,616,973	590,359	-	2,121,204	702,390	3,229,338	2,226,617	2,336,334	347,854	71,171,069
Excess (Deficiency) of Revenues Over Expenditures	11,190,707	(590,359)	-	(689,905)	270,122	(677,036)	939,534	(2,073,842)	14,148	8,383,369
Other Financing Sources (Uses)										
Transfers in	-	5,284,123	-	706,000	1,400,000	725,733	-	4,299,199	-	12,415,055
Transfers out	(11,015,055)	(1,400,000)	-	-	-	-	-	-	-	(12,415,055)
Total Other Financing Sources (Uses)	(11,015,055)	3,884,123	-	706,000	1,400,000	725,733	-	4,299,199	-	-
Net Change in Fund Balance	175,652	3,293,764	-	16,095	1,670,122	48,697	939,534	2,225,357	14,148	8,383,369
Fund Balance - Beginning of Year	12,220,660	19,659,820	566,235	419,273	2,334,694	1,694,181	607,751	11,410,124	233,861	49,146,599
Fund Balance - End of Year	\$ 12,396,312	\$ 22,953,584	\$ 566,235	\$ 435,368	\$ 4,004,816	\$ 1,742,878	\$ 1,547,285	\$ 13,635,481	\$ 248,009	\$ 57,529,968

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

County of Mecklenburg, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 8,383,369

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

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 as depreciation expense:

Capitalized assets	\$ 3,144,941	
Dispositions of assets	(755,037)	
Depreciation	<u>(1,699,208)</u>	
		690,696

Revenues in the Statement of Activities that do not provide current financial
resources are deferred in the fund statements. This amount represents the
difference in the amounts deferred in the fund financial statements, but
recognized in the Statement of Activities.

482,304

Bond and capital lease proceeds are reported as financing sources in
governmental funds and thus contribute to the change in fund balance.
In the Statement of Net Position, however, issuing debt increases the
long-term liabilities and does not affect the Statement of Activities.
Similarly, the repayment of principal is an expenditure in the
governmental funds but reduces the liability in the Statement of Net
Position.

Payments for existing debt on South Hill Elementary School	599,419
Investment earnings on restricted cash held for construction	552,088
Expenditures for new high school	<u>(1,368,185)</u>

Net Adjustment (216,678)

Governmental funds report pension contributions as expenditures. However,
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense.

OPEB liability adjustments	568,268
Pension contributions, net inflows and outflows	(1,540,639)
Cost of benefits earned net of employee contributions - net pension liability adjustment	<u>2,573,284</u>

1,600,913

Under the modified accrual basis of accounting used in the Governmental
Funds, expenditures are not recognized for transactions that are not
normally paid with expendable financial resources. In the Statement of
Activities, however, which is presented on the accrual basis, expenses
and liabilities are reported regardless of when financial resources are
available. This adjustment combines the net changes of the
following:

Landfill obligation	(31,009)
Compensated absences	<u>(93,574)</u>

Net Adjustment (124,583)

Change in Net Position of Governmental Activities \$ 10,816,021

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

County of Mecklenburg, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2018

	Agency Funds
Assets	
Cash and investments	\$ 2,198,095
Receivables, net	137,811
Due from other governments	<u>18,769</u>
Total Assets	<u><u>\$ 2,354,675</u></u>
Liabilities	
Accounts payable	\$ 26,260
Amounts held for others	<u>2,328,415</u>
Total Liabilities	<u><u>\$ 2,354,675</u></u>

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

County of Mecklenburg, Virginia

Notes to the Financial Statements

Year Ended June 30, 2018

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Mecklenburg, Virginia (the "County") was formed from part of Lunenburg County in 1764 and was legally established in 1765. There are five incorporated towns within the County: Boynton, the county seat, Chase City, Clarksville, LaCrosse, and South Hill. The County has a population of approximately 32,737 and is governed by an appointed County Administrator and a nine-member Board of Supervisors.

The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Units

Mecklenburg County School Board

The Mecklenburg County School Board is elected to four-year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are State and Federal grants and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget.

Industrial Development Authority of Mecklenburg County, Virginia

The Industrial Development Authority (the “Authority”) of Mecklenburg County, Virginia was created in 1980. The Authority is authorized to acquire, own, lease, and dispose of local properties, which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member Board. The County of Mecklenburg, Virginia has no financial responsibility for the debt issued by the Authority.

Exclusions from the Reporting Entity

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

Southside Community Services Board

The County of Mecklenburg, Virginia jointly participates in the Southside Community Services Board (the “Board”) with other surrounding localities. The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

Southside Regional Public Service Authority

The Southside Regional Public Service Authority (the “Authority”) was created under the authority of the Virginia State Corporation Commission on September 21, 2004.

The Authority consists of a six-member Board made up of two members from each locality for a term of four years. The Board operates independently of the localities.

Mecklenburg-Brunswick Airport Commission

The Commission consists of a ten-member Board with the counties of Mecklenburg and Brunswick and the towns of South Hill, LaCrosse, and Brodnax participating in the governance of the airport. The Commission was formed in 1975 and serves all of its localities.

1-B. Financial Reporting Model

The County’s Comprehensive Annual Financial Report includes management’s discussion and analysis, the basic financial statements, required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government; as such, individual funds are not displayed. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

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 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:
 - **General Fund** – The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Children’s Services Act Funds – These funds account for activity pertaining to children eligible to receive funds under Virginia’s Comprehensive Services Act.
 - Public Assistance Fund – This fund accounts for County revenues collected and disbursed for welfare recipients of the County.
 - Law Library Fund – This fund accounts for the operation and maintenance of the County’s law library.
 - Sheriff’s Funds – These funds are used for various projects and revenue specifically handled by the Sheriff’s Department, such as inmates, jail phones, etc.
 - Drug Forfeiture Funds – These funds are specifically earmarked for handling drug forfeiture operations.
 - CDBG Funds – The County has two CDBG projects in process that account for funds used to upgrade housing for low income citizens. These funds are Lambert Road Project and Highway 49 Rehab.
- *Capital Projects Funds* – The Capital Projects Funds consists of the Capital Outlay Fund, Economic Development Fund, DEQ and Landfill Funds, the Microsoft Capital Project, New School Funds, and Propst Road which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has no Proprietary Funds at this time.
- ***Fiduciary Funds (Trust and 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. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The County has no Private Purpose Trust Funds. The Agency Funds consist of the following:
 - Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.

- Thyne Project Memorial – This fund accounts for the operation and maintenance of this project. The County acts as fiscal agent for the Memorial.
- County OPEB Fund – This fund accounts for the money held for postemployment benefits of the County.
- Virginia's Retreat Fund – This fund accounts for money held by the County for the Virginia's Retreat, an entity of eleven counties and one city (Mecklenburg, Lunenburg, Charlotte, Brunswick, Nottoway, Amelia, Appomattox, Buckingham, Dinwiddie, Halifax, Prince Edward, and City of Petersburg) for the purpose of regional marketing of the Civil Rights and Education Heritage Trail, Wilson-Kautz Raid Trail, Lee's Retreat Civil War Trail, and other trails and tourist related opportunities within the region.
- TransTech Alliance T/A Virginia's Growth Alliance – This fund accounts for money held by the County for the Virginia's Growth Alliance (dba TransTech Marketing Alliance), an entity of six counties and one city (Mecklenburg, Brunswick, Greensville, Lunenburg, Charlotte, Nottoway, and City of Emporia) for the purpose of increasing business and other opportunities within the region pursuant to Section 15.2-1300 et seq. of the Code of Virginia, which authorizes the joint exercise of powers by political subdivisions.

Component Units

Mecklenburg County School Board

The Mecklenburg County School Board has the following funds:

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

School Food Services Fund – This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

School Textbook Fund – This fund consists of monies used to buy textbooks for the schools.

New High School Fund – This fund consists of monies used to construct a new high school. Funding has already been obtained for the first phase.

Industrial Development Authority of Mecklenburg County, Virginia

The Industrial Development Authority of Mecklenburg County, Virginia has only one fund which is its operating fund. It accounts for all activities of the Authority.

1-D. Measurement Focus and Basis of Accounting

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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.).

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.

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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. The County has no enterprise funds at this time. However, the Component Unit IDA of Mecklenburg County, Virginia is accounted for as a proprietary fund.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The County operates a cash and investment pool which all funds utilize with the exception of the landfill capital projects fund and agency funds, each of which has separate bank accounts and investments. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 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). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statement as internal balances.

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 account is as follows:

General Fund - taxes receivable \$ 746,808

Real and Personal Property Tax Data

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

Real Property Personal Property

Lewy	July 1	July 1
Due Date	December 5	December 5
Due Date	June 5	June 5

The County bills and collects its own property taxes.

A 10% penalty is levied on all taxes not collected the day following the due date. Interest at the rate of 10% per year is also added the day following the due date.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 75 years
Furniture and other equipment	3 to 25 years

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The County considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 *Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

The Component Unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

1-E-8 *Pensions*

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. 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 Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan and VRS Teacher 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.

1-E-9 Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance 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 Group Life Insurance 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 Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program 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.

1-E-10 Teacher Employee Health Insurance Credit Program

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

1-E-11 Other Postemployment Benefit Plans

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County of Mecklenburg, Virginia's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

1-E-12 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-13 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The County has no proprietary funds although the Component Unit IDA of Mecklenburg County, Virginia does account for its activities in business development in this manner.

1-E-14 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-15 Long-Term Obligations

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

1-E-16 Adoption of New GASB Statements

During the fiscal year ended June 30, 2018, the County adopted the following GASB statements:

- Statement No. 75, “Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions”

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

There were no fund deficits for the governmental funds. The net position of the School Board has a deficit of \$19,273,381 on Exhibit 1, primarily due to the net VRS pension liability and OPEB liabilities.

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) and the State Non-Arbitrage Program (SNAP).

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

Concentration of Credit Risk/Interest Rate Risk

The County of Mecklenburg, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2018</u>
Petty cash	\$ 5,000
Deposit accounts	<u>110,059,152</u>
Total Cash and Investments	<u>\$ 110,064,152</u>

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 55,532,999	\$ -	\$ 55,532,999
Restricted cash	49,798,101	-	49,798,101
Cash and investments with fiscal agents	<u>-</u>	<u>2,198,095</u>	<u>2,198,095</u>
Total Primary Government	105,331,100	2,198,095	107,529,195
Component Unit School Board			
Cash and cash equivalents	1,447,386	-	1,447,386
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>1,087,571</u>	<u>-</u>	<u>1,087,571</u>
Grand Total	<u>\$ 107,866,057</u>	<u>\$ 2,198,095</u>	<u>\$ 110,064,152</u>

4 Receivables

Receivables at June 30, 2018 consist of the following:

	<u>Primary Government</u>					
	<u>Governmental Activities</u>					
	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Comprehensive Services Fund</u>	<u>Public Assistance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Property taxes	\$ 2,405,040	\$ -	\$ -	\$ -	\$ -	\$ 2,405,040
Other	<u>255,783</u>	<u>109,805</u>	<u>3,493</u>	<u>241</u>	<u>774</u>	<u>370,096</u>
Total	2,660,823	109,805	3,493	241	774	2,775,136
Allowance for uncollectibles	<u>(746,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(746,808)</u>
Net Receivables	<u>\$ 1,914,015</u>	<u>\$ 109,805</u>	<u>\$ 3,493</u>	<u>\$ 241</u>	<u>\$ 774</u>	<u>\$ 2,028,328</u>

5 Interfund Transfers

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

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To Public Assistance - Welfare Fund for operations	\$ 725,733	\$ -
To Children's Services Act Fund for operations	706,000	-
To Economic Development Fund for operations	1,400,000	-
To New School Funds for educational improvements	2,899,199	-
To Capital Outlay Fund for operations	<u>5,284,123</u>	<u>-</u>
Total General Fund	11,015,055	-
Public Assistance - Welfare Fund		
From General Fund for operations	-	725,733
Children's Services Act Funds		
From General Fund for operations	-	706,000
New School Funds		
From Capital Outlay Fund for educational improvements	-	1,400,000
From General Fund for educational improvements	-	2,899,199
Economic Development Fund		
From General Fund for operations	-	1,400,000
Capital Outlay Fund		
To New School Funds for educational improvements	1,400,000	-
From General Fund for operations	<u>-</u>	<u>5,284,123</u>
Total Transfers Within Primary Government	<u>\$ 12,415,055</u>	<u>\$ 12,415,055</u>

The remainder of this page has been left blank intentionally.

6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2018 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
School Board		
From Primary Government - General Fund		
To School Fund for local appropriation	\$ 15,279,586	\$ -
To School Textbook Fund for local appropriation	157,361	-
From Primary Government - New School Funds		
From School Board Component Unit for funding future expenses	(262,492)	-
To School Board Component Unit		
From General Fund for local appropriation	-	15,279,586
To New School Funds for funding future expenses	-	(262,492)
To School Textbook Fund		
From General Fund for local appropriation	-	157,361
Total Transfers between School Board and Primary Government	<u>\$ 15,174,455</u>	<u>\$ 15,174,455</u>
IDA of Mecklenburg County, Virginia		
From Primary Government - General Fund		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	\$ 21,698,715	\$ -
From Primary Government - Economic Development Fund		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	317,005	-
IDA Component Unit from Primary Government		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items from General Fund	-	22,015,720
Total Transfers between IDA and Primary Government	<u>\$ 22,015,720</u>	<u>\$ 22,015,720</u>
Total Transfers	<u>\$ 49,605,230</u>	<u>\$ 49,605,230</u>

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7 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2018, are as follows:

	Governmental Funds	Component Unit School Board
Commonwealth of Virginia		
Local and State sales taxes	\$ 1,042,648	\$ 571,698
Compensation Board - constitutional officers	332,103	-
Communications tax	42,189	-
Wireless grant	11,354	-
Grantor's tax	24,100	-
Public assistance	195,717	-
Emergency services grant	7,500	-
Tobacco Indemnification funds	15,603	-
Other state funds	36,803	85,523
Federal Government		
Community development block grant funds	112,942	-
School food funds	-	35,047
Title I	-	112,732
Other federal funds	-	34,145
Total	<u>\$ 1,820,959</u>	<u>\$ 839,145</u>

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8 Capital Assets

The following is a summary of changes in capital assets:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,236,411	\$ 1,330,000	\$ 703,274	\$ 1,863,137
Construction in progress - new high school	-	1,368,185	-	1,368,185
Total Capital Assets Not Being Depreciated	1,236,411	2,698,185	703,274	3,231,322
Other Capital Assets				
Buildings and improvements	24,012,266	100,000	-	24,112,266
Infrastructure	15,110,512	-	-	15,110,512
School buildings and improvements	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	12,539,036	346,756	508,952	12,376,840
Total Other Capital Assets	63,336,198	446,756	508,952	63,274,002
Less: Accumulated depreciation for				
Land improvements	1,191	-	1,191	-
Buildings and improvements	7,091,375	486,969	-	7,578,344
Infrastructure	1,461,835	258,179	-	1,720,014
South Hill Elementary School	2,776,221	233,488	-	3,009,709
Furniture, equipment, and vehicles	8,973,914	720,572	455,998	9,238,488
Total Accumulated Depreciation	20,304,536	1,699,208	457,189	21,546,555
Other Capital Assets, Net	43,031,662	(1,252,452)	51,763	41,727,447
Net Capital Assets	<u>\$ 44,268,073</u>	<u>\$ 1,445,733</u>	<u>\$ 755,037</u>	<u>\$ 44,958,769</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 314,413			
Judicial administration	346,476			
Public safety	394,578			
Public works	304,655			
Education - public school system	233,488			
Health and welfare	105,598			
Total Depreciation Expense	<u>\$ 1,699,208</u>			

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,740,642	\$ -	\$ -	\$ 1,740,642
Total Capital Assets Not Being Depreciated	1,740,642	-	-	1,740,642
Other Capital Assets				
Buildings and improvements	38,947,834	1,215,466	-	40,163,300
Furniture, equipment, and vehicles	26,087,172	2,272,979	-	28,360,151
Total Other Capital Assets	65,035,006	3,488,445	-	68,523,451
Less: Accumulated depreciation for				
Land and land improvements	4,113	1,050	-	5,163
Buildings and improvements	23,454,078	780,218	-	24,234,296
Furniture, equipment, and vehicles	19,457,731	1,426,084	-	20,883,815
Total Accumulated Depreciation	42,915,922	2,207,352	-	45,123,274
Other Capital Assets, Net	22,119,084	1,281,093	-	23,400,177
Net Capital Assets	<u>\$ 23,859,726</u>	<u>\$ 1,281,093</u>	<u>\$ -</u>	<u>\$ 25,140,819</u>
Component Unit IDA of Mecklenburg County, Virginia				
Capital Assets Not Being Depreciated				
Buildings and land held for resale	\$ 8,873,677	\$ 724,926	\$ -	\$ 9,598,603
Net Capital Assets	<u>\$ 8,873,677</u>	<u>\$ 724,926</u>	<u>\$ -</u>	<u>\$ 9,598,603</u>

9 Compensated Absences

Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to a maximum of 54 days with 25+ years of service is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,370,213 in the Governmental Activities. The Component Unit School Board has \$256,445 of compensated absences.

Mecklenburg County Public Schools

Annual leave earned by an eligible employee may be accumulated to the following year if it is not used, but not to exceed twelve (12) days of total carry-over unless approved by the division superintendent. Upon termination of employment, employees shall not be paid for any unused accumulated annual leave.

Upon retirement, employees shall be paid at a daily rate of pay for unused accumulated annual leave not to exceed twenty-four days. To be eligible for such payment, an employee must have completed a minimum of five (5) years uninterrupted service, including the year of retirement with the Mecklenburg County Public Schools. The lump sum payment shall be calculated based on the employees per diem rate at the time of retirement.

10 Long-Term Debt

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

	<u>Year(s) Ended June 30,</u>	<u>General Obligation Bonds</u>		<u>Premium on Bonds</u>
		<u>Principal</u>	<u>Interest</u>	
Primary Government				
2019	\$	1,016,093	\$ 2,406,401	\$ 86,455
2020		1,474,538	1,937,559	86,455
2021		1,538,136	1,864,415	86,455
2022		1,597,338	1,787,081	86,455
2023		1,671,817	1,706,307	86,455
2024-2028		7,655,759	7,342,410	373,356
2029-2033		7,400,000	5,657,321	325,171
2034-2038		8,715,000	4,353,306	325,171
2039-2043		10,175,000	2,891,511	325,171
2044-2048		<u>12,010,000</u>	<u>1,055,041</u>	<u>325,171</u>
Total		53,253,681	31,001,352	2,106,315
Landfill obligation		1,753,721	-	-
Compensated absences		<u>1,370,213</u>	-	-
Total	\$	<u>56,377,615</u>	<u>\$ 31,001,352</u>	<u>\$ 2,106,315</u>

	<u>General Obligation Bonds</u>	
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
Component Unit School Board		
<i>Capital Leases</i>		
2019	\$ 883,760	\$ 47,747
2020	324,546	19,474
2021	229,708	9,849
2022	225,135	4,772
2023	<u>40,142</u>	<u>-</u>
Total - Capital Leases	1,703,291	81,842
Compensated absences	<u>256,445</u>	<u>-</u>
Total	<u>\$ 1,959,736</u>	<u>\$ 81,842</u>

Component Unit IDA of Mecklenburg County, Virginia

2019	\$ 96,793	\$ 48,193
2020	101,221	43,765
2021	92,635	39,144
2022	<u>1,202,101</u>	<u>15,587</u>
Total	<u>\$ 1,492,750</u>	<u>\$ 146,689</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
<i>Details of Long-Term Indebtedness</i>					
U.S. Bank, Virginia Public School Authority (VPSA) General Obligation School Bond, Series 2006, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$280,361 and \$372,067 with interest rates between 4.60% and 5.10% through January 2027.	\$ 3,506,679	\$ -	\$ 332,998	\$ 3,173,681	\$ 336,093
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2003C, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$378,000 and \$338,415 with interest rates between 3.10% and 5.10% through January 2024. This bond had an original premium of \$250,000.	1,995,000	-	245,000	1,750,000	255,000
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2017 proceeds used to design and construct the new High School; semiannual payments varying between approximately \$2.5 and \$2.6 million with interest rates between 2.05% and 5.05% through July 2048.	-	48,330,000	-	48,330,000	425,000
Total General Obligation Bonds	5,501,679	48,330,000	577,998	53,253,681	1,016,093
Landfill obligation	1,722,712	31,009	-	1,753,721	-
Compensated absences	1,276,639	93,574	-	1,370,213	-
	8,501,030	48,454,583	577,998	56,377,615	1,016,093
<i>Add</i>					
Unamortized Premium on Bond Series 2003 Bond	87,500	-	12,500	75,000	12,500
Unamortized Premium on Bond Series 2006 Bond	89,212	-	8,921	80,291	8,921
Unamortized Premium on Bond Series 2017 Bond	-	1,951,024	-	1,951,024	65,034
Total Unamortized Premiums on Bonds	176,712	1,951,024	21,421	2,106,315	86,455
Total Long-Term Indebtedness - Primary Government	<u>\$ 8,677,742</u>	<u>\$ 50,405,607</u>	<u>\$ 599,419</u>	<u>\$ 58,483,930</u>	<u>\$ 1,102,548</u>

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Component Unit School Board					
Santander Leasing LLC dated December 15, 2015; proceeds used to purchase buses for the schools. Annual payments due January 15 of each year with interest at 2.04% until January 15, 2019.	610,875	-	302,354	308,521	308,521
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with interest at 4.38% until August 2018.	54,471	-	49,958	4,513	4,513
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with interest at 4.38% until August 2019.	61,280	-	56,203	5,077	5,077
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with interest at 4.38% until August 2019.	330,020	-	143,446	186,574	150,148
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2016, proceeds used to purchase computer equipment for the schools. Annual payments due December of each year with interest at 5.1% until December 2019.	300,735	-	140,277	160,458	147,432
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2016, proceeds used to purchase computer equipment for the schools. Annual payments due December of each year with interest at 4.6% until December 2020.	178,970	-	54,054	124,916	56,543
De Lage Landen Public Finance, LLC - Capital lease signed April 2018 for the purchase of school phone system. Annual payments due August 15 for years 2018 until 2022 at 0% interest, with \$76,000 down on April 15, 2018.	-	276,712	76,000	200,712	40,142
Daimler Truck Financial Capital Lease for 11 school buses. Lease signed October 2017 with an initial payment of \$189,765. Annual payments due October 30th for years 2011 until 2021 at 2.58% interest.	-	902,285	189,765	712,520	171,384
Compensated absences	<u>225,288</u>	<u>31,157</u>	<u>-</u>	<u>256,445</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 1,761,639</u>	<u>\$ 1,210,154</u>	<u>\$ 1,012,057</u>	<u>\$ 1,959,736</u>	<u>\$ 883,760</u>

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Component Unit IDA of Mecklenburg County, Virginia					
<i>Riley B. Lowe</i>					
The Authority originally borrowed \$650,000 to purchase a building in Chase City, Virginia jointly with the Industrial Development Authority of the Town of Chase City, Virginia to be leased for twenty years to a local business with the option to purchase at any time. The original loan terms were modified, effective April 1, 2012, reducing the interest rate from 7.00% to 6.00% and extending the term of payments. The loan is payable in monthly installments of \$4,840 through April 2022.	\$ 243,182	\$ -	\$ 44,711	\$ 198,471	\$ 47,469
Citizens Community Bank for \$1,155,000. Dated January 8, 2016 and matures November 1, 2021. Proceeds are being used to construct an industrial shell building in the Roanoke River Basin Industrial Park. As of June 30, 2018 all proceeds have been drawn down. Interest is stated at 2.95%. Only interest is payable until 2021.	752,887	402,113	-	1,155,000	-
<i>Lake Country Development Corporation</i>					
The Authority originally borrowed \$250,000 to purchase a building (Riley B. Lowe Building). The original loan terms were modified, effective June 1, 2012, removing a balloon due date of July 2012 and extending the existing payment and interest terms through July 2017. The loan continues to be payable in monthly installments of \$1,849 at 4.00% interest.	1,843	-	1,843	-	-
<i>Lake Country Development Corporation</i>					
The Authority borrowed \$245,000 to begin construction on a shell building in Roanoke River Regional Business Park. The promissory note is dated February 5, 2016, with interest stated at 3.00%, payable over 5 years (60 payments) in monthly payments of \$4,402.33.	187,147	-	47,868	139,279	49,324
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 1,185,059</u>	<u>\$ 402,113</u>	<u>\$ 94,422</u>	<u>\$ 1,492,750</u>	<u>\$ 96,793</u>

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2018 is determined as follows:

	Governmental Activities	Component Unit School Board	Component Unit IDA
Net Investment in Capital Assets			
Cost of capital assets	\$ 66,505,324	\$ 70,264,093	\$ 9,598,603
Restricted cash for construction not spent	49,798,101	-	-
Less: Accumulated depreciation	<u>(21,546,555)</u>	<u>(45,123,274)</u>	<u>-</u>
Book value	94,756,870	25,140,819	9,598,603
Less: Capital related debt	(53,253,681)	(1,703,291)	(1,492,750)
Less: Unamortized debt issuance premium	<u>(2,106,315)</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 39,396,874</u>	<u>\$ 23,437,528</u>	<u>\$ 8,105,853</u>

12 Deferred Inflows of Resources

Deferred inflows of resources from unavailable revenue – taxes and other are comprised of the following:

Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ 1,255,843
Prepaid property taxes - property taxes paid in advance	74,253
Other deferred credits	<u>8,803</u>

Total Deferred Inflows of Resources -
Governmental Funds

\$ 1,338,899

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 carries 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.

Surety bond coverage is as follows:

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount</u>
Michelle G. Gordon	Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 2,210,000
Joseph E. "Ed" Taylor	Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	3,000
Sandra P. Langford	Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	400,000
R. W. "Bobby" Hawkins, Jr.	Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	30,000
Other Employees			
School Board Employees		Utica Insurance Company	2,500
All County Employees		VACo Insurance Programs	250,000
Department of Social Services		VACo Insurance Programs	250,000

14 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited 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). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance 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.

15 Litigation

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

16 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 4,458,564,732</u>
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 445,856,473
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>53,253,681</u>
Legal Debt Margin	<u>\$ 392,602,792</u>

17 Landfill Closure and Post-Closure 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.

The County will recognize the remaining estimated cost of closure and post-closure care of \$1,753,721 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$566,235 held for these purposes. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

18 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

School Board Appropriation in the Fund Financial Statements

From the General Fund to the School Fund	\$ 15,279,586
From the General Fund to the School Textbook Fund	<u>157,361</u>
Subtotal - Transfers to the School Board Component Unit	15,436,947
From the School Fund to New School Funds	<u>(262,492)</u>
Net School Board Appropriation for the Fund Financial Statements	15,174,455

Adjustments for

Payment of principal and interest on school debt for buildings	(821,328)
Depreciation on school building and other fixed assets	233,488
Fixed assets purchased for schools from county funds	<u>1,853,657</u>

Adjusted School Board Appropriation in the Government-Wide Financial Statements

\$ 16,440,272

19 Tax Abatement Disclosures

The County and its component unit, IDA, negotiates property tax abatement agreements on an individual basis. The County has tax abatement agreements with two entities as of June 30, 2018.

Facts and Assumptions

<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
<i>Increase Size and Employment in Southside Virginia Area</i>		
Machinery and tools tax and real estate tax	80%	\$ 26,066
Business Personal Property	82.5%	21,669,390

20 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is 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

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.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

PLAN 2

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.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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.

PLAN 1

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.

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.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

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.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

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 towards 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.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

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.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

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 - County	School Board - General Employees
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	106	85
Inactive members:		
Vested inactive members	27	10
Non-vested inactive members	30	44
Inactive members active elsewhere in VRS	<u>87</u>	<u>17</u>
Total inactive members	144	71
Active members	<u>193</u>	<u>55</u>
Total covered employees	<u>443</u>	<u>211</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-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.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 9.28% 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 political subdivision were \$770,290 and \$748,322 for the years ended June 30, 2018 and June 30, 2017, respectively.

For the school board – general employees, employee contributions were \$98,215 and \$96,462 for the years ended June 30, 2018 and June 30, 2017, respectively.

Each school division's contractually required 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. Contribution to the pension plan from the school division were \$3,531,002 and \$3,198,263 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension 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.

Net Pension Liability – Teacher Employee Retirement Plan

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):

Teacher Employee Retirement Plan

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$45,417,520
Plan Fiduciary Net Position	<u>33,119,545</u>
Employer's Net Pension Liability (Asset)	<u><u>\$12,297,975</u></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.

Actuarial Assumptions – General Employees and School Division – Teachers

The total pension liability for General Employees in the Political Subdivision's and VRS Teacher Retirement Plans 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.

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.5 percent	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation *	7.0 percent, net of pension plan investment expense, including inflation *

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

Political Subdivisions

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 70-90.

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.

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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14% to 15%

School Division – Teacher

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 1.0% increase compounded from ages 70-90; and females set back 3 years with 1.5% increase compounded from ages 65-70 and 2% increase compounded from ages 75-90.

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 four-year 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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision 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 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

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 a 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.

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)	Update 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	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Decrease rate from 60% to 45%

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	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each 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 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 Political Subdivision Retirement Plan and 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, participating employers and 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.

Changes in Net Pension Liability

Primary Government - County

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 42,592,150	\$ 37,341,375	\$ 5,250,775
Changes for the Year			
Service cost	924,738	-	924,738
Interest	2,917,227	-	2,917,227
Benefit changes	-	-	-
Changes of assumptions	(344,713)	-	(344,713)
Differences between expected and actual experience	(406,065)	-	(406,065)
Contributions - employer	-	759,803	(759,803)
Contributions - employee	-	412,162	(412,162)
Net investment income	-	4,522,743	(4,522,743)
Benefit payments, including refunds	(1,834,965)	(1,834,965)	-
Administrative expenses	-	(26,214)	26,214
Other changes	-	(4,023)	4,023
Net Changes	<u>1,256,222</u>	<u>3,829,506</u>	<u>(2,573,284)</u>
Balances at June 30, 2017	<u>\$ 43,848,372</u>	<u>\$ 41,170,881</u>	<u>\$ 2,677,491</u>

Component Unit School Board - General Employees

	<u>Increase (Decrease)</u>		
	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2016	\$ 5,831,975	\$ 5,085,298	\$ 746,677
Changes for the Year			
Service cost	78,043	-	78,043
Interest	392,142	-	392,142
Benefit changes	-	-	-
Changes of assumptions	19,065	-	19,065
Differences between expected and actual experience	31,540	-	31,540
Contributions - employer	-	96,332	(96,332)
Contributions - employee	-	49,396	(49,396)
Net investment income	-	600,499	(600,499)
Benefit payments, including refunds	(459,880)	(459,880)	-
Administrative expenses	-	(3,700)	3,700
Other changes	-	(525)	525
Net Changes	60,910	282,122	(221,212)
Balances at June 30, 2017	<u>\$ 5,892,885</u>	<u>\$ 5,367,420</u>	<u>\$ 525,465</u>

Sensitivity of the Political Subdivision's and School Division's – Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the political subdivision's and school division's – teachers proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the political subdivision's and school division's – teachers 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:

	<u>1.00% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
Primary Government - County			
Political subdivision's			
Net Pension Liability	<u>\$ 8,514,075</u>	<u>\$ 2,677,491</u>	<u>\$ (2,163,161)</u>
Component Unit School Board -			
General Employees			
Political subdivision's			
Net Pension Liability	<u>\$ 1,110,145</u>	<u>\$ 525,465</u>	<u>\$ 26,907</u>
School division's proportionate			
share of the VRS Teacher			
Employee Retirement Plan			
Net Pension Liability	<u>\$ 51,603,000</u>	<u>\$ 34,556,000</u>	<u>\$ 20,454,000</u>

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$(250,874).

For the year ended June 30, 2018, the school board – general employees recognized pension expense of \$27,771.

At June 30, 2018, the school division – teachers reported a liability of \$34,556,000 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 .28099% as compared to .29082% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,633,000. 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 political subdivision and school division – teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government - County		
Differences between expected and actual experience	\$ -	\$ 1,078,243
Change in assumptions	-	243,624
Net difference between projected and actual earnings on pension plan investments	-	575,654
Employer contributions subsequent to the measurement date	<u>770,290</u>	<u>-</u>
Total - Primary Government	<u>\$ 770,290</u>	<u>\$ 1,897,521</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 11,578	\$ -
Change in assumptions	6,999	-
Net difference between projected and actual earnings on pension plan investments	-	72,672
Employer contributions subsequent to the measurement date	<u>98,215</u>	<u>-</u>
Total	<u>\$ 116,792</u>	<u>\$ 72,672</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ -	\$ 2,447,000
Net difference between projected and actual earnings on pension plan investments	-	1,255,000
Change in assumptions	504,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	430,000	2,607,000
Employer contributions subsequent to the measurement date	<u>3,531,002</u>	<u>-</u>
Total	<u>\$ 4,465,002</u>	<u>\$ 6,309,000</u>
Total Component Unit School Board	<u>\$ 4,581,794</u>	<u>\$ 6,381,672</u>

\$770,290 for the County, \$98,215 for school general employees, and \$3,531,002 for teachers reported as deferred outflows of resources related to pensions resulting from the political subdivision and 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:

**Year Ended
June 30,**

**Primary Government
County**

2019	(1,090,422)
2020	(334,531)
2021	(85,946)
2022	(386,622)
2023	-
Thereafter	-

**Component Unit School Board
General Employees**

2019	(37,388)
2020	30,091
2021	4,337
2022	(51,135)
2023	-
Thereafter	-

Teachers

2019	(2,274,000)
2020	(776,000)
2021	(701,000)
2022	(1,354,000)
2023	(270,000)
Thereafter	-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' 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.

21 Group Life Insurance Program

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 plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEA 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 OPEA.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This 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. Contribution to the Group Life Insurance Program from the entity were \$44,670 and \$43,202 for the years ended June 30, 2018 and June 30, 2017, respectively.

For the school board – general employees, contributions to the Group Life Insurance Program were \$5,759 and \$5,568 for the years ended June 30, 2018 and June 30, 2017, respectively.

For the school board – teacher, contributions to the Group Life Insurance Program were \$119,391 and \$115,459 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability of \$678,000 for the political subdivision, \$87,000 for the school board – general employees, and \$1,811,000 for the school board – teacher 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 was .04504% for the political subdivision, .00581% for the school board – general employees, and .12038% for the school board – teacher as compared to .04470% for the political subdivision, .00435% for the school board – general employees, and .12361% for the school board – teacher at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expenses of \$9,000 for the political subdivision, \$5,000 for the school board – general employees, and \$11,000 for school board – teacher. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

Primary Government

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	26,000
Change in assumptions		35,000
Changes in proportion	5,000	-
Employer contributions subsequent to the measurement date	<u>44,670</u>	<u>-</u>
Total	<u>\$ 49,670</u>	<u>\$ 75,000</u>

School Board

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,000
Change in assumptions	-	5,000
Changes in proportion	22,000	-
Employer contributions subsequent to the measurement date	<u>5,759</u>	<u>-</u>
Total	<u>\$ 27,759</u>	<u>\$ 10,000</u>

Teacher

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 41,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	68,000
Change in assumptions	-	93,000
Changes in proportion	-	48,000
Employer contributions subsequent to the measurement date	<u>119,391</u>	<u>-</u>
Total	<u>\$ 119,391</u>	<u>\$ 250,000</u>

\$49,670 for the political subdivision, \$5,759 for school board – general employees, and \$119,391 for school board – teacher 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:

Primary Government**Year Ended
June 30,**

2019	\$ (15,000)
2020	(15,000)
2021	(15,000)
2022	(15,000)
2023	(8,000)
Thereafter	(2,000)

School Board

Year Ended June 30,

2019	\$	2,000
2020		2,000
2021		2,000
2022		2,000
2023		3,000
Thereafter		1,000

Teacher

Year Ended June 30,

2019	\$	(51,000)
2020		(51,000)
2021		(51,000)
2022		(51,000)
2023		(33,000)
Thereafter		(13,000)

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 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, 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.

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 Life Mortality Table 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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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	Increase rate from 14% to 25%

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 Health 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 four-year 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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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

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 Life Mortality Table 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)	Update 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%

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 Life Mortality Table 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)	Update 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%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 four-year 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)	Update 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

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)	Update 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%

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)	Update 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 Life Mortality Table 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)	Update 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 Life Mortality Table 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)	Update 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		<u>1,437,586</u>
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.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal 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	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's Proportionate Share of the Group Life Insurance Program			
Net OPEB Liability - Primary Government	<u>\$ 877,000</u>	<u>\$ 678,000</u>	<u>\$ 517,000</u>
Net OPEB Liability - School Division	<u>\$ 113,000</u>	<u>\$ 87,000</u>	<u>\$ 66,000</u>
Net OPEB Liability - Teacher	<u>\$ 2,343,000</u>	<u>\$ 1,811,000</u>	<u>\$ 1,380,000</u>

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.

22 Teacher Employee Health Insurance Credit Program

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 plan is 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 (HIC) PLAN PROVISIONS

Eligible Employees

<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. |
|---|

Benefit Amounts

<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. |
|--|

Health Insurance Credit Program Notes:

- | |
|---|
| <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 year of service credit to qualify for the health insurance credit as a retiree. |
|---|

Contributions

The contribution requirement 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 \$282,122 and \$272,335 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 Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$3,559,000 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 .28055% as compared to .29088% 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 \$273,000. 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.

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>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	37,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	6,000
Change in proportionate share	-	114,000
Employer contributions subsequent to the measurement date	<u>282,122</u>	<u>-</u>
Total	<u>\$ 282,122</u>	<u>\$ 157,000</u>

\$282,122 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2019	\$	(24,000)
2020		(24,000)
2021		(24,000)
2022		(24,000)
2023		(23,000)
Thereafter		(38,000)

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 percent
Salary increases, including inflation Teacher Employees	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expense, including inflation *

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year 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	<u>96,091</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u><u>\$ 1,268,611</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on 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	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	<u>\$ 3,972,000</u>	<u>\$ 3,559,000</u>	<u>\$ 3,207,000</u>

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.

23 **Other Postemployment Benefits**

Plan Description

In addition to pension benefits offered by Virginia Retirement System, the County and School Board provides postemployment healthcare benefits. These benefits are governed by the County and School Board and can be amended by the County and School Board. The County and School Board provide healthcare insurance to retirees and their dependents. Very strict criteria have to be met to qualify for the benefits and the retirees come off the plan once they start receiving Medicare benefits at age 65.

County OPEB

Eligibility

Participants in the Mecklenburg County OPEB plan must meet the eligibility requirements based on service earned with the County to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must have attained age 50 with at least 30 years of service with the County to be eligible for health benefits.

Health benefits include medical only. The plan does provide for separate dental or vision coverage, but retirees pay the entire cost of coverage so there is no GASB liability for dental or vision coverage.

The valuation date is January 1, 2018 and the measurement date is June 30, 2018. Disclosures for the County OPEB Plan are as follows:

County OPEB Plan

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of investment expense

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with each component being reasonable in our professional opinion, including the anticipated effects of return volatility and correlation among various asset classes. The data used in the assessment of reasonability were the 2017 Horizon Survey of Capital Market Assumptions (consensus 10-year real returns) and the 2018 Social Security Trustees Report (inflation).

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Core Fixed Income	19.60%	1.17%	0.99%
High Yield Bonds	1.40%	3.38%	2.77%
Large Cap US Equities	26.00%	5.53%	4.14%
Small Cap US Equities	10.00%	6.58%	4.57%
Developed Foreign Equities	13.00%	6.43%	4.66%
Emerging Market Equities	5.00%	8.76%	5.64%
Private Equity	5.00%	9.10%	6.63%
Hedge Funds/Absolute Return	10.00%	3.03%	2.63%
Real Estate (REITS)	7.00%	5.05%	3.86%
Commodities	3.00%	3.37%	1.78%
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.97%	4.22%
Portfolio Nominal Mean Return		7.57%	6.93%
Portfolio Standard Deviation			12.55%
Long-Term Expected Rate of Return			7.00%

Changes in Net OPEB Liability

County - OPEB

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances as of June 30, 2017	\$ 2,461,477	\$ 1,622,881	\$ 838,596
Changes for the Year			
Service cost	35,557	-	35,557
Interest on total OPEB liability	168,581	-	168,581
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(180,521)	(180,521)	-
Employer contributions	-	285,621	(285,621)
Member contributions	-	-	-
Net investment income	-	155,371	(155,371)
Administrative expenses	-	(2,291)	2,291
Net Changes	23,617	258,180	(234,563)
Balances as of June 30, 2018	<u>\$ 2,485,094</u>	<u>\$ 1,881,061</u>	<u>\$ 604,033</u>

Sensitivity Analysis

The following presents the County's Net OPEB Liability calculated using the discount rate of 7.00%, as well as what the County's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Using Discount Rates	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 2,727,564	\$ 2,485,094	\$ 2,271,977
Fiduciary Net Position	1,881,061	1,881,061	1,881,061
Net OPEB Liability	<u>\$ 846,503</u>	<u>\$ 604,033</u>	<u>\$ 390,916</u>

The following presents the County's Net OPEB Liability calculated using the current healthcare cost trend rates, as well as what the County's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

**Using Current Healthcare Cost
Trend Rates**

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 2,218,863	\$ 2,485,094	\$ 2,798,733
Fiduciary Net Position	1,881,061	1,881,061	1,881,061
Net OPEB Liability	<u>\$ 337,802</u>	<u>\$ 604,033</u>	<u>\$ 917,672</u>

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the OPEB Retiree Health Insurance from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	30,586
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	285,621	-
Total	<u>\$ 285,621</u>	<u>\$ 30,586</u>

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

**Year Ended
June 30,**

2019	\$ (7,646)
2020	(7,646)
2021	(7,646)
2022	(7,648)
2023	-
Thereafter	-

OPEB Liability

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	7.00%	7.00%
Long-Term Expected Rate of Return, Net of Investment Expense	7.00%	7.00%
Municipal Bond Rate	N/A	N/A

The 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 discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The demographic assumptions used are predominantly consistent with those used in the June 30, 2016 actuarial valuation of the Virginia Retirement System (VRS). Please see the January 1, 2017 OPEB valuation report for a complete summary of all the underlying assumptions used in this valuation.

Valuation Date	January 1, 2017	January 1, 2017
Measurement Date	June 30, 2017	June 30, 2018
Inflation	2.50%	2.50%
Age-Related Claims Costs	Milliman's Health Cost Guidelines	Milliman's Health Cost Guidelines
Healthcare Cost Trend Rates	Getzen Trend Model and Milliman's Health Cost Guidelines	Getzen Trend Model and Milliman's Health Cost Guidelines
Withdrawal	Plan has no withdrawal benefit.	Plan has no withdrawal benefit.
Retirement	For the retiree and eligible spouses/dependents ending at the earlier of death or attainment of age 65.	For the retiree and eligible spouses/dependents ending at the earlier of death or attainment of age 65.
Mortality		
·Pre-Retirement	RP-2000 Employee Mortality Tables	RP-2000 Employee Mortality Tables
·Post-Retirement	RP-2000 Combined Healthy Mortality Tables	RP-2000 Combined Healthy Mortality Tables
·Post-Disablement	RP-2000 Disabled Life Mortality Tables	RP-2000 Disabled Life Mortality Tables
Disability Rates	Must have 30 years of service to be eligible for medical benefits	Must have 30 years of service to be eligible for medical benefits

Other Key Actuarial Assumptions (continued)

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Salary Increases, Including Inflation, for Non-Law Officers		
	<u>Years of Service</u>	<u>Increase for Next Year</u>
	1 to 2	5.35%
	3	4.75%
	4 to 6	4.45%
	7	4.35%
	8	4.25%
	9 to 10	4.00%
	11 to 19	3.65%
	20 or more	3.50%

Salary Increases, Including Inflation,
for Law Officers

	<u>Years of Service</u>	<u>Increase for Next Year</u>
	1 to 4	4.75%
	5	4.65%
	6 to 9	4.40%
	10 to 19	4.00%
	20 or more	3.50%

Actuarial Cost Method

Entry Age Normal Entry Age Normal

School Board OPEB

Eligibility

School Board OPEB plan participants generally include active employees, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits. These participants must meet the eligibility requirements to receive benefits upon retirement.

Methods and Assumptions

Summary of Methods	
Valuation/Census Data Due	July 1, 2016
Measurement Date	July 1, 2017
Actuarial Cost Method	Entry Age, level percentage of pay
Actuarial Assets	None
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.

Economic Assumptions	
Discount Rate	3.40%
20-Year Municipal Bond Yield	3.40%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.50% in 2017 grading to 5.00% over 6 years
Dental Trend Rate	N/A

Other Assumptions

Mortality	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale
Disability	None
Withdrawal	22.1% to 0.3% depending on gender, years of service and age
Retirement	3.0% to 35.0% depending on gender, years of service and age
Expenses	Assumed paid outside of Plan
Percent Married	Current Retirees: Actual retiree/spouse elections used. Future Retirees: Males 85%, Females 65%
Age Difference	Actual spouse birthdate for current retirees (if provided). For all others, males assumed to be 3 years older than females.
Retiree Plan Participation	Future Retirees Electing Coverage: Pre-65 subsidy not available: N/A% Pre-65 subsidy not available: 40%
Percentage of Married Retirees Electing Spouse Coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage: Spouse subsidy available: N/A Spouse subsidy not available: 15%
Benefits Not Included	Mecklenburg County Public School System provided access to dental insurance during retirement. However, the implicit rate liability is not significant for this benefit so has not been included in this valuation.

Changes in Net OPEB Liability

School Board - OPEB

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances as of June 30, 2016	\$ 2,201,126	\$ -	\$ 2,201,126
Changes for the Year			
Service cost	146,236	-	146,236
Interest on total OPEB liability	78,026	-	78,026
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(105,819)	-	(105,819)
Employer contributions	-	-	-
Member contributions	-	-	-
Net investment income	-	-	-
Administrative expenses	-	-	-
Net Changes	<u>118,443</u>	<u>-</u>	<u>118,443</u>
Balances as of June 30, 2017	<u>\$ 2,319,569</u>	<u>\$ -</u>	<u>\$ 2,319,569</u>

Sensitivity Analysis

The following presents the School Board's Net OPEB Liability calculated using the selected discount rate of 3.40%, as well as what the School Board's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.40%) or 1 percentage point higher (4.40%) than the current rate.

<u>Using Discount Rates</u>	<u>1% Decrease 2.40%</u>	<u>Discount Rate 3.40%</u>	<u>1% Increase 4.40%</u>
Total OPEB Liability	\$ 2,522,641	\$ 2,319,569	\$ 2,134,266
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 2,522,641</u>	<u>\$ 2,319,569</u>	<u>\$ 2,134,266</u>

The following presents the School Board's Net OPEB Liability calculated using the current healthcare cost trend rates, as well as what the School Board's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

<u>Using Current Healthcare Cost Trend Rates (6.50% decreasing to 5.00% over 6 years)</u>	<u>1% Decrease</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,040,326	\$ 2,319,569	\$ 2,653,855
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 2,040,326</u>	<u>\$ 2,319,569</u>	<u>\$ 2,653,855</u>

Deferred Outflows/Inflows of Resources

Deferred outflows of resources and deferred inflows of resources relating to OPEB for the year ending June 30, 2018 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Estimated employer contributions	<u>118,772</u>	<u>-</u>
Total	<u>\$ 118,772</u>	<u>\$ -</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

24 Fund Balances – Governmental Funds

As of June 30, 2018, fund balances are composed of the following:

	<u>Committed</u>	<u>Amount</u>
General Fund	Roof replacement	\$ 3,701,845
	911 program	452,592
	Rochichi fund	21,550
	Treasurer's fund	<u>2,037</u>
	Subtotal - General Fund	4,178,024
New School Funds	New school facilities	9,159,726
	New school debt service	<u>4,475,755</u>
	Subtotal - New School Funds	<u>13,635,481</u>
	Total Committed Funds	<u>\$ 17,813,505</u>
	<u>Assigned for</u>	
General Fund	Equipment replacement	\$ 2,362,657
	Library funds	<u>55,322</u>
	Subtotal - General Fund	2,417,979
Sheriff's Funds	Project Life Saver	4,983
	SRO picnic fund	34,352
	Sheriff's abandoned property	<u>2,078</u>
	Subtotal - Sheriff's Funds	41,413
DEQ and Landfill Funds	Landfill reserve	<u>446,235</u>
	Subtotal - DEQ and Landfill Funds	446,235
Economic Development Fund	Economic development	4,004,816
Capital Outlay Fund	Capital projects	22,953,584
Law Library Fund	Law library	<u>44,424</u>
	Total Assigned Funds	<u>\$ 29,908,451</u>

	<u>Restricted for</u>	
Public Assistance Funds	Public assistance	\$ 1,742,878
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	<u>100,000</u>
	Subtotal - DEQ and Landfill Funds	120,000
Propst Road Project	Road construction	75,206
Microsoft Project	Microsoft project	1,547,285
Comprehensive Services	Comprehensive services	435,368
Forfeiture Funds	Commonwealth's Attorney	11,689
	Sheriff's drug forfeitures	7,226
	State unwarranted	53,926
	Federal forfeiture funds	11,983
	MCSO seizure money funds	<u>2,142</u>
	Subtotal - Forfeiture Funds	<u>86,966</u>
	Total Restricted Funds	<u>\$ 4,007,703</u>

25 **Restatement**

The net position of the Governmental Activities and the Component Unit School Board at June 30, 2017 have been restated to reflect the cumulative effect resulting from the implementation of GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of this new accounting standard.

Governmental Activities

Net Position - Beginning of Year	
As Previously Reported June 30, 2017	\$ 78,417,562
Record building donated in 2016 not on books	1,500,000
VRS OPEB group life insurance	<u>(782,000)</u>
Net Position - Beginning of Year	
Restated July 1, 2017	<u>\$ 79,135,562</u>

School Board Component Unit

Net Position - Beginning of Year	
As Previously Reported June 30, 2017	\$ (15,568,204)
VRS OPEB group life insurance	(2,239,000)
VRS OPEB health insurance credit	(3,689,000)
OPEB retiree health insurance	<u>(1,352,947)</u>
Net Position - Beginning of Year	
Restated July 1, 2017	<u>\$ (22,849,151)</u>

26 **Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through November 30, 2018.

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 16,218,640	\$ 16,218,640	\$ 17,202,293	\$ 983,653
Mobile home taxes	70,308	70,308	72,001	1,693
Personal property taxes	33,216,772	33,216,772	36,506,294	3,289,522
Public service corporations	1,358,607	1,358,607	1,442,842	84,235
Machinery and tools taxes	662,904	662,904	711,354	48,450
Merchants' capital	435,240	435,240	477,758	42,518
Delinquent taxes	-	-	304,818	304,818
Interest on taxes	135,000	135,000	177,587	42,587
Penalties on taxes	200,000	200,000	240,127	40,127
Total General Property Taxes	52,297,471	52,297,471	57,135,074	4,837,603
Other Local Taxes				
Local sales and use taxes	3,200,000	3,200,000	3,804,470	604,470
Utility taxes	430,000	430,000	530,694	100,694
Consumption tax	90,000	90,000	74,125	(15,875)
Business licenses	1,700	1,700	1,950	250
Franchise license tax	5,000	5,000	8,120	3,120
Bank stock tax	5,000	5,000	8,575	3,575
Transient occupancy tax	60,000	60,000	81,378	21,378
Motor vehicle licenses	612,000	612,000	607,300	(4,700)
Tax on recordation and wills	217,000	217,000	303,484	86,484
Total Other Local Taxes	4,620,700	4,620,700	5,420,096	799,396
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	27,000	27,000	27,769	769
Other permits and licenses	45,100	45,100	45,482	382
Building permits	250,075	250,075	108,912	(141,163)
Total Permits, Privilege Fees, and Regulatory Licenses	322,175	322,175	182,163	(140,012)
Fines and Forfeitures				
	209,800	209,800	380,887	171,087
Revenue from Use of Money and Property				
Interest income	92,000	92,000	314,275	222,275
Rental income	54,000	54,000	61,237	7,237
Total Revenue from Use of Money and Property	146,000	146,000	375,512	229,512
Charges for Services				
Sheriff's revenues	11,250	11,250	11,271	21
Courthouse maintenance fees and clerk	26,000	26,000	42,959	16,959
Library charges and revenue	40,500	40,500	41,581	1,081
Commonwealth Attorney's fees	6,200	6,200	6,905	705
Sanitation, waste removal, and landfill charges	108,000	108,000	124,691	16,691
Other miscellaneous charges	120	120	2,799	2,679
Planning fees	5,000	5,000	4,260	(740)
Total Charges for Services	197,070	197,070	234,466	37,396

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous				
Delinquent tax administrative fees	100,000	100,000	240,182	140,182
Refunds	-	-	297,155	297,155
Insurance adjustments	-	60,625	90,340	29,715
Other miscellaneous	17,899	17,899	88,669	70,770
Total Miscellaneous	117,899	178,524	716,346	537,822
Recovered Costs	142,618	142,618	129,564	(13,054)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	18,000	18,000	16,094	(1,906)
Auto rental tax	2,000	2,000	4,250	2,250
Personal Property Tax Relief Act	1,492,608	1,492,608	1,454,006	(38,602)
Receipt from state - Occoneechee Park	5,800	5,800	6,601	801
Communications tax from State	450,000	450,000	529,090	79,090
Mobile home titling tax	50,000	50,000	44,217	(5,783)
Recordation and grantors' tax - State	64,000	64,000	73,370	9,370
Total Non-Categorical Aid	2,082,408	2,082,408	2,127,628	45,220
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	475,205	475,205	455,323	(19,882)
Sheriff and Sheriff's auto	1,566,729	1,566,729	1,609,114	42,385
Commissioner of the Revenue	109,878	109,878	111,463	1,585
Treasurer	123,217	123,217	123,184	(33)
Electoral Board and General Registrar	41,425	41,425	42,321	896
Clerk of the Court	346,313	356,313	370,256	13,943
Library grant	99,794	99,794	124,803	25,009
Records grant - clerk	-	14,375	14,375	-
School security grant	18,500	18,500	9,169	(9,331)
Deputies Lake Patrol	58,500	58,500	35,948	(22,552)
Piedmont Court Services	402,501	402,501	407,510	5,009
Victim Witness Grant	68,070	68,070	65,043	(3,027)
Virginia Domestic Violence (VDVVF)	45,000	45,000	33,750	(11,250)
VJCCCA	32,709	32,709	31,360	(1,349)
Fire Program Grant	76,429	76,429	78,738	2,309
Sheriff grants	-	-	3,200	3,200
Wireless 911	110,000	110,000	138,179	28,179
Four for Life Grant	30,896	30,896	-	(30,896)
Other state grants	107,266	107,266	31,775	(75,491)
Animal Friendly Plates Grant	230	230	306	76
Grant - Colonial Center for Performing Arts	5,000	5,000	4,500	(500)
Litter Grant	13,000	13,000	12,917	(83)
Jury Witness Reimbursement	7,000	7,000	13,259	6,259
Total Categorical Aid	3,737,662	3,762,037	3,716,493	(45,544)
Total Revenue from the Commonwealth of Virginia	5,820,070	5,844,445	5,844,121	(324)

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Revenue from the Federal Government

Highway Safety Grant	22,000	22,000	20,262	(1,738)
Emergency Services Grant	7,500	7,500	15,000	7,500
CDBG grants	-	-	40,000	40,000
CDBG - Transtech	-	-	84,982	84,982
Byrne Grant	2,800	2,800	3,497	697
Violence Against Women	42,920	42,920	64,380	21,460
Payment in lieu of taxes	130,000	130,000	161,330	31,330
Total Revenue from the Federal Government	205,220	205,220	389,451	184,231
Total Intergovernmental Revenue	6,025,290	6,049,665	6,233,572	183,907
Total Revenues	64,079,023	64,164,023	70,807,680	6,643,657

Expenditures

Current

General Government Administration

Board of Supervisors	240,009	235,987	231,285	4,702
County Administrator	458,296	479,673	469,878	9,795
Commissioner of Revenue	688,484	705,233	689,374	15,859
Treasurer	664,467	664,467	637,290	27,177
County Attorney and other legal	115,000	175,054	175,054	-
Data processing	202,714	194,040	182,718	11,322
Multipurpose	70,000	125,489	125,489	-
Equalization Board	1,500	1,500	-	1,500
Shared office expenses	373,000	274,438	272,053	2,385
Retirees hospitalization	99,000	99,000	95,764	3,236
Line of duty	46,615	46,615	15,014	31,601
Annual OPEB contribution	155,800	155,800	105,100	50,700
Workman's compensation/unemployment	220,315	220,315	183,625	36,690
Electoral Board	74,603	70,107	59,172	10,935
Registrar	153,344	148,512	140,177	8,335
Total General Government Administration	3,563,147	3,596,230	3,381,993	214,237

Judicial Administration

Circuit Court	69,411	68,278	57,726	10,552
General District Court	3,694	3,694	1,583	2,111
Magistrate	2,000	2,000	358	1,642
Juvenile and Domestic Relations Court	312,340	235,473	233,663	1,810
Pretrial Court	117,798	123,943	123,140	803
VJCCCA	33,109	33,109	33,019	90
Victim Witness Program	69,248	69,248	63,191	6,057
Center for Violence	7,500	7,500	7,500	-
Piedmont Court Services - Corrections Act	305,761	315,969	287,174	28,795
Clerk of the Circuit Court	626,015	658,272	654,719	3,553
Commonwealth's Attorney	673,388	677,410	656,157	21,253
Total Judicial Administration	2,220,264	2,194,896	2,118,230	76,666

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's department	4,997,996	4,929,846	4,878,869	50,977
Jail	3,971,544	3,971,544	3,971,544	-
Fire departments	646,482	646,864	646,864	-
Rescue squads	661,896	661,896	629,000	32,896
911 department	1,006,251	969,711	914,653	55,058
Emergency services	103,428	103,428	95,985	7,443
Inspections	245,406	245,406	225,619	19,787
Animal control	205,140	199,583	168,405	31,178
Medical Examiner	500	500	340	160
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	11,842,643	11,732,778	11,535,279	197,499
<i>Public Works</i>				
Refuse disposal	1,915,001	1,813,756	1,804,383	9,373
Roanoke River Service Authority	20,000	20,000	20,000	-
Maintenance of buildings and grounds	741,319	1,667,149	1,158,645	508,504
Total Public Works	2,676,320	3,500,905	2,983,028	517,877
<i>Health and Welfare</i>				
Health department	217,510	217,510	217,510	-
Mental health	136,509	136,509	136,509	-
Comprehensive services	69,220	69,220	68,396	824
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	7,282	7,282	7,267	15
Total Health and Welfare	444,521	444,521	443,682	839
<i>Education</i>				
Community college	14,533	14,533	14,533	-
Appropriation to public school system	15,436,947	15,436,947	15,436,947	-
Total Education	15,451,480	15,451,480	15,451,480	-
<i>Parks, Recreation, and Cultural</i>				
Library	609,275	619,490	620,620	(1,130)
Parks and recreation	12,250	12,250	9,750	2,500
Cultural contributions	63,500	63,500	63,000	500
Total Parks, Recreation, and Cultural	685,025	695,240	693,370	1,870

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Miscellaneous community development	242,612	126,614	123,838	2,776
Town of Boynton	50,000	50,000	50,000	-
Airports	114,824	114,824	114,824	-
Tourism	74,800	61,800	50,662	11,138
Economic development	561,812	678,570	629,414	49,156
Zoning	104,143	84,598	80,009	4,589
Industrial tax refunds to Meck. IDA	21,317,136	21,698,715	21,698,715	-
Soil and Water Conservation District	132,743	141,637	141,637	-
Cooperative extension program	86,789	91,285	80,187	11,098
Total Community Development	22,684,859	23,048,043	22,969,286	78,757
<i>Capital Projects</i>				
Capital outlay	-	300,000	40,625	259,375
Total Expenditures	59,568,259	60,964,093	59,616,973	1,347,120
Excess (Deficiency) of Revenues Over Expenditures	4,510,764	3,199,930	11,190,707	7,990,777
Other Financing Sources (Uses)				
Transfers (out)	(4,510,764)	(4,510,764)	(11,015,055)	(6,504,291)
Total Other Financing Sources (Uses)	(4,510,764)	(4,510,764)	(11,015,055)	(6,504,291)
Net Change in Fund Balance	-	(1,310,834)	175,652	1,486,486
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	\$ -	\$ (1,310,834)	175,652	\$ 1,486,486
Fund Balance - Beginning of Year			12,220,660	
Fund Balance - End of Year			\$ 12,396,312	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 136,510	\$ 136,510	\$ 15,218	\$ (121,292)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,149,203	1,170,075	920,693	(249,382)
Revenue from the Federal Government	<u>1,507,659</u>	<u>1,507,659</u>	<u>1,616,391</u>	<u>108,732</u>
Total Intergovernmental Revenues	<u>2,656,862</u>	<u>2,677,734</u>	<u>2,537,084</u>	<u>(140,650)</u>
Total Revenues	2,793,372	2,814,244	2,552,302	(261,942)
Expenditures				
Current				
Health and welfare	<u>3,614,093</u>	<u>3,634,965</u>	<u>3,229,338</u>	<u>405,627</u>
Total Expenditures	<u>3,614,093</u>	<u>3,634,965</u>	<u>3,229,338</u>	<u>405,627</u>
Excess (Deficiency) of Revenues Over Expenditures	(820,721)	(820,721)	(677,036)	143,685
Other Financing Sources (Uses)				
Transfers in	<u>820,721</u>	<u>820,721</u>	<u>725,733</u>	<u>(94,988)</u>
Total Other Financing Sources (Uses)	<u>820,721</u>	<u>820,721</u>	<u>725,733</u>	<u>(94,988)</u>
Net Change in Fund Balance	-	-	48,697	48,697
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	48,697	<u>\$ 48,697</u>
Fund Balance - Beginning of Year			<u>1,694,181</u>	
Fund Balance - End of Year			<u>\$ 1,742,878</u>	

Children's Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ -	\$ 60,161	\$ 60,161
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	<u>1,694,000</u>	<u>1,694,000</u>	<u>1,371,138</u>	<u>(322,862)</u>
Total Intergovernmental Revenues	<u>1,694,000</u>	<u>1,694,000</u>	<u>1,371,138</u>	<u>(322,862)</u>
Total Revenues	1,694,000	1,694,000	1,431,299	(262,701)
Expenditures				
Current				
Health and welfare	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,121,204</u>	<u>78,796</u>
Total Expenditures	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,121,204</u>	<u>78,796</u>
Excess (Deficiency) of Revenues Over Expenditures	(506,000)	(506,000)	(689,905)	(183,905)
Other Financing Sources (Uses)				
Transfers in	<u>506,000</u>	<u>506,000</u>	<u>706,000</u>	<u>200,000</u>
Total Other Financing Sources (Uses)	<u>506,000</u>	<u>506,000</u>	<u>706,000</u>	<u>200,000</u>
Net Change in Fund Balance	-	-	16,095	16,095
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	16,095	<u>\$ 16,095</u>
Fund Balance - Beginning of Year			<u>419,273</u>	
Fund Balance - End of Year			<u>\$ 435,368</u>	

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

Primary Government

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 924,738	\$ 911,199	\$ 910,898	\$ 905,148
Interest	2,917,227	2,904,017	2,793,733	2,651,300
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(406,065)	(1,634,116)	(302,779)	-
Changes in assumptions	(344,713)	-	-	-
Benefit payments, including refunds of employee contributions	(1,834,965)	(2,149,802)	(1,502,945)	(1,540,432)
Net change in total pension liability	1,256,222	31,298	1,898,907	2,016,016
Total pension liability - beginning	42,592,150	42,560,852	40,661,945	38,645,929
Total pension liability - ending (a)	<u>\$ 43,848,372</u>	<u>\$ 42,592,150</u>	<u>\$ 42,560,852</u>	<u>\$ 40,661,945</u>
 Plan fiduciary net position				
Contributions - employer	\$ 759,803	\$ 1,062,180	\$ 1,019,265	\$ 1,046,057
Contributions - employee	412,162	430,437	386,744	392,052
Net investment income	4,522,743	638,328	1,644,329	4,904,522
Benefit payments, including refunds of employee contributions	(1,834,965)	(2,149,802)	(1,502,945)	(1,540,432)
Administrative expense	(26,214)	(23,330)	(22,291)	(26,249)
Other	(4,023)	(273)	(350)	258
Net change in plan fiduciary net position	3,829,506	(42,460)	1,524,752	4,776,208
Plan fiduciary net position - beginning	37,341,375	37,383,835	35,859,083	31,082,875
Plan fiduciary net position - ending (b)	<u>\$ 41,170,881</u>	<u>\$ 37,341,375</u>	<u>\$ 37,383,835</u>	<u>\$ 35,859,083</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 2,677,491</u>	<u>\$ 5,250,775</u>	<u>\$ 5,177,017</u>	<u>\$ 4,802,862</u>
 Plan fiduciary net position as a percentage of the total pension liability	93.89%	87.67%	87.84%	88.19%
 Covered payroll	\$ 8,063,815	\$ 8,040,153	\$ 7,766,871	\$ 7,648,356
 Political subdivision's net pension liability as a percentage of covered payroll	33.20%	65.31%	66.66%	62.80%

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

**School Board
General Employees**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 78,043	\$ 77,859	\$ 78,891	\$ 85,532
Interest	392,142	395,956	388,886	390,807
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	31,540	(64,524)	104,213	-
Changes in assumptions	19,065	-	-	-
Benefit Payments, including refunds of employee contributions	(459,880)	(467,652)	(474,332)	(533,242)
Net change in total pension liability	60,910	(58,361)	97,658	(56,903)
Total pension liability - beginning	5,831,975	5,890,336	5,792,678	5,849,581
Total pension liability - ending (a)	<u>\$ 5,892,885</u>	<u>\$ 5,831,975</u>	<u>\$ 5,890,336</u>	<u>\$ 5,792,678</u>
 Plan fiduciary net position				
Contributions - employer	\$ 96,332	\$ 83,627	\$ 86,114	\$ 81,094
Contributions - employee	49,396	37,264	38,876	39,402
Net investment income	600,499	84,931	241,239	773,139
Benefit Payments, including refunds of employee contributions	(459,880)	(467,652)	(474,332)	(533,242)
Administrative expense	(3,700)	(3,487)	(3,598)	(4,473)
Other	(525)	(38)	(52)	41
Net change in plan fiduciary net position	282,122	(265,355)	(111,753)	355,961
Plan fiduciary net position - beginning	5,085,298	5,350,653	5,462,406	5,106,445
Plan fiduciary net position - ending (b)	<u>\$ 5,367,420</u>	<u>\$ 5,085,298</u>	<u>\$ 5,350,653</u>	<u>\$ 5,462,406</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 525,465</u>	<u>\$ 746,677</u>	<u>\$ 539,683</u>	<u>\$ 330,272</u>
 Plan fiduciary net position as a percentage of the total pension liability	91.08%	87.20%	90.84%	94.30%
 Covered payroll	\$ 1,017,532	\$ 817,527	\$ 774,168	\$ 775,881
 Political subdivision's net pension liability as a percentage of covered payroll	51.64%	91.33%	69.71%	42.57%

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan

For the Years Ended June 30, 2018, 2017, 2016, and 2015*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.28099%	0.29082%	0.28578%	0.29757%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 34,556,000	\$ 40,756,000	\$ 35,970,000	\$ 35,960,000
Employer's Covered Payroll	\$ 21,816,255	\$ 22,174,540	\$ 21,241,342	\$ 21,761,485
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	158.396%	183.796%	169.340%	165.246%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

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

County of Mecklenburg, Virginia

Schedule of Employer Contributions - VRS Pension

For the Years Ended June 30, 2009 through 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
Primary Government					
2018	\$ 770,290	\$ 770,290	\$ -	\$ 8,546,164	9.28%
2017	748,322	748,322	-	8,063,815	9.28%
2016	1,067,732	1,067,732	-	8,040,153	13.28%
2015	1,031,440	1,031,440	-	7,766,871	13.28%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a

Component Unit School Board -

General Employees

2018	\$ 98,215	\$ 98,215	\$ -	\$ 1,107,505	9.48%
2017	96,462	96,462	-	1,017,532	9.48%
2016	89,356	89,356	-	817,527	10.93%
2015	85,384	85,384	-	774,168	11.03%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a

Component Unit School Board -

Teachers

2018	\$ 3,531,002	\$ 3,531,002	\$ -	\$ 22,925,194	16.32%
2017	3,198,263	3,198,263	-	21,816,255	14.66%
2016	3,117,740	3,117,740	-	22,174,540	14.06%
2015	3,061,955	3,061,955	-	21,241,342	14.42%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a

NOTE: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2018

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

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

Largest 10 – Non-Hazardous Duty:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14% to 15%

Largest 10 – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Decrease rate from 60% to 45%

School Division:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Year Ended June 30, 2018*

2018

Primary Government

Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.04504%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 678,000
Employer's Covered Payroll	\$ 8,308,169
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

*Schedule is intended to show information for 10 years.
Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.*

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

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Year Ended June 30, 2018*

2018

School Board

Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00581%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 87,000
Employer's Covered Payroll	\$ 1,070,854
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

*Schedule is intended to show information for 10 years.
Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.*

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

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Year Ended June 30, 2018*

2018

Teacher

Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.12038%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 1,811,000
Employer's Covered Payroll	\$22,203,694
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

*Schedule is intended to show information for 10 years.
Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.*

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

County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB - Group Life Insurance (GLI)

For the Years Ended June 30, 2009 through 2018

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
Primary Government - County					
2018	\$ 44,670	\$ 44,670	\$ -	\$ 8,590,341	0.52%
2017	43,202	43,202	-	8,308,169	0.52%
2016	42,570	42,570	-	8,032,035	0.53%
2015	40,758	40,758	-	7,690,201	0.53%
2014	40,608	40,608	-	7,661,907	0.53%
2013	38,949	38,949	-	7,348,933	0.53%
2012	35,843	35,843	-	8,146,093	0.44%
2011	35,985	35,985	-	8,178,480	0.44%
2010	29,715	29,715	-	8,254,187	0.36%
2009	29,896	29,896	-	8,304,462	0.36%
School Board - General Employees					
2018	\$ 5,759	\$ 5,759	\$ -	\$ 1,107,505	0.52%
2017	5,568	5,568	-	1,070,854	0.52%
2016	4,144	4,144	-	781,849	0.53%
2015	4,194	4,194	-	791,264	0.53%
2014	4,269	4,269	-	808,803	0.53%
2013	4,504	4,504	-	849,897	0.53%
2012	5,766	5,766	-	1,310,563	0.44%
2011	5,937	5,937	-	1,349,309	0.44%
2010	4,919	4,919	-	1,366,448	0.36%
2009	4,936	4,936	-	1,371,025	0.36%
School Board - Teachers					
2018	\$ 119,391	\$ 119,391	\$ -	\$ 22,959,807	0.52%
2017	115,459	115,459	-	22,203,694	0.52%
2016	117,723	117,723	-	22,211,917	0.53%
2015	112,729	112,729	-	21,269,716	0.53%
2014	115,609	115,609	-	21,813,097	0.53%
2013	121,293	121,293	-	22,885,435	0.53%
2012	96,161	96,161	-	21,854,835	0.44%
2011	99,264	99,264	-	22,559,979	0.44%
2010	84,395	84,395	-	23,442,945	0.36%
2009	84,398	84,398	-	23,443,833	0.36%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information for OPEB Group Life Insurance

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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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	Increase rate from 14% to 25%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
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)	Update 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)	Update 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%

JRS Employees

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

County of Mecklenburg, Virginia

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

2018

Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.28055%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 3,559,000
Employer's Covered Payroll	\$ 22,141,002
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

Schedule is intended to show information for 10 years. Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.

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

County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB - Teachers' Health Insurance Credit

For the Years Ended June 30, 2009 through 2018

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
School Board - Teachers					
2018	\$ 282,122	\$ 282,122	\$ -	\$22,936,773	1.23%
2017	272,335	272,335	-	22,141,002	1.23%
2016	261,720	261,720	-	22,179,638	1.18%
2015	250,717	250,717	-	21,247,197	1.18%
2014	254,609	254,609	-	21,761,485	1.17%
2013	260,249	260,249	-	22,243,489	1.17%
2012	234,841	234,841	-	21,744,498	1.08%
2011	242,762	242,762	-	22,477,954	1.08%
2010	262,038	262,038	-	23,396,249	1.12%
2009	261,692	261,692	-	23,365,323	1.12%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information – HIC OPEB Teacher

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:

Teacher

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rate at older ages and changes 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 Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net OPEB Retiree Health Insurance Liability and Related Ratios

Primary Government

2017

Total OPEB Liability

Service cost	\$ 35,557
Interest on OPEB liability	168,581
Changes of benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	-
Benefit payments	<u>(180,521)</u>
Net change in total OPEB liability	23,617
Total OPEB liability - beginning	<u>2,461,477</u>
Total OPEB liability - ending (a)	<u>\$ 2,485,094</u>

Fiduciary net position

Employer contributions	\$ 285,621
Net investment income	155,371
Benefit payments	(180,521)
Administrative expense	<u>(2,291)</u>
Net change in plan fiduciary net position	258,180
Plan fiduciary net position - beginning	<u>1,622,881</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,881,061</u>

Political subdivision's net OPEB liability - ending (a) - (b)	<u>\$ 604,033</u>
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Plan fiduciary net position as a percentage of the total pension liability	75.69%
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Covered payroll	\$ 6,248,858
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Political subdivision's net OPEB liability as a percentage of covered payroll	9.67%
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County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB Retiree Health Insurance - County

For the Years Ended June 30, 2009 through 2018

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 104,800	\$ 285,621	\$ (180,821)	\$6,248,858	5.42%
2017	99,500	338,710	(239,210)	6,248,858	5.42%
2016	105,100	299,200	(194,100)	5,698,600	5.25%
2015	100,100	292,400	(192,300)	5,698,600	5.13%
2014	155,800	316,300	(160,500)	5,810,900	5.44%
2013	149,000	334,400	(185,400)	5,810,900	5.75%
2012	158,200	327,500	(169,300)	8,119,800	4.03%
2011	169,500	472,500	(303,000)	8,119,800	5.82%
2010	240,600	146,100	94,500	6,990,800	2.09%
2009	231,400	128,600	102,800	6,990,800	1.84%

¹Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the County's own resources. It also includes estimated implicit subsidy payments for retirees from the County's own resources.

County of Mecklenburg, Virginia

Schedule of Changes in the School Board's Net OPEB Retiree Health Insurance Liability and Related Ratios

	<u>School Board</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 146,236
Interest on OPEB liability	78,026
Changes of benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	-
Benefit payments	(105,819)
Net change in total OPEB liability	118,443
Total OPEB liability - beginning	2,201,126
Total OPEB liability - ending (a)	<u>\$ 2,319,569</u>
Fiduciary net position	
Employer contributions	\$ -
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>
Political subdivision's net OPEB liability - ending (a) - (b)	<u>\$ 2,319,569</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%
Covered payroll	\$ 23,486,845
Political subdivision's net OPEB liability as a percentage of covered payroll	9.88%

County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB Retiree Health Insurance - School Board

For the Years Ended June 30, 2009 through 2018

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 118,772	\$ 118,772	\$ -	\$23,486,845	0.51%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A

¹Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the County's own resources. It also includes estimated implicit subsidy payments for retirees from the County's own resources.

NOTE: The information prior to fiscal year 2018 is not available.

Other Supplementary Information



County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2018

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Propst Road</u>	<u>Highway 49 Rehab</u>	<u>Total Other Governmental Funds</u>
Assets						
Cash and investments	\$ 43,650	\$ 41,413	\$ 86,966	\$ 75,206	\$ 2,303	\$ 249,538
Accounts receivable	774	-	-	-	-	774
Due from other governments	-	-	-	-	81,167	81,167
Total Assets	<u>\$ 44,424</u>	<u>\$ 41,413</u>	<u>\$ 86,966</u>	<u>\$ 75,206</u>	<u>\$ 83,470</u>	<u>\$ 331,479</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 83,470	\$ 83,470
Total Liabilities	-	-	-	-	83,470	83,470
Fund Balance						
Restricted	-	-	86,966	75,206	-	162,172
Assigned	<u>44,424</u>	<u>41,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,837</u>
Total Fund Balance	<u>44,424</u>	<u>41,413</u>	<u>86,966</u>	<u>75,206</u>	<u>-</u>	<u>248,009</u>
Total Liabilities and Fund Balance	<u>\$ 44,424</u>	<u>\$ 41,413</u>	<u>\$ 86,966</u>	<u>\$ 75,206</u>	<u>\$ 83,470</u>	<u>\$ 331,479</u>

County of Mecklenburg, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2018

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Propst Road</u>	<u>Highway 49 Rehab</u>	<u>Lambert Road Project</u>	<u>Total Other Governmental Funds</u>
Revenues							
Use of money and property	\$ -	\$ -	\$ 118	\$ 109	\$ -	\$ -	\$ 227
Charges for services	10,271	-	-	-	-	-	10,271
Miscellaneous	-	28,779	-	-	7,700	-	36,479
<i>Intergovernmental</i>							
From the Commonwealth of VA	-	-	16,243	-	-	-	16,243
From the Federal Government	-	-	-	-	298,782	-	298,782
Total Revenues	10,271	28,779	16,361	109	306,482	-	362,002
Expenditures							
Current							
Judicial administration	7,455	-	-	-	-	-	7,455
Public safety	-	19,495	7,791	-	-	-	27,286
Community development	-	-	-	-	306,482	6,631	313,113
Total Expenditures	7,455	19,495	7,791	-	306,482	6,631	347,854
Excess (Deficiency) of Revenues Over Expenditures	2,816	9,284	8,570	109	-	(6,631)	14,148
Other Financing Sources (Uses)							
Transfers (out)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	2,816	9,284	8,570	109	-	(6,631)	14,148
Fund Balance - Beginning of Year	41,608	32,129	78,396	75,097	-	6,631	233,861
Fund Balance - End of Year	\$ 44,424	\$ 41,413	\$ 86,966	\$ 75,206	\$ -	\$ -	\$ 248,009

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2018

	<u>Special Welfare</u>	<u>TransTech Marketing Alliance</u>	<u>Virginia's Retreat Fund</u>	<u>Thyne Project Memorial</u>	<u>County OPEB Fund</u>	<u>Totals</u>
Assets						
Cash	\$ 61,284	\$ 137,787	\$ 89,944	\$ 28,019	\$ 1,881,061	\$ 2,198,095
Loans receivable	-	137,811	-	-	-	137,811
Due from other governments	-	18,769	-	-	-	18,769
Total Assets	<u>\$ 61,284</u>	<u>\$ 294,367</u>	<u>\$ 89,944</u>	<u>\$ 28,019</u>	<u>\$ 1,881,061</u>	<u>\$ 2,354,675</u>
Liabilities						
Accounts payable	\$ -	\$ 22,139	\$ 4,121	\$ -	\$ -	\$ 26,260
Amounts held for others	61,284	272,228	85,823	28,019	1,881,061	2,328,415
Total Liabilities	<u>\$ 61,284</u>	<u>\$ 294,367</u>	<u>\$ 89,944</u>	<u>\$ 28,019</u>	<u>\$ 1,881,061</u>	<u>\$ 2,354,675</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2018

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>New High School Fund</u>	<u>Total Component Unit School Board</u>
Assets					
Cash and investments	\$ -	\$ 765,740	\$ 681,646	\$ -	\$ 1,447,386
Cash - restricted	-	-	-	49,798,101	49,798,101
Due from other governments	804,098	35,047	-	-	839,145
Total Assets	<u>\$ 804,098</u>	<u>\$ 800,787</u>	<u>\$ 681,646</u>	<u>\$ 49,798,101</u>	<u>\$ 52,084,632</u>
Liabilities					
Accounts payable	\$ 198,488	\$ 12,750	\$ 2,889	\$ 333,174	\$ 547,301
Total Liabilities	198,488	12,750	2,889	333,174	547,301
Fund Balance					
Restricted	-	-	-	49,464,927	49,464,927
Assigned	605,610	788,037	678,757	-	2,072,404
Total Fund Balance	<u>605,610</u>	<u>788,037</u>	<u>678,757</u>	<u>49,464,927</u>	<u>51,537,331</u>
Total Liabilities and Fund Balance	<u>\$ 804,098</u>	<u>\$ 800,787</u>	<u>\$ 681,646</u>	<u>\$ 49,798,101</u>	<u>\$ 52,084,632</u>

County of Mecklenburg, Virginia

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2018

Total Fund Balances for Governmental Funds	\$ 51,537,331
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 1,735,479
Buildings and improvements, net of depreciation	15,929,004
Furniture, equipment, and vehicles, net of depreciation	<u>7,476,336</u>

Total Capital Assets	25,140,819
----------------------	------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	5,129,838
Deferred inflows related to pensions	(6,798,672)

Assets and liabilities transferred to the Primary Government - County related to the financing and construction of the new school	(49,464,927)
---	--------------

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	(256,445)
Net VRS pension liability	(35,081,465)
Capital leases	(1,703,291)
OPEB liabilities	<u>(7,776,569)</u>

Total	<u>(44,817,770)</u>
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Total Net Position of Governmental Activities	<u><u>\$ (19,273,381)</u></u>
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County of Mecklenburg, Virginia

Component Unit School Board

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances

Year Ended June 30, 2018

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>New High School Fund</u>	<u>Total Component Unit School Board</u>
Revenues					
Use of money and property	\$ 1,077	\$ 1,098	\$ 637	\$ 552,088	\$ 554,900
Charges for services	116,750	515,023	61	-	631,834
Rebates and refunds	630,683	-	-	-	630,683
Miscellaneous	67,528	-	-	-	67,528
Payments from Primary Government - Meck. County	15,279,586	-	157,361	-	15,436,947
<i>Intergovernmental</i>					-
From the Commonwealth of Virginia	25,561,004	56,965	293,193	-	25,911,162
From the Federal Government	<u>3,136,096</u>	<u>1,679,022</u>	<u>-</u>	<u>-</u>	<u>4,815,118</u>
Total Revenues	44,792,724	2,252,108	451,252	552,088	48,048,172
Expenditures					
Education					
Instruction	33,290,410	-	198,550	-	33,488,960
Technology	1,512,720	-	-	-	1,512,720
Administration, attendance, and health	2,034,539	-	-	-	2,034,539
Transportation	4,348,129	-	-	-	4,348,129
Operation and maintenance	2,938,666	-	-	-	2,938,666
School food service	-	2,157,702	-	-	2,157,702
To Primary Govt. - Mecklenburg County for				-	-
New School Funds	262,492	-	-	-	262,492
Capital projects	-	-	-	1,368,185	1,368,185
Debt service	<u>1,890,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,753</u>
Total Expenditures	<u>46,277,709</u>	<u>2,157,702</u>	<u>198,550</u>	<u>1,368,185</u>	<u>50,002,146</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenses Before Other Financing Sources (Uses)	(1,484,985)	94,406	252,702	(816,097)	(1,953,974)
Other Financing Sources (Uses)					
Premium on long-term debt	-	-	-	1,951,024	1,951,024
Issuance of long-term debt	<u>1,178,997</u>	<u>-</u>	<u>-</u>	<u>48,330,000</u>	<u>49,508,997</u>
Total Other Financing Sources (Uses)	<u>1,178,997</u>	<u>-</u>	<u>-</u>	<u>50,281,024</u>	<u>51,460,021</u>
Net Change in Fund Balances	(305,988)	94,406	252,702	49,464,927	49,506,047
Fund Balances - Beginning of Year	<u>911,598</u>	<u>693,631</u>	<u>426,055</u>	<u>-</u>	<u>2,031,284</u>
Fund Balances - End of Year	<u>\$ 605,610</u>	<u>\$ 788,037</u>	<u>\$ 678,757</u>	<u>\$ 49,464,927</u>	<u>\$ 51,537,331</u>

County of Mecklenburg, Virginia

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances \$ 49,506,047

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

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 as depreciation expense:

Capitalized assets	\$ 3,488,445	
Depreciation	<u>(2,207,352)</u>	1,281,093

Transfer of new debt activity related to new school to primary government (49,464,927)

Under the modified accrual basis of accounting used in the Governmental
funds, expenditures are not recognized for transactions that are not
normally paid with expendable financial resources. In the Statement of
Activities, however, which is presented on the accrual basis, expenses
and liabilities are reported regardless of when financial resources are
available. This adjustment combines the net changes of the
following:

Compensated absences	(31,157)	
Net VRS pension liability	6,421,212	
Deferred outflows VRS pension	(1,723,964)	
Deferred inflows VRS pension	(2,729,195)	
Capital leases	(166,940)	
OPEB obligations	<u>483,601</u>	
Net Adjustment		<u>2,253,557</u>

Change in Net Position of Governmental Activities \$ 3,575,770

County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

Component Unit School Board

School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,077	\$ 1,077
Charges for services	121,100	121,500	116,750	(4,750)
Rebates and refunds	470,000	470,000	630,683	160,683
Miscellaneous	-	51,600	67,528	15,928
Payment from Primary Govt. - Mecklenburg County	15,279,586	15,279,586	15,279,586	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	25,758,480	25,758,480	25,561,004	(197,476)
From the Federal Government	3,898,581	3,898,581	3,136,096	(762,485)
Total Revenues	45,527,747	45,579,747	44,792,724	(787,023)
Expenditures				
Current				
<i>Education</i>				
Instruction	34,043,801	34,043,801	33,290,410	753,391
Technology	1,458,387	1,510,387	1,512,720	(2,333)
Administration, attendance, and health	2,020,441	2,020,441	2,034,539	(14,098)
Transportation	3,954,528	3,954,528	4,348,129	(393,601)
Operation and maintenance	2,741,253	2,741,253	2,938,666	(197,413)
Payment to Primary Govt. - Mecklenburg County	-	-	262,492	(262,492)
Debt service	1,309,337	1,309,337	1,890,753	(581,416)
Total Expenditures	45,527,747	45,579,747	46,277,709	(697,962)
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	-	-	(1,484,985)	(1,484,985)
Other Financing Sources (Uses)				
Issuance of long-term debt and capital leases	-	-	1,178,997	1,178,997
Total Other Financing Sources (Uses)	-	-	1,178,997	1,178,997
Net Change in Fund Balances	\$ -	\$ -	(305,988)	\$ (305,988)
Fund Balance - Beginning of Year			911,598	
Fund Balance - End of Year			\$ 605,610	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Food Services Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,098	\$ 1,098
Charges for services	580,000	580,000	515,023	(64,977)
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	48,890	48,890	56,965	8,075
From the Federal Government	<u>1,375,817</u>	<u>1,576,220</u>	<u>1,679,022</u>	<u>102,802</u>
Total Revenues	2,004,707	2,205,110	2,252,108	46,998
Expenditures				
Current				
<i>Education</i>				
School Food Service	<u>2,004,707</u>	<u>2,205,110</u>	<u>2,157,702</u>	<u>47,408</u>
Total Expenditures	<u>2,004,707</u>	<u>2,205,110</u>	<u>2,157,702</u>	<u>47,408</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	94,406	<u>\$ 94,406</u>
Fund Balance - Beginning of Year			693,631	
Fund Balance - End of Year			<u>\$ 788,037</u>	
School Textbook Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 637	\$ 637
Charges for services	-	-	61	61
Payment from Primary Govt. - Mecklenburg County	157,361	157,361	157,361	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	<u>293,401</u>	<u>293,401</u>	<u>293,193</u>	<u>(208)</u>
Total Revenues	450,762	450,762	451,252	490
Expenditures				
Current				
<i>Education</i>				
School textbook purchases	<u>450,762</u>	<u>450,762</u>	<u>198,550</u>	<u>252,212</u>
Total Expenditures	<u>450,762</u>	<u>450,762</u>	<u>198,550</u>	<u>252,212</u>
Net Change in Fund Balance	-	-	252,702	252,702
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	252,702	<u>\$ 252,702</u>
Fund Balance - Beginning of Year			426,055	
Fund Balance - End of Year			<u>\$ 678,757</u>	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2018

Assets

Current Assets

Cash	\$ 1,087,571
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Noncurrent Assets

Capital Assets

Land and buildings held for resale (net)	9,598,603
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Other Noncurrent Assets

Notes receivable	<u>372,882</u>
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Total Assets	<u>\$ 11,059,056</u>
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Liabilities and Net Position

Liabilities

Current Liabilities

Notes payable - current portion	<u>\$ 96,793</u>
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Total Current Liabilities	96,793
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Long-Term Liabilities

Note payable - less current portion	<u>1,395,957</u>
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Total Long-Term Liabilities	<u>1,395,957</u>
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Total Liabilities	1,492,750
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Net Position

Net investment in capital assets	8,105,853
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Unrestricted	<u>1,460,453</u>
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Total Net Position	<u>9,566,306</u>
--------------------	------------------

Total Liabilities and Net Position	<u>\$ 11,059,056</u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2018

Operating Revenues

Contributions from Mecklenburg County, Virginia for	
Economic Stimulus Grant - industrial tax refund	\$ 21,698,715
From Mecklenburg County for RRRBP shell building (net)	317,005
Rental income	48,000
Insurance refunds	339,310
Miscellaneous	<u>15,458</u>
Total Operating Revenues	22,418,488

Operating Expenses

Insurance	5,094
Legal and professional fees	7,139
Administrative	854
Utility companies	13,706
Donation to Longwood University	10,000
Payments to IDA of Brunswick County, Virginia	3,258
Repairs and maintenance	32,512
Miscellaneous	90
Payouts to businesses and stimulus grants	<u>21,695,457</u>
Total Operating Expenses	<u>21,768,110</u>

Operating Income	650,378
------------------	---------

Non-Operating Revenues (Expenses)

Interest income	6,377
Interest expense and loan closing fees	<u>(48,910)</u>
Net Non-Operating Revenues (Expenses)	<u>(42,533)</u>

Change in Net Position	607,845
------------------------	---------

Total Net Position - Beginning of Year	<u>8,958,461</u>
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Total Net Position - End of Year	<u>\$ 9,566,306</u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia - stimulus payments	\$ 21,698,715
Contributions from Mecklenburg County, Virginia - shell building	317,005
Rental income	48,000
Payments received on notes receivable	36,734
Miscellaneous	354,768
Payments to businesses and vendors	<u>(21,768,110)</u>

Net Cash Provided by Operating Activities 687,112

Cash Flows from Capital and Related Financing Activities

Issuance of new debt	402,113
Payments on notes payable	(94,422)
Construction and improvements on buildings	(724,926)
Interest expense	<u>(48,910)</u>

Net Cash Used in Capital and Related Financing Activities (466,145)

Cash Flows from Investing Activities

Interest income	<u>6,377</u>
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Net Cash Provided by Investing Activities 6,377

Net Increase in Cash and Cash Equivalents 227,344

Cash and Cash Equivalents - Beginning of Year 860,227

Cash and Cash Equivalents - End of Year \$ 1,087,571

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 650,378
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>Changes in assets and liabilities</i>	
Notes receivable	<u>36,734</u>

Net Cash Provided by Operating Activities \$ 687,112

COMPLIANCE SECTION





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

To the Board of Supervisors
County of Mecklenburg, 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 *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, 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 Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mecklenburg, 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.

Creedle, Jones & Alga, P.C.

Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 30, 2018



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

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Mecklenburg, 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 Mecklenburg, Virginia's major federal programs for the year ended June 30, 2018. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Mecklenburg, 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; 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); and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications 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 Mecklenburg, 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 Mecklenburg, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Mecklenburg, 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 Mecklenburg, 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 Mecklenburg, 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 Mecklenburg, Virginia's internal control over compliance.

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

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

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

Creedle, Jones & Alga, P.C.

Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 30, 2018



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Board of Supervisors
County of Mecklenburg, Virginia

We have audited the financial statements of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 30, 2018.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Mecklenburg, Virginia, is the responsibility of the County of Mecklenburg, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Mecklenburg, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Mecklenburg, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Mecklenburg, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

Creedle Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 30, 2018

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of the Interior				
Direct Payments				
Payments in Lieu of Taxes Program	15.226	N/A		\$ 161,330
U. S. Department of Agriculture				
Pass-Through Payments				
<i>Department of Social Services</i>				
SNAP Cluster				
State Administrative Matching Grants for SNAP	10.561	765		333,537
<i>Child Nutrition Cluster</i>				
<i>State Department of Agriculture and Consumer Services</i>				
National School Lunch Program - Food Distribution - Schools	10.555	301		120,987
<i>Department of Education</i>				
National School Lunch Program	10.555	197		1,150,403
School Breakfast Program	10.553	197		450,518
Summer Food Service Program	10.559	197		<u>35,295</u>
Child Nutrition Cluster Total				1,757,203
<i>Department of Health</i>				
Child and Adult Care Food Program	10.558	601		<u>42,806</u>
Subtotal - U. S. Department of Agriculture				2,133,546
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	765		42,739
TANF Cluster				
Temporary Assistance to Needy Families	93.558	765		277,981
Medicaid Cluster				
Medical Assistance Program	93.778	765		339,528
Promoting Safe and Stable Families	93.556	765		17,979
Refugee and Entrant Assistance - State Admin. Programs	93.566	765		387
Low-Income Home Energy Assistance (LIHEAP)	93.568	765		36,608
Stephanie Tubbs Jones Child Welfare Services	93.645	765		865
Foster Care - Title IV-E	93.658	765		296,856
Adoption Assistance - Title IV-E	93.659	765		96,028
Social Services Block Grant	93.667	765		159,654
Chafee Foster Care Independence Program	93.674	765		1,611
Children's Health Insurance Program (CHIP)	93.767	765		<u>12,618</u>
Subtotal - U. S. Department of Health and Human Services				1,282,854

Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Justice				
Pass-Through Payments				
<i>Department of Criminal Justice Services</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140		3,497
Violence Against Women Formula Grants	16.588	140		64,380
Subtotal - U. S. Department of Justice				67,877
U. S. Department of Defense				
Pass-Through Payments				
<i>Department of Education</i>				
Payments to States in Lieu of Real Estate Taxes	12.112	197		6,552
U. S. Department of Education				
Pass-Through Payments				
<i>Virginia Polytechnic Institute and State University</i>				
English Language Acquisition State Grants	84.365	208		1,559
<i>Department of Education</i>				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	197		956,364
Special Education - Preschool Grants (IDEA Preschool)	84.173	197		22,448
Special Education Cluster (IDEA) Total				978,812
Title I Grants to Local Educational Agencies	84.010	197		1,520,048
Rural Education	84.358	197		144,484
Career & Technical Education - Basic Grants to States	84.048	197		73,697
Twenty-First Century Community Learning Centers	84.287	197		223,995
Improving Teacher Quality State Grants	84.367	197		186,949
Subtotal - U. S. Department of Education				3,129,544
U. S. Department of Homeland Security				
Pass-Through Payments				
<i>Department of Emergency Management</i>				
Emergency Preparedness Grant	97.042	127		15,000
Subtotal - U. S. Department of Homeland Security				15,000
U. S. Department of Transportation				
Pass-Through Payments				
<i>Department of Motor Vehicles</i>				
Alcohol Open Container Requirements	20.607	530		20,262
Subtotal - U. S. Department of Transportation				20,262
U. S. Department of Housing and Urban Development				
Pass-Through Payments				
<i>Department of Housing and Community Development</i>				
Community Development Block Grants/State's Programs	14.228	165	84,982	423,764
Subtotal - U. S. Department of Housing and Urban Development			84,982	423,764
Grand Totals			\$ 84,982	\$ 7,240,729

See accompanying notes to schedule of expenditures of federal awards.

County of Mecklenburg, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Mecklenburg, 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 County of Mecklenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Mecklenburg, Virginia.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

County of Mecklenburg, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$120,987 at the time received were consumed during the year ended June 30, 2018. These commodities were included in the determination of federal awards expended during the year ended June 30, 2018.

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555, & 10.559	Child Nutrition Cluster	
84.027 & 84.173	Special Education Cluster	
14.228	Community Development Block Grant	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		Yes