

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

County of Culpeper, Virginia

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2019

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

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County of Culpeper
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November 21, 2019

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year which ended June 30, 2019. The County's Department of Finance prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

BUDGETARY CONTROLS

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. ***The audit for the fiscal year ended June 30, 2019 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.***

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

THE REPORTING ENTITY AND ITS SERVICES: (CONTINUED)

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

Culpeper remains an attractive location for businesses. The County's population growth is steady at around 2%; the County is committed to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

The Consumer Price Index in the United States for 2018 was slightly decreased at 1.9% vs at 2.1% for 2017. On the state level, the unemployment rate for Virginia as of June 2019 was 2.9% compared to 3.2% as of June 2018 and the unemployment rate for Culpeper County as of 2019 was 2.7% vs. a year earlier when the rate was 3.0%. On a national level, unemployment exceeds both the state and local unemployment level at 3.8%.

MAJOR INITIATIVES

For fiscal year 2019: Following the goals and objectives established by the Culpeper County Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies, the County implemented and continued a number of specific programs designed to provide County residents with cost efficient government while enhancing their home and employment environment.

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

- Implementation of electronic document management system
- Secondary road paving projects
- Implementation of Zoning and Building Permit Software
- Public Safety Radio System Upgrades
- Airport Projects - Land Acquisition and Pavement Rehabilitation
- Design of new Career & Technical Education School

Implementation of Electronic Document Management System

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

MAJOR INITIATIVES: (CONTINUED)

Implementation of Electronic Document Management System: (Continued)

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

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

Secondary Road Paving Projects

Due to an ongoing shortage of state funds for secondary road improvements, the County has begun to utilize the VDOT Revenue Sharing Program to fund the hard surfacing of a number of unpaved secondary roads throughout the County. This practice began in FY14 and has continued to date; with seventeen (17) projects completed in FY14, FY15, FY16, and FY17. FY18 applications were made with VDOT for different five (5) road segments, however matching monies were not granted. The County reapplied for these road segments as well as an additional six (6) road segments for the now two-year FY 2019-2020 cycle. This application was successful and matching funds are being received for this two-year cycle. The County will be spending a total of \$2,284,884 (\$999,465 already planned for in FY18 but unused) over a two-year period (Fiscal Years 2019-2020) as the County's match to fund these projects. This investment will hard surface a total of 10.67 miles of unpaved, gravel roads throughout the County. The County does plan to also submit for further Revenue Sharing Funds cycle for the upcoming Fiscal Years 2021-2022.

Implementation of Zoning and Building Permit Software

In order to better organize and track the progress of violations, zoning cases, erosion and sediment control and building permits, new software was purchased and is currently in the development stage. The implementation of this software was not completed by the end of FY 2017. This software is now in use. However, the Departments continue to work with the vendor to complete customization for Culpeper County as agreed to with original contract.

Public Safety Radio System Upgrade

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

MAJOR INITIATIVES: (CONTINUED)

Public Safety Radio System Upgrade: (Continued)

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

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

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

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

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

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

On September 6, 2016 the Culpeper County Board of Supervisors awarded this project to Harris Corporation, and a Notice to Proceed issued by the County on September 22, 2016. It is anticipated this project will be completed FY20.

MAJOR INITIATIVES: (CONTINUED)

Airport Projects

Having completed a major hangar project utilizing USDA funds, the Culpeper Regional Airport is virtually “built-out” on the west side of the airfield. In order to gain access to the east side for future development, a road extension will be required, which necessitates land acquisition. One parcel has been purchased, with agreement on a second parcel having been reached. A very small piece of land is all that still needs to be acquired, before we can begin design of the extension of what is known as Greenhouse Road.

The County is also in the midst of beginning a pavement rehabilitation project, which was designed in FY18. This pavement rehabilitation is necessary to insure safety in the area of the existing north t-hangars.

Design of new Career & Technical Education School

The Board of Supervisors and the School Board have begun architectural design of a new CTE School which will serve both of our existing county high schools. The facility will also be utilized by Germanna Community College during evening hours. An issuance of bonds for payment of the construction of the CTE School is anticipated in November 2019, with construction complete in time for enrollment during the second semester of the FY21 school year.

PROSPECTS FOR THE FUTURE

For the fiscal year 2019-2020, the Board of Supervisors approved a General Fund Operating Budget of \$93,207,436.

- ◆ The FY20 budget continued our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a pay for performance increase based upon annual evaluation results.
- ◆ Included in the FY20 adopted budget were seventeen (17) new full time positions.
- ◆ The County Attorney’s Office, in conjunction with Culpeper Human Services requested an assistant County Attorney to aid in the workload of the County Attorney’s Office. This assistant will also allow the Department of Human Services to have direct contact with an attorney rather than outsourcing that need.
- ◆ The Commonwealth Attorney’s Office received an additional clerical position. The demands of the case load of the office, including body camera use by the Town Police officers; Pre-trial Services; and the opioid epidemic are a few of the factors which drove the need for this position.

PROSPECTS FOR THE FUTURE: (CONTINUED)

- ◆ The Sheriff's Office requested six (6) new deputies for the Jail and Courthouse Security. An independent assessment and the Department of Corrections agreed that the number of inmate bookings and transports by Culpeper Jail required a staffing increase by at least 2 additional deputies per shift plus dedicated booking deputies and one additional medical position. The Jail's population and responsibility has increased by as much as 120% since the Sheriff's first term with no additional sworn or administrative staffing. Further, the additional inmates housed in outside facilities require an enormous increase in work required to take care of the movement between jails and court. The Circuit Court of Culpeper County now schedules cases to be heard 5 days/week therefore there is also an increased need for additional court security. Because of the close proximity of the Courthouse and Jail, deputies can move between the two (2) locations to assist where the need is the greatest.
- ◆ The Emergency Services department requested twelve (12) positions, but funding was provided for nine (9) of the twelve (12) new ALS EMTs. This will provide enough staff to place another ambulance on the streets daily and will provide enough staff for one person to be identified as a "preceptor" 5 days a week.
- ◆ Finally, the FY20 budget included the transition of an existing part-time position to a full-time recreation coordinator position. Due to the level of interest and participation in various classes/trips offered by the Department, the need is there to increase the position to full time.

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

Cash Management. Cash temporarily idle during the year, was invested in time deposits and various authorized money market instruments. The amount of interest received was \$563,353. This is an increase from interest earned on temporary investments in fiscal year 2017-2018 when the interest on investments totaled \$168,725.

OTHER INFORMATION

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

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

OTHER INFORMATION: (CONTINUED)

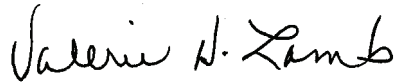
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year, which ended June 30, 2018. In order to receive the award of Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

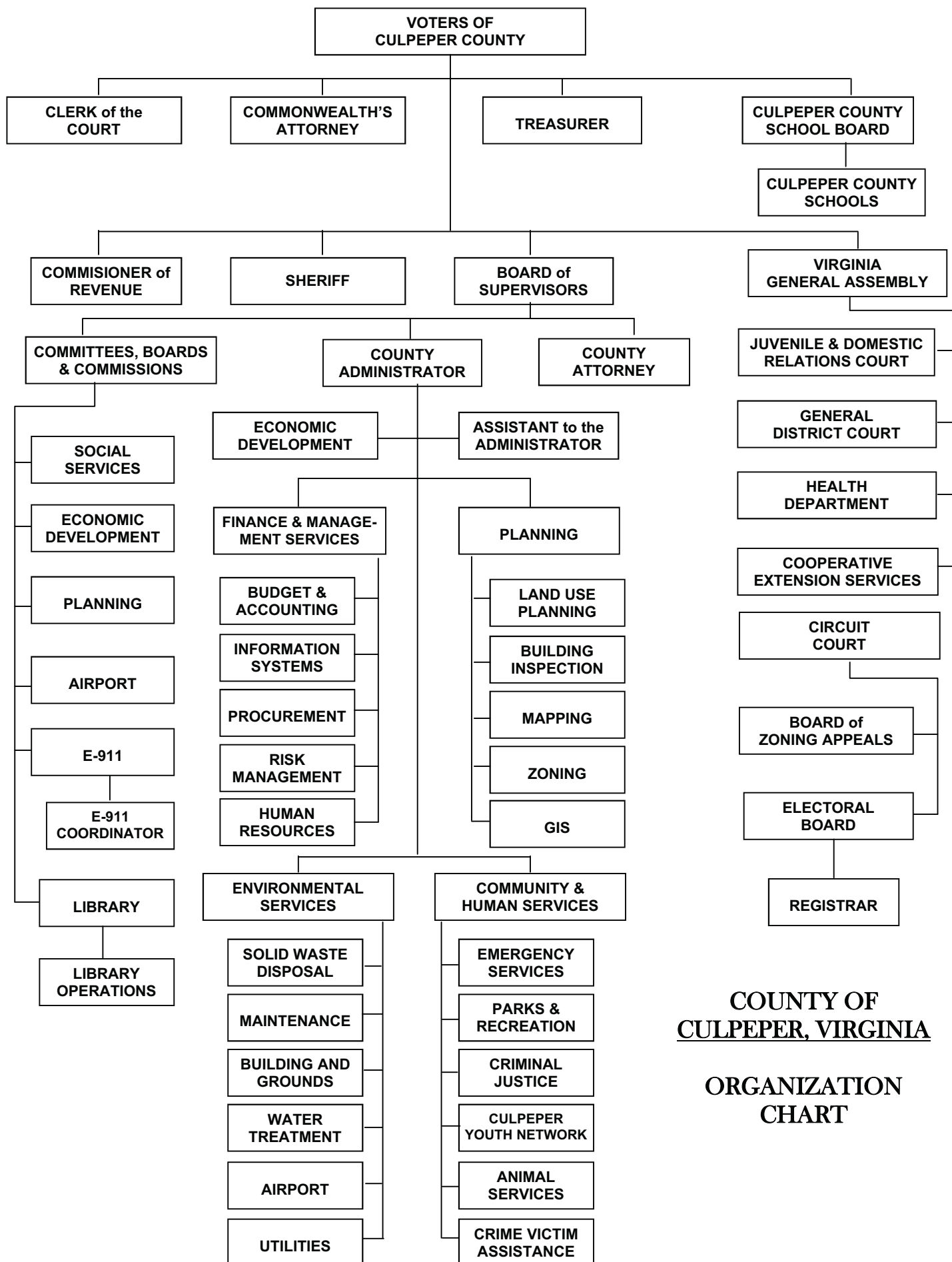
Respectfully submitted,



John C. Egertson
County Administrator



valerie H. Lamb
Director of Finance



**COUNTY OF
CULPEPER, VIRGINIA**

**ORGANIZATION
CHART**

COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2019

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

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

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

CONSTITUTIONAL OFFICERS

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

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

ADMINISTRATIVE OFFICERS

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

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

Patricia A. Baker, Chair.....	East Fairfax District
Michelle D. North, Vice Chair	Cedar Mountain District
Elizabeth "Betsy" Howard-Smith.....	Salem District
Nathaniel J. Clancy,	Catalpa District
Anne C. Luckinbill	Salem District
Marshall D. Keene	Stevensburg District
Rachel C. Carter	West Fairfax District

Administrative Officers

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



Government Finance Officers Association

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

Presented to

**County of Culpeper
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Borrowing Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-14, 121-124 and 125-142 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Other Information

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

Other Matters: (Continued)

Supplementary Other Information: (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Culpeper, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Culpeper, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 21, 2019

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

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$92,976,023 (net position). Of this amount, \$32,448,027 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,789,380 an increase of \$1,221,363 in comparison with the prior year. Approximately 76 percent of this amount, \$31,606,771, is available for spending at Culpeper, Virginia's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$31,606,771, or 35 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$92,976,023 at year-end.

The largest portion of the County's net position (68 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Schedule of Assets, Liabilities and Net Position
For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 46,650,776	\$ 45,807,855	\$ 1,634,706	\$ 1,392,280	\$ 48,285,482	\$ 47,200,135
Capital assets	98,785,653	101,929,929	37,272,354	38,331,285	\$ 136,058,007	\$ 140,261,214
Total assets	\$ 145,436,429	\$ 147,737,784	\$ 38,907,060	\$ 39,723,565	\$ 184,343,489	\$ 187,461,349
Deferred Outflows of Resources	\$ 2,869,147	\$ 2,393,761	\$ 102,855	\$ 61,697	\$ 2,972,002	\$ 2,455,458
Long-term liabilities outstanding	\$ 76,084,154	\$ 83,755,536	\$ 3,143,755	\$ 3,269,987	\$ 79,227,909	\$ 87,025,523
Current liabilities	11,662,094	10,579,404	465,051	162,522	\$ 12,127,145	\$ 10,741,926
Total liabilities	\$ 87,746,248	\$ 94,334,940	\$ 3,608,806	\$ 3,432,509	\$ 91,355,054	\$ 97,767,449
Deferred Inflows of Resources	\$ 2,882,898	\$ 2,106,662	\$ 101,516	\$ 70,976	\$ 2,984,414	\$ 2,177,638
Net Position:						
Invested in capital assets						
Net investment in capital assets	\$ 25,730,555	\$ 22,417,921	\$ 34,797,441	\$ 35,819,052	\$ 60,527,996	\$ 58,236,973
Unrestricted	31,945,875	31,272,022	502,152	462,725	\$ 32,448,027	\$ 31,734,747
Total Net Position	\$ 57,676,430	\$ 53,689,943	\$ 35,299,593	\$ 36,281,777	\$ 92,976,023	\$ 89,971,720

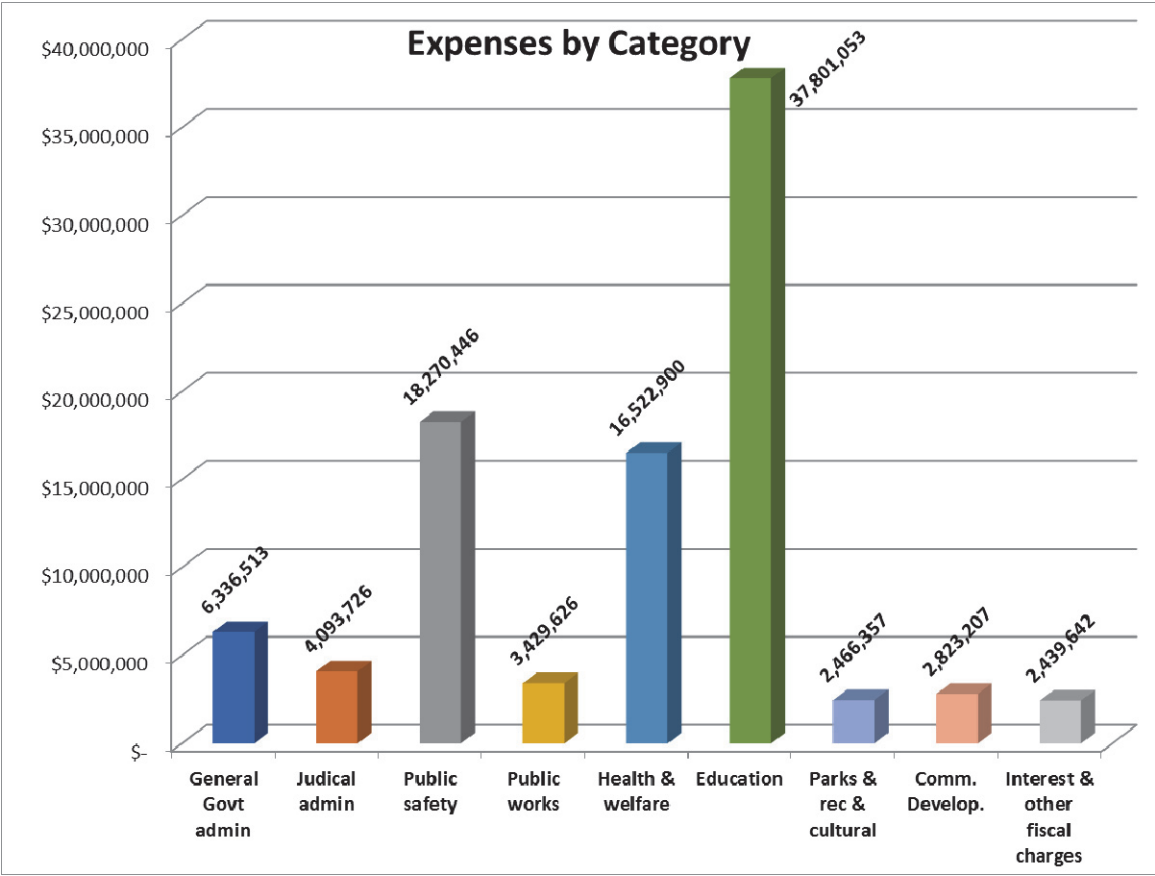
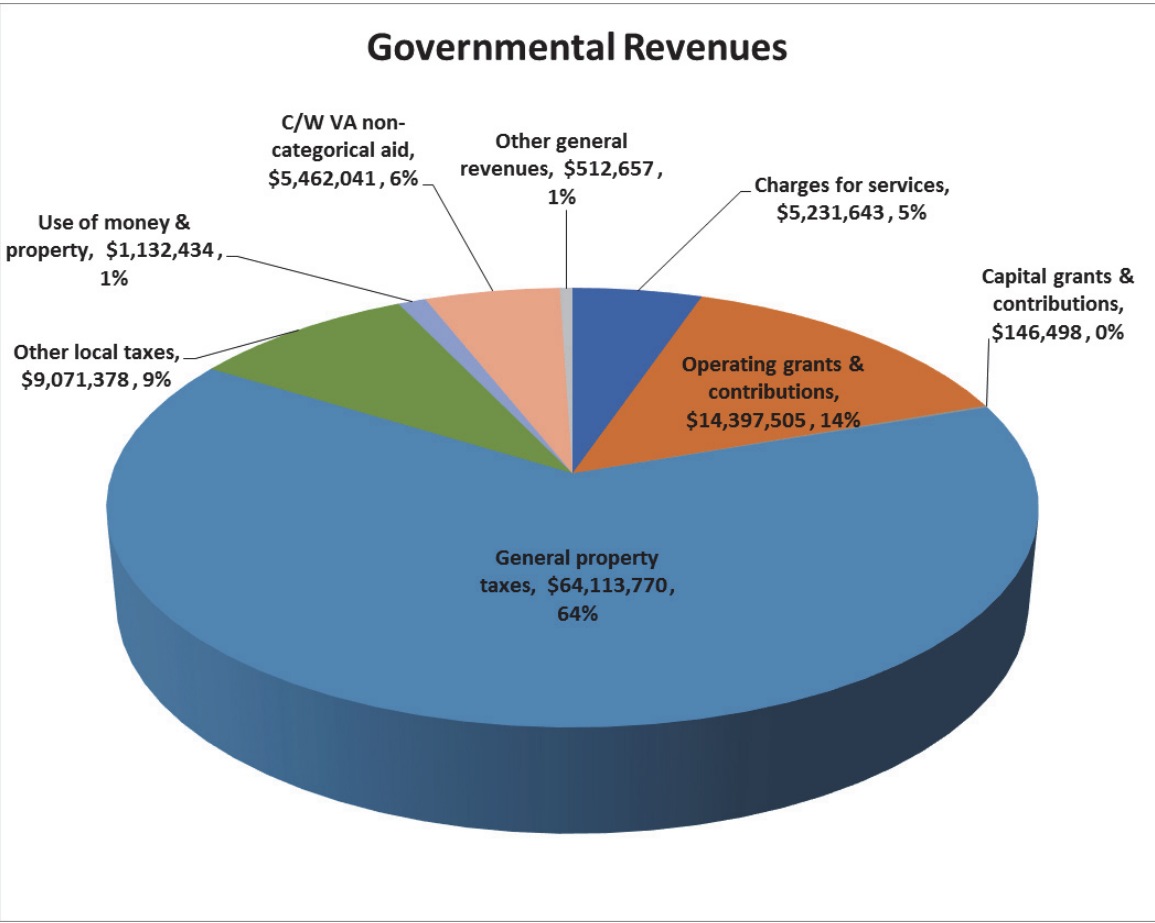
Overview of the Financial Statements: (Continued)

Governmental Activities - Governmental activities increased the County's net position by \$3,986,487 and the Business-type activities decreased \$982,184. Key elements of the changes in net position are as follows:

Changes in Net Position For the Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 5,231,643	\$ 4,850,867	\$ 3,877,761	\$ 3,806,170	\$ 9,109,404	\$ 8,657,037
Operating grants & contributions	14,397,505	14,849,552	23,516	20,918	14,421,021	14,870,470
Capital grants & contributions	146,498	542,927	350,716	255,496	497,214	798,423
General revenues:						
General property taxes	64,113,770	63,260,943	-	-	64,113,770	63,260,943
Other local taxes	9,071,378	9,361,605	-	-	9,071,378	9,361,605
Use of money & property	1,132,434	644,546	61,323	20,847	1,193,757	665,393
C/W VA non-categorical aid	5,462,041	5,564,604	-	-	5,462,041	5,564,604
Other general revenues	512,657	675,503	-	-	512,657	675,503
Total revenues	\$ 100,067,926	\$ 99,750,547	\$ 4,313,316	\$ 4,103,431	\$ 104,381,242	\$ 103,853,978
Expenses:						
General Govt admin	\$ 6,336,513	\$ 5,452,121	\$ -	\$ -	\$ 6,336,513	\$ 5,452,121
Judicial admin	4,093,726	3,778,989	-	-	4,093,726	3,778,989
Public safety	18,270,446	18,516,259	-	-	18,270,446	18,516,259
Public works	3,429,626	1,669,650	-	-	3,429,626	1,669,650
Health & welfare	16,522,900	17,311,790	-	-	16,522,900	17,311,790
Education	37,801,053	39,310,935	-	-	37,801,053	39,310,935
Parks & rec & cultural	2,466,357	2,234,409	-	-	2,466,357	2,234,409
Comm. Develop.	2,823,207	1,708,184	-	-	2,823,207	1,708,184
Interest & other fiscal charges	2,439,642	2,608,220	-	-	2,439,642	2,608,220
Landfill	-	-	2,978,183	2,997,172	2,978,183	2,997,172
Water & sewer	-	-	1,426,735	1,187,162	1,426,735	1,187,162
Airport	-	-	1,747,414	1,832,838	1,747,414	1,832,838
Water & sewer Authority	-	-	1,041,137	874,662	1,041,137	874,662
Total expenses	\$ 94,183,470	\$ 92,590,557	\$ 7,193,469	\$ 6,891,834	\$ 101,376,939	\$ 99,482,391
Increase (decrease) in net position before transfers	\$ 5,884,456	\$ 7,159,990	\$ (2,880,153)	\$ (2,788,403)	\$ 3,004,303	\$ 4,371,587
Transfers	\$ (1,897,969)	\$ (1,602,161)	\$ 1,897,969	\$ 1,602,161	\$ -	\$ -
Increase in net position	\$ 3,986,487	\$ 5,557,829	\$ (982,184)	\$ (1,186,242)	\$ 3,004,303	\$ 4,371,587
Net position, beginning of year	\$ 53,689,943	\$ 48,132,114	\$ 36,281,777	\$ 37,468,019	\$ 89,971,720	\$ 85,600,133
Net position, end of year	\$ 57,676,430	\$ 53,689,943	\$ 35,299,593	\$ 36,281,777	\$ 92,976,023	\$ 89,971,720

Overview of the Financial Statements: (Continued)



Overview of the Financial Statements: (Continued)

- **Governmental Activities** - Total government spending increased in FY19 from FY18 by approximately \$1.6M. The two (2) areas with the largest increases were Public Works, which increased by \$1.8M and Community Development which increased by \$1.1M. The one area with the largest decrease was in Education, which decreased by \$1.5M.

The \$1.8M increase in the area of Public Works was generated by payments to the Commonwealth of Virginia, through the Revenue Sharing program for the pavement of secondary roads. This is a joint program whereby the County pays half of the overall cost, established by the Virginia Dept of Transportation (VDOT) and the Commonwealth of Virginia pays the other half of the overall cost.

The \$1.1M increase in the area of Community Development was due to an increase in tax incentives paid out the expanding companies in the County which applied for, and met, the criteria set by the County under its tax incentive payment program.

The decrease in the area of Education was due to more state funding in FY19 than in FY18, thereby reducing the local requirement. For FY19, the School system received approximately \$3M more in state and federal revenues than in FY18, further, the other local revenues, categorized as Miscellaneous increased by approximately \$500K.

- **Business-Type Activities** - Business-type activities decreased the County's net position by \$982,184. Transfers in to Business-type activities increased from FY18 by \$295,808, and expenses for Water & Sewer and the Water & Sewer Authority increased, while expenses for the Airport and Landfill both decreased. The largest factor influencing both the Water and Sewer Fund and the Water & Sewer Authority was the Clevengers Corner plant in the northern portion of the County. Under the Water and Sewer Fund, for Clevengers, the categories of Contractual Services and Other operating supplies both increased. This was due to more testing of samples. Under the Water and Sewer Authority, when the operating revenues didn't cover the operating expenses, transfers from the Water and Sewer Authority were made to the Water and Sewer Fund, strictly for the Clevengers Corner plant.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,789,380, an increase of \$1,221,363 in comparison with the prior year. Approximately 76 percent of this total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$31,606,771, while total fund balance reached \$38,425,186, an increase from the prior year of \$352,781. Key factors in the net increase are as follows:

- \$502K increase in general fund revenues collected; primarily under general property taxes, revenue from use of money & property; and charges for services;
- \$1M decrease in general fund expenditures, mostly in the area of Education, as mentioned earlier;

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

The County's Capital Projects Fund balance decreased by \$1,902,735 during FY19; the Capital Projects Fund had revenues of \$4,320,736, which included a transfer from the General Fund of \$4,158,148, while it expended \$6,223,471, \$2,688,407 more than FY19 in various projects from the prior year. Expenditures for capital projects were as follows:

1. New radio system, \$3,297,515;
2. Contribution to Fire & Rescue Assn for capital needs, \$385,446;
3. New elevator at the Jail, \$112,801;
4. New generator at the Jail, \$25,005;
5. CCTV Security System at the Tower sites, \$41,267;
6. New ambulance at EMS, \$252,719;
7. Addition of Human Resources Dept for records management process, \$40,830;
8. IT upgrades, \$35,667;
9. New Voting machine paraphernalia, \$31,480;
10. Secondary Road Plan, Revenue Sharing project w/CW of VA, \$1,778,761;
11. Parks & Recreation, Lenn Park upgrades, \$195,978;
12. Transfer to Airport for additional wiring required during pavement project, \$26,000.

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

Net position of the Airport Fund at the end of the year was \$9,372,086, a decrease from the prior year of \$304,013. Net loss for FY19 was \$761,324 vs. the net change in position for FY18 was \$802,189. Further capital contributions and construction grants were \$95,220 more in FY19 than in FY18; and the General Fund transferred funds in for FY19 in the amount of \$80,595 vs. \$73,468 transferred in for FY18. For FY18 all of the General Fund transfer was for the local share of capital projects; however, for FY19, only \$3,500 of the transfer was for the local share of capital projects, while the balance of the \$80,595 was for operations. The Airport, due to the paving rehab project, lost some rental revenue from hangars due to occupants not being able to get to the taxi-way.

Net position of the Landfill Fund totaled \$4,802,467, an increase from prior the year of \$237,875. The net loss for FY19 was \$952,067 vs. the net loss for FY18 was \$926,290. The General Fund transfer into the Landfill Fund increased in FY19 by \$43,505 over FY18, with interest income higher for FY19 by \$39,655.

The Water and Sewer Fund net position increased by \$123,135 for the year ending June 30, 2019 and totaled \$2,070,018. The primary reason for the increase was the transfer in from the General Fund of \$601,432 vs \$382,256 in FY18.

During 2005, the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County, which we call Clevenger's Corner. At June 30, 2019, net position totaled \$20,094,203.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,885,864 and can be briefly summarized as follows:

Judicial Administration - had an increase of \$86,008 from the adopted to the final budget. This increase was comprised of \$31,623 for the Clerk of the Circuit Court's Office for Technology Trust funds from the Commonwealth of Virginia. These funds are used primarily for digitizing old documents.

Under "Other courts," the Law Library had an increase of \$17,517. These were funds collected in prior years from the use of the Law Library and only allowed for use for books in that library. Those funds are carried over from year to year, (or pulled from the fund balance), so as to track the balance of available funds for spending.

General Fund Budgetary Highlights: (Continued)

The balance of the additional funds under Judicial Administration of \$36,868 were from either minor donations made to the Crime Victim Witness program or transfers to the Court Security section of the Sheriff budget from another portion of his budget.

Public Safety - had an increase of \$177,616 from the adopted to the final budget. This increase was comprised of various budget amendments in the Building Official's budget of approximately \$13K for additional funds received from after hour inspections, appropriated for overtime, or additional funding received for technology.

The Animal Services department received approximately an additional \$38K in funding of either donations or through the spay/neuter program that the Shelter runs. These funds were primarily appropriated into the Professional Services line for the continuation of the spay/neuter program, or vet services for animals that came into the shelter during FY19.

The Sheriff's Office received approximately \$54K in grants over the course of FY19. Those funds were appropriated by the Board of Supervisors for the purpose for which they were applied, as the grants were received.

The balance of the additional funds under Public Safety of \$72,616 were from either minor donations made to the Sheriff's Office or Emergency Services, or open purchase orders for any department within the public safety category which were opened in FY18 and not used until FY19. These funds would be considered as pulled from the fund balance.

Public Works - had an increase of \$187,362 from the adopted to the final budget. All of this increase would be from purchase orders opened during FY18 and not used, thus carried over to FY19 and considered as being pulled from the fund balance.

Welfare - had an increase of \$407,322 from the adopted to the final budget. This increase was primarily split between Early Headstart with additional federal grant funding of \$159,340 and Headstart, also with additional federal grant funding of \$148,339. Further, Social Services administration had an increase of \$60,677 due to additional state and federal funding. These are grants, which the Board of Supervisors would have appropriated for additional spending during FY19.

Options had an increase of \$18,888 for additional funding either through grants or donations.

The balance of the additional funds under Welfare of \$20,078 was from purchase orders opened during FY18 and not used, thus carried over to FY19 and considered as being pulled from the fund balance.

Parks & Recreation - had an increase of \$250,095 from the adopted to the final budget. \$167K additional funding was a carryover of grant funding received late in FY18. This funding was for assistance with the building of park for handicapped children. This funding was spent in FY19. An additional \$23K was for 2 events the Parks & Recreation department holds annually. The Wicked Bottom 5K run and the Cycle Century bike ride. In total, these 2 events brought in the additional \$23K that was over and above the original budget. The additional \$60K was from purchase orders opened during FY18 and not used, thus carried over to FY19 and considered as being pulled from the fund balance.

Library - had an increase of \$86,306 from the adopted to the final budget. \$56,872 was from additional donations that the library received; as well as \$1,777 was additional state funding for the purchase of books that the library was unaware of at the time of the adoption of the FY19 budget. The balance of \$27,657 was from purchase orders opened during FY18 and not used, thus carried over to FY19 and considered as being pulled from the fund balance.

Economic Development - had an increase of \$571,106 from the adopted to the final budget. This appropriation was a "pull from the fund balance" for a tax incentive to an industry in the County which should have been paid out in a prior year.

The balance of \$120,049 would be from purchase orders opened during FY18 and not used, thus carried over to FY19 and considered as being pulled from the fund balance in some of the other categories not mentioned above.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2019 amounts to \$136,058,007 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$75,850,997. Of this amount, \$75,850,997 represents debt backed by the full faith and credit of the County.

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

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

Economic Factors and Next Year's Budget and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. The FY20 budget continued with our established practice of calculating salary adjustments as outlined in the Personnel Management Plan. That process includes a two-fold approach, taking into account a COLA for employees as well as a merit increase for performance, based upon annual evaluation results.

Included in the FY20 adopted budget were seventeen (17) new full time positions.

- The County Attorney's Office, in conjunction with Culpeper Human Services requested an assistant County Attorney to aid in the workload of the County Attorney's Office. This assistant will also allow the Department of Human Services to have direct contact with an attorney rather than outsourcing that need.
- The Commonwealth Attorney's Office received an additional clerical position. The demands of the case load of the office, including body camera use by the Town Police officers; Pre-trial Services; and the opioid epidemic are a few of the factors which drove the need for this position.
- The Sheriff's Office requested six (6) new deputies for the Jail and Courthouse Security. An independent assessment and the Department of Corrections agreed that the number of inmate bookings and transports by Culpeper Jail required a staffing increase by at least 2 additional deputies per shift plus dedicated booking deputies and one additional medical position. The Jail's population and responsibility has increased by as much as 120% since the Sheriff's first term with no additional sworn or administrative staffing. Further, the additional inmates housed in outside facilities require an enormous increase in work required to take care of the movement between jails and court. The Circuit Court of Culpeper County now schedules cases to be heard 5 days/week therefore there is also an increased need for additional court security. Because of the close proximity of the Courthouse and Jail, deputies can move between the two (2) locations to assist where the need is the greatest.
- The Emergency Services department requested twelve (12) positions, but funding was provided for nine (9) of the twelve (12) new ALS EMTs. This will provide enough staff to place another ambulance on the streets daily and will provide enough staff for one person to be identified as a "preceptor" 5 days a week.

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

- Finally, the FY20 budget included the transition of an existing part-time position to a full-time recreation coordinator position. Due to the level of interest and participation in various classes/trips offered by the Department, the need is there to increase the position to full time.

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

Due to the recent general reassessment, the total value of real property, excluding additional assessments due to new construction or improvements to property, increased from last year's total assessed value by 9.36% percent.

This assessment increase dictates an adjusted tax rate to offset the increased assessment. The General fund real estate tax rate to achieve an equalization rate would need to be reduced to \$.61 from the current rate of \$.67 in order to achieve a fully equalized rate.

This adopted budget however, proposes an increase of 1¢ to the calculated equalized real estate tax rate, bringing the total real estate tax rate to \$0.62 per \$100 of assessed value, down from the current rate of \$.67.

In conjunction with the general assessment increase, an adjustment of the tax rate for the Fire & Rescue levy also has been calculated. The equalized rate for the Fire & Rescue levy could have remained at \$.06 per \$100 of assessed value, however, due to the additional nine (9) new staff, the recommendation at this time, is to reset the Fire and Rescue levy at \$.09 per \$100 of assessed value.

By doing so, this allows the rate to fully cover the costs of the Emergency Services Department and the Fire & Rescue Association, which was the original intent of this levy. By increasing the Fire & Rescue levy to \$.09 per \$100 of assessed value, the General fund real estate tax rate resets to \$.53 per \$100 of assessed value.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2019

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 35,292,023	\$ 5,010,614	\$ 40,302,637	\$ 8,819,801	\$ 347,012
Receivables (net of allowance for uncollectibles):					
Property taxes	2,661,743	-	2,661,743	-	-
Accounts receivable	893,953	529,804	1,423,757	733,545	-
Prepaid items	84,057	9,826	93,883	498,409	-
Inventory	-	73,425	73,425	-	-
Due from primary government	-	-	-	2,300,636	-
Internal balances	4,231,219	(4,231,219)	-	-	-
Due from other governments	3,487,781	242,256	3,730,037	1,947,351	-
Total Current Assets	\$ 46,650,776	\$ 1,634,706	\$ 48,285,482	\$ 14,299,742	\$ 347,012
Noncurrent Assets					
Net pension asset	\$ -	\$ -	\$ -	\$ 2,340,587	\$ -
Net OPEB asset	\$ -	\$ -	\$ -	\$ 30,021	\$ -
Capital assets (net of depreciation):					
Land and land improvements	\$ 10,474,432	\$ 3,065,601	\$ 13,540,033	\$ 4,603,079	\$ -
Construction in progress	6,462,899	1,506,597	7,969,496	1,077,998	-
Buildings and improvements	26,337,739	32,421,657	58,759,396	3,049,809	-
Equipment	2,961,200	278,499	3,239,699	2,962,033	-
Jointly owned assets	52,549,383	-	52,549,383	46,599,860	-
Total Capital Assets	\$ 98,785,653	\$ 37,272,354	\$ 136,058,007	\$ 58,292,779	\$ -
Total Assets	\$ 145,436,429	\$ 38,907,060	\$ 184,343,489	\$ 74,963,129	\$ 347,012
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 290,986	\$ -	\$ 290,986	\$ -	\$ -
Pension deferrals	2,368,671	96,354	2,465,025	8,448,695	-
OPEB deferrals	209,490	6,501	215,991	1,435,175	-
Total Deferred Outflows of Resources	\$ 2,869,147	\$ 102,855	\$ 2,972,002	\$ 9,883,870	\$ -
Total Assets and Deferred Outflows of Resources	\$ 148,305,576	\$ 39,009,915	\$ 187,315,491	\$ 84,846,999	\$ 347,012
LIABILITIES					
Current Liabilities					
Accounts payable and other current liabilities	\$ 1,817,926	\$ 380,390	\$ 2,198,316	\$ 5,028,503	\$ -
Amounts held for others	148,570	-	148,570	-	-
Due to component unit	2,300,636	-	2,300,636	-	-
Accrued interest payable	550,340	3,085	553,425	-	-
Current portion of long-term obligations	6,844,622	81,576	6,926,198	135,213	-
Total Current Liabilities	\$ 11,662,094	\$ 465,051	\$ 12,127,145	\$ 5,163,716	\$ -
Noncurrent Liabilities					
Net pension liability	\$ 5,597,627	\$ 159,809	\$ 5,757,436	\$ 64,188,000	\$ -
Noncurrent portion of long-term obligations	70,486,527	2,983,946	73,470,473	14,143,964	-
Total Noncurrent Liabilities	\$ 76,084,154	\$ 3,143,755	\$ 79,227,909	\$ 78,331,964	\$ -
Total Liabilities	\$ 87,746,248	\$ 3,608,806	\$ 91,355,054	\$ 83,495,680	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues - taxes	\$ 243,164	\$ -	\$ 243,164	\$ -	\$ -
Pension deferrals	836,192	38,957	875,149	8,742,928	-
OPEB deferrals	1,803,542	62,559	1,866,101	620,402	-
Total deferred inflows of resources	\$ 2,882,898	\$ 101,516	\$ 2,984,414	\$ 9,363,330	\$ -
NET POSITION					
Net investment in capital assets	\$ 25,730,555	\$ 34,797,441	\$ 60,527,996	\$ 58,292,779	\$ -
Unrestricted	31,945,875	502,152	32,448,027	(66,304,790)	347,012
Total Net Position	\$ 57,676,430	\$ 35,299,593	\$ 92,976,023	\$ (8,012,011)	\$ 347,012
Total Liabilities, Deferred inflows of resources and Net Position	\$ 148,305,576	\$ 39,009,915	\$ 187,315,491	\$ 84,846,999	\$ 347,012

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

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,336,513	\$ -	\$ 349,205	\$ -
Judicial administration	4,093,726	255,027	754,869	-
Public safety	18,270,446	1,981,762	3,819,008	-
Public works	3,429,626	-	-	146,498
Health and welfare	16,522,900	2,801,443	9,320,146	-
Education	37,801,053	-	-	-
Parks, recreation, and cultural	2,466,357	188,487	154,277	-
Community development	2,823,207	4,924	-	-
Interest on long-term debt	2,439,642	-	-	-
Total governmental activities	\$ 94,183,470	\$ 5,231,643	\$ 14,397,505	\$ 146,498
Business-type activities:				
Landfill	\$ 2,978,183	\$ 1,966,749	\$ -	\$ -
Water and sewer	1,426,735	948,438	-	-
Airport	1,747,414	962,574	23,516	350,716
Water and sewer authority	1,041,137	-	-	-
Total business-type activities	\$ 7,193,469	\$ 3,877,761	\$ 23,516	\$ 350,716
Total primary government	\$ 101,376,939	\$ 9,109,404	\$ 14,421,021	\$ 497,214
COMPONENT UNITS:				
School Board	\$ 87,820,021	\$ 1,550,620	\$ 55,700,634	\$ 4,364,012
Culpeper County EDA	1,513,523	-	-	-
Total component units	\$ 89,333,544	\$ 1,550,620	\$ 55,700,634	\$ 4,364,012
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
County contribution to EDA				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Unit	Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA	
\$ (5,987,308)	\$ -	\$ (5,987,308)	\$ -	\$ -	
(3,083,830)	-	(3,083,830)	-	-	
(12,469,676)	-	(12,469,676)	-	-	
(3,283,128)	-	(3,283,128)	-	-	
(4,401,311)	-	(4,401,311)	-	-	
(37,801,053)	-	(37,801,053)	-	-	
(2,123,593)	-	(2,123,593)	-	-	
(2,818,283)	-	(2,818,283)	-	-	
(2,439,642)	-	(2,439,642)	-	-	
<u>\$ (74,407,824)</u>	<u>\$ -</u>	<u>\$ (74,407,824)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (1,011,434)	\$ (1,011,434)	\$ -	\$ -	
-	(478,297)	(478,297)	-	-	
-	(410,608)	(410,608)	-	-	
-	(1,041,137)	(1,041,137)	-	-	
<u>\$ -</u>	<u>\$ (2,941,476)</u>	<u>\$ (2,941,476)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (74,407,824)</u>	<u>\$ (2,941,476)</u>	<u>\$ (77,349,300)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (26,204,755)	\$ -	
-	-	-	-	(1,513,523)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,204,755)</u>	<u>\$ (1,513,523)</u>	
\$ 64,113,770	\$ -	\$ 64,113,770	\$ -	\$ -	
6,535,334	-	6,535,334	-	-	
853,940	-	853,940	-	-	
849,730	-	849,730	-	-	
813,619	-	813,619	-	-	
18,755	-	18,755	-	-	
-	-	-	30,980,741	-	
-	-	-	-	1,520,841	
1,132,434	61,323	1,193,757	181,512	1,355	
512,657	-	512,657	2,544,395	-	
5,462,041	-	5,462,041	-	-	
(1,897,969)	1,897,969	-	-	-	
<u>\$ 78,394,311</u>	<u>\$ 1,959,292</u>	<u>\$ 80,353,603</u>	<u>\$ 33,706,648</u>	<u>\$ 1,522,196</u>	
\$ 3,986,487	\$ (982,184)	\$ 3,004,303	\$ 7,501,893	\$ 8,673	
53,689,943	36,281,777	89,971,720	(15,513,904)	338,339	
<u>\$ 57,676,430</u>	<u>\$ 35,299,593</u>	<u>\$ 92,976,023</u>	<u>\$ (8,012,011)</u>	<u>\$ 347,012</u>	

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2019

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 33,645,931	\$ 3,364,194	\$ 37,010,125
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	2,661,743	-	2,661,743
Accounts	893,953	-	893,953
Prepaid expenditures	84,057	-	84,057
Due from other funds	4,231,219	-	4,231,219
Due from other governmental units	3,487,781	-	3,487,781
Total assets	<u>\$ 45,004,684</u>	<u>\$ 3,364,194</u>	<u>\$ 48,368,878</u>
LIABILITIES			
Accounts payable	\$ 1,137,585	\$ -	\$ 1,137,585
Unearned revenue	680,341	-	680,341
Amounts held for others	148,570	-	148,570
Due to component unit	2,300,636	-	2,300,636
Total liabilities	<u>\$ 4,267,132</u>	<u>\$ -</u>	<u>\$ 4,267,132</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	<u>\$ 2,312,366</u>	<u>\$ -</u>	<u>\$ 2,312,366</u>
FUND BALANCES			
Nonspendable	\$ 84,057	\$ -	\$ 84,057
Restricted	86,799	-	86,799
Committed	4,459,548	3,364,194	7,823,742
Assigned	2,188,011	-	2,188,011
Unassigned	31,606,771	-	31,606,771
Total fund balances	<u>\$ 38,425,186</u>	<u>\$ 3,364,194</u>	<u>\$ 41,789,380</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,004,684</u>	<u>\$ 3,364,194</u>	

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

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

98,785,653

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

(550,340)

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

(1,718,102)

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

Unavailable revenue - property taxes

2,069,202

Deferred inflows related to measurement of net pension liability

(836,192)

Deferred inflows related to measurement of net OPEB liability

(1,803,542)

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

Deferred outflows related to net pension liability

2,368,671

Deferred outflows related to net OPEB liability

209,490

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

(82,637,790)

Net position of General Governmental Activities

\$ 57,676,430

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

Statement of Revenues, Expenditures and Changes in Fund Balances --
Governmental Funds
Year Ended June 30, 2019

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 63,979,906	\$ -	\$ 63,979,906
Other local taxes	9,071,378	-	9,071,378
Permits, privilege fees and regulatory licenses	1,092,849	-	1,092,849
Fines and forfeitures	65,124	-	65,124
Revenue from use of money and property	1,116,344	16,090	1,132,434
Charges for services	4,073,670	-	4,073,670
Miscellaneous	512,657	-	512,657
Recovered costs	481,197	-	481,197
Intergovernmental:			
Commonwealth	14,131,083	146,498	14,277,581
Federal	5,728,463	-	5,728,463
Total revenues	\$ 100,252,671	\$ 162,588	\$ 100,415,259
Expenditures:			
Current:			
General government administration	\$ 4,763,098	\$ 107,977	\$ 4,871,075
Judicial administration	4,132,245	-	4,132,245
Public safety	18,191,487	4,114,753	22,306,240
Public works	1,205,986	1,778,763	2,984,749
Health and welfare	16,595,866	-	16,595,866
Education	32,226,214	-	32,226,214
Parks, recreation, and cultural	2,425,480	195,978	2,621,458
Community development	2,838,723	-	2,838,723
Debt service:			
Principal retirement	5,947,662	-	5,947,662
Interest and other fiscal charges	2,771,695	-	2,771,695
Total expenditures	\$ 91,098,456	\$ 6,197,471	\$ 97,295,927
Excess (deficiency) of revenues over (under) expenditures	\$ 9,154,215	\$ (6,034,883)	\$ 3,119,332
Other financing sources (uses):			
Transfers in	\$ -	\$ 4,158,148	\$ 4,158,148
Transfers (out)	(6,030,117)	(26,000)	(6,056,117)
Total other financing sources (uses)	\$ (6,030,117)	\$ 4,132,148	\$ (1,897,969)
Changes in fund balances	\$ 3,124,098	\$ (1,902,735)	\$ 1,221,363
Fund balances at beginning of year	35,301,088	5,266,929	40,568,017
Fund balances at end of year	\$ 38,425,186	\$ 3,364,194	\$ 41,789,380

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2019

		Primary Government Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	1,221,363
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:		
Capital outlays	\$	4,229,072
Depreciation expense		(3,997,736)
		231,336
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(3,375,612)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue - property taxes	\$	133,864
Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability		(1,375,108)
Increase (decrease) in deferred inflows related to the measurement of the net pension liability		576,196
		(665,048)
Internal service funds are used by the County to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities.		(1,492,278)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:		
Principal retired on long-term debt	\$	6,180,375
Amortization of premium on bonds issued		315,062
Amortization of deferred charge on refunding		(38,527)
		6,456,910
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$	(84,048)
Change in net OPEB liability		1,442,363
Decrease (increase) in net pension liability		(317,930)
Decrease (increase) in deferred outflows related to OPEB		70,751
Decrease (increase) in deferred outflows related to pensions		443,162
Change in accrued interest payable		55,518
		1,609,816
Change in net position of governmental activities	\$	3,986,487

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

Statement of Net Position
Proprietary Funds
At June 30, 2019

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,181,028	\$ -	\$ -	\$ 829,586	\$ 5,010,614	\$ 120,681
Receivables (net of allowance for uncollectibles):						
Accounts receivable	234,471	175,801	119,532	-	529,804	-
Due from other governments	-	-	242,256	-	242,256	-
Due from other funds	-	247,938	-	-	247,938	-
Prepaid expenses	1,113	5,699	3,014	-	9,826	-
Inventory	-	-	73,425	-	73,425	-
Total Current Assets	\$ 4,416,612	\$ 429,438	\$ 438,227	\$ 829,586	\$ 6,113,863	\$ 120,681
Noncurrent Assets						
Capital assets (net of depreciation):						
Land	\$ 401,073	\$ 235,200	\$ 960,208	\$ 1,469,120	\$ 3,065,601	\$ -
Construction in progress	535,754	86,688	884,155	-	1,506,597	-
Buildings and improvements	5,767	1,427,530	11,284,106	19,704,254	32,421,657	-
Equipment	6,558	43,778	228,163	-	278,499	-
Total Capital Assets	\$ 949,152	\$ 1,793,196	\$ 13,356,632	\$ 21,173,374	\$ 37,272,354	\$ -
Total Assets	\$ 5,365,764	\$ 2,222,634	\$ 13,794,859	\$ 22,002,960	\$ 43,386,217	\$ 120,681
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	\$ 36,319	\$ 37,525	\$ 22,510	\$ -	\$ 96,354	\$ -
OPEB deferrals	2,048	3,102	1,351	-	6,501	-
Total Deferred Outflows of Resources	\$ 38,367	\$ 40,627	\$ 23,861	\$ -	\$ 102,855	\$ -
Total assets and deferred outflows of resources	\$ 5,404,131	\$ 2,263,261	\$ 13,818,720	\$ 22,002,960	\$ 43,489,072	\$ 120,681
LIABILITIES						
Current Liabilities						
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,838,783
Accounts payable and accrued expenses	2,209	18,851	359,330	-	380,390	-
Accrued Interest payable	-	-	3,085	-	3,085	-
Due to other funds	-	-	1,531,219	2,947,938	4,479,157	-
Current portion of long-term obligations	39,103	2,636	39,837	-	81,576	-
Total Current Liabilities	\$ 41,312	\$ 21,487	\$ 1,933,471	\$ 2,947,938	\$ 4,944,208	\$ 1,838,783
Noncurrent Liabilities						
Net pension liability	\$ 54,533	\$ 66,625	\$ 38,651	\$ -	\$ 159,809	\$ -
Noncurrent portion of long-term obligations	476,491	49,014	2,458,441	-	2,983,946	-
Total Noncurrent Liabilities	\$ 531,024	\$ 115,639	\$ 2,497,092	\$ -	\$ 3,143,755	\$ -
Total Liabilities	\$ 572,336	\$ 137,126	\$ 4,430,563	\$ 2,947,938	\$ 8,087,963	\$ 1,838,783
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	\$ 7,975	\$ 25,057	\$ 5,925	\$ -	\$ 38,957	\$ -
OPEB deferrals	21,353	31,060	10,146	-	62,559	-
Total Deferred Outflows of Resources	\$ 29,328	\$ 56,117	\$ 16,071	\$ -	\$ 101,516	\$ -
NET POSITION						
Net investment in capital assets	\$ 949,152	\$ 1,793,196	\$ 10,881,719	\$ 21,173,374	\$ 34,797,441	\$ -
Unrestricted (deficit)	3,853,315	276,822	(1,509,633)	(2,118,352)	502,152	(1,718,102)
Total Net Position	\$ 4,802,467	\$ 2,070,018	\$ 9,372,086	\$ 19,055,022	\$ 35,299,593	\$ (1,718,102)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,404,131	\$ 2,263,261	\$ 13,818,720	\$ 22,002,960	\$ 43,489,072	\$ 120,681

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

Statement of Revenues, Expenses and Changes in Net Position --
 Proprietary Funds
 Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
Operating revenues:						
Charges for services	\$ 1,966,749	\$ 948,438	\$ 962,574	\$ -	\$ 3,877,761	\$ 3,388,380
Maintenance grants	-	-	23,516	-	23,516	-
Total operating revenues	\$ 1,966,749	\$ 948,438	\$ 986,090	\$ -	\$ 3,901,277	\$ 3,388,380
Operating expenses:						
Personal services	\$ 226,194	\$ 374,781	\$ 208,461	\$ -	\$ 809,436	\$ -
Fringe benefits	65,291	100,976	32,302	-	198,569	4,880,658
Contractual services	2,620,664	309,462	113,483	-	3,043,609	-
Other charges	60,179	541,749	456,846	415,034	1,473,808	-
Depreciation	5,855	99,767	846,167	626,103	1,577,892	-
Total operating expenses	\$ 2,978,183	\$ 1,426,735	\$ 1,657,259	\$ 1,041,137	\$ 7,103,314	\$ 4,880,658
Operating income (loss)	\$ (1,011,434)	\$ (478,297)	\$ (671,169)	\$ (1,041,137)	\$ (3,202,037)	\$ (1,492,278)
Nonoperating revenues (expenses):						
Interest income	\$ 59,367	\$ -	\$ -	\$ 1,956	\$ 61,323	\$ -
Interest expense	-	-	(90,155)	-	(90,155)	-
Total nonoperating revenues (expenses)	\$ 59,367	\$ -	\$ (90,155)	\$ 1,956	\$ (28,832)	\$ -
Income (loss) before contributions and transfers	\$ (952,067)	\$ (478,297)	\$ (761,324)	\$ (1,039,181)	\$ (3,230,869)	\$ (1,492,278)
Capital contributions and construction grants	\$ -	\$ -	\$ 350,716	\$ -	\$ 350,716	\$ -
Transfers:						
Transfers in	\$ 1,189,942	\$ 601,432	\$ 106,595	\$ -	\$ 1,897,969	\$ -
Total transfers	\$ 1,189,942	\$ 601,432	\$ 106,595	\$ -	\$ 1,897,969	\$ -
Change in net position	\$ 237,875	\$ 123,135	\$ (304,013)	\$ (1,039,181)	\$ (982,184)	\$ (1,492,278)
Net position at beginning of year	4,564,592	1,946,883	9,676,099	20,094,203	36,281,777	(225,824)
Net position at end of year	\$ 4,802,467	\$ 2,070,018	\$ 9,372,086	\$ 19,055,022	\$ 35,299,593	\$ (1,718,102)

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

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,971,413	\$ 903,839	\$ 974,922	\$ -	\$ 3,850,174	\$ -
Receipts from insured	-	-	-	-	-	3,388,380
Payments to suppliers	(2,718,923)	(864,765)	(305,638)	(415,034)	(4,304,360)	(3,368,182)
Payments to employees	(346,504)	(469,369)	(257,012)	-	(1,072,885)	-
Net cash provided by (used for) operating activities	\$ (1,094,014)	\$ (430,295)	\$ 412,272	\$ (415,034)	\$ (1,527,071)	\$ 20,198
Cash flows from capital and related financing activities:						
Purchases of capital assets	\$ (12,880)	\$ (2,375)	\$ (503,706)	\$ -	\$ (518,961)	\$ -
Capital grants and contributions	-	-	167,705	-	167,705	-
Interest expense	-	-	(90,202)	-	(90,202)	-
Retirement of indebtedness	-	-	(37,320)	-	(37,320)	-
Net cash provided by (used for) capital and related financing activities	\$ (12,880)	\$ (2,375)	\$ (463,523)	\$ -	\$ (478,778)	\$ -
Cash flows from noncapital financing activities:						
Transfers in	\$ 1,189,942	\$ 601,432	\$ 106,595	\$ -	\$ 1,897,969	\$ -
Increase(decrease) in due to/from other funds	-	(168,762)	(55,344)	168,762	(55,344)	-
Net cash provided by (used for) noncapital financing activities	\$ 1,189,942	\$ 432,670	\$ 51,251	\$ 168,762	\$ 1,842,625	\$ -
Cash flows from investing activities:						
Interest income	\$ 59,367	\$ -	\$ -	\$ 1,956	\$ 61,323	\$ -
Increase (decrease) in cash and cash equivalents	\$ 142,415	\$ -	\$ -	\$ (244,316)	\$ (101,901)	\$ 20,198
Cash and cash equivalents at beginning of year	4,038,613	-	-	1,073,902	5,112,515	100,483
Cash and cash equivalents at end of year	\$ 4,181,028	\$ -	\$ -	\$ 829,586	\$ 5,010,614	\$ 120,681
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,011,434)	\$ (478,297)	\$ (671,169)	\$ (1,041,137)	\$ (3,202,037)	\$ (1,492,278)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation	\$ 5,855	\$ 99,767	\$ 846,167	\$ 626,103	\$ 1,577,892	\$ -
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	4,664	(44,599)	(11,168)	-	(51,103)	-
(Increase) decrease in prepaid expenses	(1,113)	(5,699)	(3,014)	-	(9,826)	-
(Increase) decrease in inventory	-	-	(45,043)	-	(45,043)	-
(Increase) decrease in deferred outflows of resources	(15,868)	(15,598)	(9,692)	-	(41,158)	-
(Increase) decrease in reconciled overdraft	-	-	-	-	-	1,512,476
Increase (decrease) in accounts payable	(1,427)	(7,855)	312,748	-	303,466	-
Increase (decrease) in deferred inflows of resources	11,880	15,495	3,165	-	30,540	-
Increase (decrease) in net pension liability	3,387	(5,138)	3,047	-	1,296	-
Increase (decrease) in net GLI OPEB liability	169	238	118	-	525	-
Increase (decrease) in net insurance OPEB liability	(17,142)	(6,846)	(9,923)	-	(33,911)	-
Increase (decrease) in compensated absences	(37,445)	18,237	(2,964)	-	(22,172)	-
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)	-
Total adjustments	\$ (82,580)	\$ 48,002	\$ 1,083,441	\$ 626,103	\$ 1,674,966	\$ 1,512,476
Net cash provided by (used for) operating activities	\$ (1,094,014)	\$ (430,295)	\$ 412,272	\$ (415,034)	\$ (1,527,071)	\$ 20,198

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>369,748</u>
Total assets	\$ <u><u>369,748</u></u>
LIABILITIES	
Amounts held for others	\$ 248,765
Amounts held for inmates	20,553
Amounts held for social services clients	<u>100,430</u>
Total liabilities	\$ <u><u>369,748</u></u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements At June 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Management's Discussion and Analysis - GASB requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

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

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and its governing body is the same as the governing body of the Primary Government and there is a financial benefit relationship between the County and Authority. These are the basis for blending the component unit. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2019.

Discretely Presented Component Units - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Culpeper County Economic Development Authority was created by the Board of Supervisors to administer the issuance of economic development revenue bonds. The County appoints all members of Authority's Board of Directors. The primary funding is from the General Fund of the County. The Economic Development Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

Rappahannock-Rapidan Planning District Commission

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

Rappahannock-Rapidan Community Services Board

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

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

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

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

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

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

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

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

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

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

Enterprise Funds

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

The County reports the following major enterprise funds:

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

2. Proprietary Funds: (Continued)

Internal Service Funds

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

Health Insurance Fund - This fund accounts for the health insurance program activities of the County.

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

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

D. Budgets and Budgetary Accounting

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

E. Cash and Cash Equivalents

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

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

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

F. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,122,757 at June 30, 2019, and is comprised solely of property taxes.

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

G. Inventory and Prepaid Items

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

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

H. Capital Assets

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

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

H. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

I. Compensated Absences

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

J. Long-term Obligations

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

K. Fund Balances

Financial Policies

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

Fund balances are required to be reported according to the following classifications:

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

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

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

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

K. Fund Balances (Continued)

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

The following is detail of County's Fund Balances:

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
Nonspendable:				
Prepaid items	\$ 84,057	\$ -	\$ 84,057	\$ 91,071
Total Nonspendable	<u>\$ 84,057</u>	<u>\$ -</u>	<u>\$ 84,057</u>	<u>\$ 91,071</u>
Restricted:				
USDA Debt Service Reserve	\$ 39,474	\$ -	\$ 39,474	\$ -
Historic markers	521	-	521	-
Community Pool	1,131	-	1,131	-
Parks and Recreation Multi Use Trails	3,245	-	3,245	-
DSS Children's Programs	3,217	-	3,217	-
DSS Senior Citizen Programs	3,139	-	3,139	-
4th of July	346	-	346	-
Animal shelter	6,467	-	6,467	-
Community Center	1,538	-	1,538	-
Drug forfeitures	27,721	-	27,721	-
Total Restricted	<u>\$ 86,799</u>	<u>\$ -</u>	<u>\$ 86,799</u>	<u>\$ -</u>
Committed:				
School Capital Projects	\$ 3,517,350	\$ -	\$ 3,517,350	\$ -
Library	250,878	-	250,878	-
Proffers	537,848	-	537,848	-
IT Fee-Building permits	5,856	-	5,856	-
Courthouse construction fees	147,616	-	147,616	-
Capital Projects	-	3,364,194	3,364,194	551,668
Total Committed	<u>\$ 4,459,548</u>	<u>\$ 3,364,194</u>	<u>\$ 7,823,742</u>	<u>\$ 551,668</u>
Assigned:				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Eurocomposites easement	7,500	-	7,500	-
E911	2,176,336	-	2,176,336	-
Textbook	-	-	-	1,000,109
Cafeteria	-	-	-	2,532,845
Total Assigned	<u>\$ 2,188,011</u>	<u>\$ -</u>	<u>\$ 2,188,011</u>	<u>\$ 3,532,954</u>
Unassigned	<u>\$ 31,606,771</u>	<u>\$ -</u>	<u>\$ 31,606,771</u>	<u>\$ (91,071)</u>
Total Fund Balance	<u>\$ 38,425,186</u>	<u>\$ 3,364,194</u>	<u>\$ 41,789,380</u>	<u>\$ 4,084,622</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

L. Use of Estimates

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

M. Net Position

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

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

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

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

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

O. Net Position Flow Assumption

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) and contributions to the pension and OPEB plan(s) made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. Pensions

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

R. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Political Subdivision and Teacher Employee Health Insurance Credit Program

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

Note 2—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.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAAf	AAf
Local Government Investment Pool	\$ 7,619,683	\$ 5,062,626	\$ -
Virginia Investment Pool	-	-	2,076,684
Total	<u>\$ 7,619,683</u>	<u>\$ 5,062,626</u>	<u>\$ 2,076,684</u>

Investment maturities in years:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Local Government Investment Pool	\$ 12,682,309	\$ 12,682,309	\$ -
Virginia Investment Pool	2,076,684	-	2,076,684
Total	<u>\$ 14,758,993</u>	<u>\$ 12,682,309</u>	<u>\$ 2,076,684</u>

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pool:

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

Note 3—Due from Other Governments:

At June 30, 2019 the County and School Board have receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
Shared expenses	\$ 328,376	\$ -
State sales taxes	-	1,153,760
Local sales taxes	1,415,528	-
Communication taxes	275,455	-
Public assistance	178,583	-
Comprehensive services	342,236	-
Airport	123,752	-
Miscellaneous	85,077	-
Federal Government:		
School funds	-	793,591
Public assistance	264,590	-
Headstart	508,721	-
Airport	118,504	-
Miscellaneous	89,215	-
Total	<u>\$ 3,730,037</u>	<u>\$ 1,947,351</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Individual fund and interfund receivable and payable balances relating to working capital loans at June 30, 2019 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 4,231,219	\$ -
Water and Sewer Fund	247,938	-
Water and Sewer Authority	-	2,947,938
Airport	-	1,531,219
Total	<u>\$ 4,479,157</u>	<u>\$ 4,479,157</u>
<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 2,300,636
School	2,300,636	-
Total	<u>\$ 2,300,636</u>	<u>\$ 2,300,636</u>
<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 6,030,117
Landfill Fund	1,189,942	-
Water & Sewer Fund	601,432	-
Capital Projects Fund	4,158,148	26,000
Airport Fund	106,595	-
Total	<u>\$ 6,056,117</u>	<u>\$ 6,056,117</u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,428,807	\$ 45,625	\$ -	\$ 10,474,432
Construction in Progress	3,158,402	3,549,977	245,480	6,462,899
Total capital assets not being depreciated	<u>\$ 13,587,209</u>	<u>\$ 3,595,602</u>	<u>\$ 245,480</u>	<u>\$ 16,937,331</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 41,095,798	\$ 112,801	\$ -	\$ 41,208,599
Equipment	11,980,429	766,149	214,791	12,531,787
Jointly owned assets	68,783,754	-	5,150,798	63,632,956
Total capital assets being depreciated	<u>\$ 121,859,981</u>	<u>\$ 878,950</u>	<u>\$ 5,365,589</u>	<u>\$ 117,373,342</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 13,671,341	\$ 1,199,519	\$ -	\$ 14,870,860
Equipment	9,039,971	745,407	214,791	9,570,587
Jointly owned assets	10,805,949	2,052,810	1,775,186	11,083,573
Total accumulated depreciation	<u>\$ 33,517,261</u>	<u>\$ 3,997,736</u>	<u>\$ 1,989,977</u>	<u>\$ 35,525,020</u>
Total capital assets being depreciated, net	<u>\$ 88,342,720</u>	<u>\$ (3,118,786)</u>	<u>\$ 3,375,612</u>	<u>\$ 81,848,322</u>
Governmental activities capital assets, net	<u>\$ 101,929,929</u>	<u>\$ 476,816</u>	<u>\$ 3,621,092</u>	<u>\$ 98,785,653</u>

The following is a summary of changes in construction in progress for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities:				
BOS Room A/V Upgrades	\$ 41,924	\$ -	\$ 41,924	\$ -
Radio system upgrade	2,190,256	3,297,515	-	5,487,771
Jail - New generator	33,769	25,004	-	58,773
Lenn Park improvements	20,476	195,978	-	216,454
Carver Center demolition	435,286	-	-	435,286
Carver Center upgrades	57,466	-	-	57,466
IT - New Voting Machines	172,076	31,480	203,556	-
VBAF Piedmont abatement project	207,149	-	-	207,149
Total	<u>\$ 3,158,402</u>	<u>\$ 3,549,977</u>	<u>\$ 245,480</u>	<u>\$ 6,462,899</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities:

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	84,313	2,375	-	86,688
Total capital assets not being depreciated	<u>\$ 319,513</u>	<u>\$ 2,375</u>	<u>\$ -</u>	<u>\$ 321,888</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,049,796	\$ -	\$ -	\$ 3,049,796
Equipment	481,825	-	-	481,825
Total capital assets being depreciated	<u>\$ 3,531,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,531,621</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 1,543,860	\$ 78,406	\$ -	\$ 1,622,266
Equipment	416,686	21,361	-	438,047
Total accumulated depreciation	<u>\$ 1,960,546</u>	<u>\$ 99,767</u>	<u>\$ -</u>	<u>\$ 2,060,313</u>
Total capital assets being depreciated, net	<u>\$ 1,571,075</u>	<u>\$ (99,767)</u>	<u>\$ -</u>	<u>\$ 1,471,308</u>
Net capital assets	<u>\$ 1,890,588</u>	<u>\$ (97,392)</u>	<u>\$ -</u>	<u>\$ 1,793,196</u>
Landfill Fund:				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Construction in Progress	522,874	12,880	-	535,754
Total capital assets not being depreciated	<u>\$ 923,947</u>	<u>\$ 12,880</u>	<u>\$ -</u>	<u>\$ 936,827</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	268,767	-	1,500	267,267
Total capital assets being depreciated	<u>\$ 277,306</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 275,806</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,559	\$ 213	\$ -	\$ 2,772
Equipment	256,567	5,642	1,500	260,709
Total accumulated depreciation	<u>\$ 259,126</u>	<u>\$ 5,855</u>	<u>\$ 1,500</u>	<u>\$ 263,481</u>
Total capital assets being depreciated, net	<u>\$ 18,180</u>	<u>\$ (5,855)</u>	<u>\$ -</u>	<u>\$ 12,325</u>
Net capital assets	<u>\$ 942,127</u>	<u>\$ 7,025</u>	<u>\$ -</u>	<u>\$ 949,152</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities: (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 849,978	\$ 110,230	\$ -	\$ 960,208
Construction in Progress	654,278	503,706	273,829	884,155
Total capital assets, not being depreciated	\$ 1,504,256	\$ 613,936	\$ 273,829	\$ 1,844,363
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,551,799	\$ 163,599	\$ -	\$ 21,715,398
Equipment	519,419	-	36,738	482,681
Total capital assets being depreciated	\$ 22,071,218	\$ 163,599	\$ 36,738	\$ 22,198,079
Less accumulated depreciation for:				
Buildings and improvements	\$ 9,611,372	\$ 819,920	\$ -	\$ 10,431,292
Equipment	265,009	26,247	36,738	254,518
Total accumulated depreciation	\$ 9,876,381	\$ 846,167	\$ 36,738	\$ 10,685,810
Total capital assets being depreciated, net	\$ 12,194,837	\$ (682,568)	\$ -	\$ 11,512,269
Net capital assets	\$ 13,699,093	\$ (68,632)	\$ 273,829	\$ 13,356,632
Water and Sewer Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,026,130	\$ -	\$ -	\$ 25,026,130
Equipment	17,983	-	-	17,983
Total capital assets being depreciated	\$ 25,044,113	\$ -	\$ -	\$ 25,044,113
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,695,773	\$ 626,103	\$ -	\$ 5,321,876
Equipment	17,983	-	-	17,983
Total accumulated depreciation	\$ 4,713,756	\$ 626,103	\$ -	\$ 5,339,859
Total capital assets being depreciated, net	\$ 20,330,357	\$ (626,103)	\$ -	\$ 19,704,254
Net capital assets	\$ 21,799,477	\$ (626,103)	\$ -	\$ 21,173,374

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 5—Capital Assets: (Continued)

Business-type Activities: (Continued)

The following is a summary of construction in progress changes for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Airport Fund:				
Land acquisition	\$ 15,022	\$ 95,208	\$ 110,230	\$ -
Apron Lighting-Taxiway/Apron	153,250	10,349	163,599	-
Hangar area pavement rehab	176,005	398,149	-	574,154
Airport terminal facility - design	310,001	-	-	310,001
Total	<u>\$ 654,278</u>	<u>\$ 503,706</u>	<u>\$ 273,829</u>	<u>\$ 884,155</u>
Water and Sewer Fund:				
Emerald Hill radium removal				
Pump house	\$ -	\$ 2,375	\$ -	\$ 2,375
Automated Meter Reading System	84,313	-	-	84,313
Total	<u>\$ 84,313</u>	<u>\$ 2,375</u>	<u>\$ -</u>	<u>\$ 86,688</u>
Landfill Fund:				
Transfer station improvements	\$ 522,874	\$ 12,880	\$ -	\$ 535,754
Total	<u>\$ 522,874</u>	<u>\$ 12,880</u>	<u>\$ -</u>	<u>\$ 535,754</u>

Component Unit-School Board

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	2,977,231	1,425,697	-	4,402,928
Construction in progress	<u>2,550,150</u>	<u>1,977,206</u>	<u>3,449,358</u>	<u>1,077,998</u>
Total capital assets, not being depreciated	<u>\$ 5,727,532</u>	<u>\$ 3,402,903</u>	<u>\$ 3,449,358</u>	<u>\$ 5,681,077</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 32,366,923	\$ 2,180,337	\$ 29,100	\$ 34,518,160
Equipment	14,012,861	395,580	500,410	13,908,031
Jointly owned assets	<u>54,476,509</u>	<u>5,150,798</u>	<u>-</u>	<u>59,627,307</u>
Total capital assets being depreciated	<u>\$ 100,856,293</u>	<u>\$ 7,726,715</u>	<u>\$ 529,510</u>	<u>\$ 108,053,498</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 29,700,417	\$ 1,795,882	\$ 27,948	\$ 31,468,351
Equipment	10,897,748	548,660	500,410	10,945,998
Jointly owned assets	<u>11,252,261</u>	<u>1,775,186</u>	<u>-</u>	<u>13,027,447</u>
Total accumulated depreciation	<u>\$ 51,850,426</u>	<u>\$ 4,119,728</u>	<u>\$ 528,358</u>	<u>\$ 55,441,796</u>
Total capital assets being depreciated, net	<u>\$ 49,005,867</u>	<u>\$ 3,606,987</u>	<u>\$ 1,152</u>	<u>\$ 52,611,702</u>
School Board capital assets, net	<u>\$ 54,733,399</u>	<u>\$ 7,009,890</u>	<u>\$ 3,450,510</u>	<u>\$ 58,292,779</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 5—Capital Assets: (Continued)

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

Governmental activities:		
General government administration	\$	146,165
Judicial administration		63,566
Public safety		666,313
Public works		439,036
Health and welfare		270,877
Education		2,199,227
Parks, recreation and cultural		208,818
Community development		3,734
Total governmental activities	\$	<u>3,997,736</u>
Enterprise Funds:		
Landfill	\$	5,855
Water & sewer		99,767
Airport		846,167
Water & sewer authority		626,103
Total enterprise funds	\$	<u>1,577,892</u>
Component Unit-School Board	\$	<u>2,344,542 (1)</u>
(1) Depreciation Expense	\$	2,344,542
Joint tenancy transfer of accumulated depreciation		<u>1,775,186</u>
Total additions to accumulated depreciation, previous page	\$	<u>4,119,728</u>

Note 6—Deferred/Unavailable/Unearned Revenue:

The following is a summary of unavailable/unearned revenue at June 30, 2019:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred/Unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 2,069,202
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>243,164</u>	<u>243,164</u>
Total primary government	<u>\$ 243,164</u>	<u>\$ 2,312,366</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements At June 30, 2019 (Continued)

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
School Lease Revenue and Refunding Bonds:					
Direct Borrowings and Direct Placements	\$ 42,330,000	\$ -	\$ 2,255,000	\$ 40,075,000	\$ 2,300,000
Premium on school bonds	3,163,244	-	210,883	2,952,361	210,883
Total school lease revenue and refunding bonds	\$ 45,493,244	\$ -	\$ 2,465,883	\$ 43,027,361	\$ 2,510,883
School general obligation bonds:					
Direct Placement and Direct Borrowings	\$ 2,916,770	\$ -	\$ 712,862	\$ 2,203,908	\$ 727,082
Public Offerings	14,890,000	-	1,500,000	13,390,000	1,525,000
Premium on general obligation bonds	1,358,739	-	97,053	1,261,686	97,053
Total school general obligation bonds	\$ 19,165,509	\$ -	\$ 2,309,915	\$ 16,855,594	\$ 2,349,135
Compensated absences	\$ 2,136,245	\$ 297,673	\$ 213,625	\$ 2,220,293	\$ 222,029
Net OPEB liability:					
Net medical Insurance OPEB liability	\$ 1,793,574	\$ 245,756	\$ 1,705,594	\$ 333,736	\$ -
Net group life insurance OPEB liability	1,413,561	290,674	273,199	1,431,036	-
Total net OPEB liability	\$ 3,207,135	\$ 536,430	\$ 1,978,793	\$ 1,764,772	\$ -
Net pension liability	5,279,697	6,853,968	6,536,038	5,597,627	-
Direct Borrowings and Direct Placements:					
Literary fund loans	4,125,000	-	375,000	3,750,000	375,000
Direct Borrowings and Direct Placements:					
General obligation bonds	1,384,900	-	209,800	1,175,100	214,800
Capital lease	476,362	-	232,713	243,649	243,649
Direct Borrowings and Direct Placements:					
Lease revenue bonds	\$ 9,111,000	\$ -	\$ 895,000	\$ 8,216,000	\$ 922,000
Premium on lease revenue bonds	85,506	-	7,126	78,380	7,126
Total lease revenue bonds	\$ 9,196,506	\$ -	\$ 902,126	\$ 8,294,380	\$ 929,126
Total Governmental Activities	\$ 90,464,598	\$ 7,688,071	\$ 15,223,893	\$ 82,928,776	\$ 6,844,622
Business-type Activities:					
Compensated absences	\$ 96,031	\$ 9,603	\$ 31,775	\$ 73,859	\$ 7,386
Direct Borrowings and Direct Placements:					
Lease revenue bonds	2,512,233	-	37,320	2,474,913	38,650
Net OPEB liability:					
Net medical Insurance OPEB liability	\$ 45,612	\$ 27,226	\$ 61,137	\$ 11,701	\$ -
Net group life insurance OPEB liability	42,439	11,930	11,405	42,964	-
Total net OPEB liability	\$ 88,051	\$ 39,156	\$ 72,542	\$ 54,665	\$ -
Net pension liability	158,513	196,730	195,434	159,809	-
Landfill closure and postclosure costs	497,625	-	35,540	462,085	35,540
Total Business-type Activities	\$ 3,352,453	\$ 245,489	\$ 372,611	\$ 3,225,331	\$ 81,576
Total Primary Government	\$ 93,817,051	\$ 7,933,560	\$ 15,596,504	\$ 86,154,107	\$ 6,926,198

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities:

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

Year Ending June 30,	Direct Borrowings and Direct Placements				School General Obligation Bonds			
	Lease Revenue Bonds		School Lease Revenue Refunding Bonds		Direct Borrowings and Direct Placements		Public Offerings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 922,000	\$ 268,033	\$ 2,300,000	\$ 1,587,125	\$ 727,082	\$ 79,169	\$ 1,525,000	\$ 460,525
2021	953,000	241,163	2,385,000	1,495,125	734,506	49,243	1,550,000	399,525
2022	980,000	213,077	2,460,000	1,399,725	742,320	18,929	940,000	337,525
2023	974,000	184,101	2,570,000	1,276,725	-	-	940,000	309,325
2024	998,000	155,082	2,685,000	1,148,225	-	-	940,000	281,125
2025	721,000	125,472	2,800,000	1,013,975	-	-	940,000	252,925
2026	468,000	103,703	2,900,000	901,975	-	-	940,000	224,725
2027	484,000	83,418	3,005,000	785,975	-	-	940,000	196,525
2028	501,000	62,377	3,080,000	695,825	-	-	935,000	163,625
2029	517,000	40,559	3,155,000	603,425	-	-	935,000	130,900
2030	413,000	17,993	3,260,000	477,225	-	-	935,000	98,175
2031	141,000	6,641	3,040,000	346,825	-	-	935,000	65,450
2032	144,000	3,355	3,165,000	225,225	-	-	935,000	32,725
2033	-	-	3,270,000	114,450	-	-	-	-
Total	\$ 8,216,000	\$ 1,504,974	\$ 40,075,000	\$ 12,071,825	\$ 2,203,908	\$ 147,341	\$ 13,390,000	\$ 2,953,075

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements				Direct Borrowings and Direct Placements	
	General Obligation Bonds		Capital Lease		Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 214,800	\$ 26,240	\$ 243,649	\$ 11,452	\$ 375,000	112,500
2021	219,800	21,186	-	-	375,000	101,250
2022	224,900	16,013	-	-	375,000	90,000
2023	230,200	10,720	-	-	375,000	78,750
2024	235,700	5,299	-	-	375,000	67,500
2025	49,700	581	-	-	375,000	56,250
2026	-	-	-	-	375,000	45,000
2027	-	-	-	-	375,000	33,750
2028	-	-	-	-	375,000	22,500
2029	-	-	-	-	375,000	11,250
Total	\$ <u>1,175,100</u>	\$ <u>80,039</u>	\$ <u>243,649</u>	\$ <u>11,452</u>	\$ <u>3,750,000</u>	\$ <u>618,750</u>

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities:

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Revenue Bonds	
	Principal	Interest
2020	\$ 38,650	\$ 86,006
2021	40,025	84,631
2022	41,449	83,207
2023	42,923	81,733
2024	44,449	80,207
2025	46,030	78,626
2026	47,668	76,988
2027	49,363	75,293
2028	51,119	73,538
2029	52,937	71,719
2030	54,820	69,836
2031	56,769	67,887
2032	58,788	65,868
2033	60,879	63,777
2034	63,045	61,611
2035	65,287	59,369
2036	67,609	57,047
2037	70,014	54,642
2038	72,504	52,152
2039	75,083	49,573
2040	77,753	46,903
2041	80,519	44,137
2042	83,382	41,274
2043	86,348	38,308
2044	89,419	35,237
2045	92,599	32,057
2046	95,893	28,763
2047	99,304	25,352
2048	102,836	21,820
2049	106,493	18,163
2050	110,281	14,375
2051	114,203	10,453
2052	118,265	6,391
2054	118,207	2,185
Total	\$ 2,474,913	\$ 1,759,128

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
<u>County Lease Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$1,454,000 Lease Revenue Bonds Series 2013 issued December 19, 2013 payable in various semi-annual payments through January 15, 2029, interest payable semi-annually at 2.940%	\$ 1,039,000	\$ 91,000
\$2,457,000 IDA Lease Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through January 15, 2032, interest payable semi-annually at 2.330%	1,719,000	132,000
\$6,433,000 IDA Lease Refunding Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.220%	2,923,000	509,000
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 payable in various semi-annual payments through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	2,535,000	190,000
Premium on bonds	78,380	7,126
Total County lease revenue bonds	\$ 8,294,380	\$ 929,126
<u>County General Obligation Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$2,654,000 General Obligation Refunding Bonds Series 2011 issued November 17, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.34%	\$ 1,175,100	\$ 214,800
Total County general obligation bonds	\$ 1,175,100	\$ 214,800
<u>School Lease Revenue Refunding Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$49,745,000 Lease Revenue Refunding Bonds, Series 2014, issued August 19, 2014 payable in various annual installments through June 1, 2033, interest at rates ranging from 3.00% to 5.00%	\$ 40,075,000	\$ 2,300,000
Premium on bonds	2,952,361	210,883
Total school lease revenue refunding bonds	\$ 43,027,361	\$ 2,510,883

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	Amount Outstanding	Due Within One Year
Governmental Activities: (Continued)		
<u>School General Obligation Bonds:</u>		
Public Offerings:		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B,	\$ 2,203,908	\$ 727,082
Direct Borrowings and Direct Placements:		
\$23,520,000 General Obligation School and Refunding Bond, Series 2012 dated October 18, 2012, principal payable annually in various incremental amounts through January 15, 2032, interest payable semi-annually at rates ranging from 3.00% to 4.00%	\$ 13,390,000	\$ 1,525,000
Premium on general obligation bonds	1,261,686	97,053
Total school general obligation bonds	\$ 16,855,594	\$ 2,349,135
<u>Literary Fund Loans:</u>		
Direct Borrowings and Direct Placements:		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 3,750,000	\$ 375,000
Total literary fund loans	\$ 3,750,000	\$ 375,000
<u>Capital lease:</u>		
\$731,464 captial lease, issued November 3, 2017, payable annual installments of \$255,101 through November 3, 2019, interest payable annually at 4.70%. The Lease was for the acquisition of vehicles with a total cost of \$731,464. Accumulated depreciation on these vehicles at June 30, 2018 was \$146,293.	\$ 243,649	\$ 243,649
<u>Compensated absences</u>	\$ 2,220,293	\$ 222,029
<u>Net medical insurance OPEB liability</u>	\$ 333,736	\$ -
<u>Net group life insurance OPEB liability</u>	\$ 1,431,036	\$ -
<u>Net pension liability</u>	\$ 5,597,627	\$ -
Total governmental activities	\$ 82,928,776	\$ 6,844,622

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Business-type Activities:		
<u>Airport Revenue Bond:</u>		
Direct Borrowings and Direct Placements:		
\$2,650,000 revenue bonds series 2015 issued July 2015, payable in annual principal and interest installments of \$10,388 through February 2056, interest payable semi-annually at 3.5%	\$ 2,474,913	\$ 38,650
<u>Compensated absences</u>	73,859	7,386
<u>Net medical insurance OPEB liability</u>	11,701	-
<u>Net group life insurance OPEB liability</u>	42,964	-
<u>Net pension liability</u>	159,809	-
<u>Landfill closure and postclosure costs</u>	462,085	35,540
Total business-type activities	\$ 3,225,331	\$ 81,576
Total Primary Government	\$ 86,154,107	\$ 6,926,198

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 1,025,782	\$ 428,921	\$ 102,578	\$ 1,352,125	\$ 135,213
Net pension liability	67,223,000	14,149,000	17,184,000	64,188,000	-
Net OPEB liability:					
Net VRS HIC OPEB liability	\$ 6,982,000	\$ 671,000	\$ 680,000	\$ 6,973,000	-
Net group life insurance OPEB liability	3,905,000	681,000	676,000	3,910,000	-
Net medical insurance OPEB liability	1,596,482	552,956	105,386	2,044,052	-
Total net OPEB liability	\$ 12,483,482	\$ 1,904,956	\$ 1,461,386	\$ 12,927,052	-
Total	\$ 80,732,264	\$ 16,482,877	\$ 18,747,964	\$ 78,467,177	\$ 135,213

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 8—Landfill Closure and Postclosure Care Cost:

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$462,085 reported as landfill closure and postclosure care liability at June 30, 2019, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

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

Note 9—Commitments and Contingencies:

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

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

Note 10—Pension Plan:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan:

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	188	79
Inactive members:		
Vested inactive members	59	27
Non-vested inactive members	96	101
Inactive members active elsewhere in VRS	173	38
Total inactive members	328	166
Active members	381	193
Total covered employees	897	438

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2019 was 9.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,791,824 and \$1,806,978 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2019 was 2.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$85,153 and \$174,451 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities (asset) were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities (asset) were determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<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 System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Discount Rate: (Continued)

June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 60,508,488	\$ 55,070,278	\$ 5,438,210
Changes for the year:			
Service cost	\$ 2,048,803	\$ -	\$ 2,048,803
Interest	4,150,048	-	4,150,048
Differences between expected and actual experience	804,899	-	804,899
Contributions - employer	-	1,742,241	(1,742,241)
Contributions - employee	-	897,775	(897,775)
Net investment income	-	4,082,622	(4,082,622)
Benefit payments, including refunds of employee contributions	(2,444,178)	(2,444,178)	-
Administrative expenses	-	(34,433)	34,433
Other changes	-	(3,681)	3,681
Net changes	\$ 4,559,572	\$ 4,240,346	\$ 319,226
Balances at June 30, 2018	\$ 65,068,060	\$ 59,310,624	\$ 5,757,436

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 11,979,924	\$ 13,680,691	\$ (1,700,767)
Changes for the year:			
Service cost	\$ 408,123	\$ -	\$ 408,123
Interest	820,961	-	820,961
Differences between expected and actual experience	(493,672)	-	(493,672)
Contributions - employer	-	158,079	(158,079)
Contributions - employee	-	215,346	(215,346)
Net investment income	-	1,011,380	(1,011,380)
Benefit payments, including refunds of employee contributions	(503,809)	(503,809)	-
Administrative expenses	-	(8,670)	8,670
Other changes	-	(903)	903
Net changes	\$ 231,603	\$ 871,423	\$ (639,820)
Balances at June 30, 2018	\$ 12,211,527	\$ 14,552,114	\$ (2,340,587)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 14,968,590	\$ 5,757,436	\$ (1,823,135)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (887,798)	\$ (2,340,587)	\$ (3,560,953)

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2019, County and Component Unit School Board (nonprofessional) recognized pension expense of \$971,588 and (\$499,266), respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 656,080	\$ 226,821	\$ -	\$ 488,343
Change in assumptions	-	131,845	-	48,006
Change in proportionate share	17,121	17,121	-	-
Net difference between projected and actual earnings on pension plan investments	-	499,362	-	117,579
Employer contributions subsequent to the measurement date	1,791,824	-	85,153	-
Total	<u>\$ 2,465,025</u>	<u>\$ 875,149</u>	<u>\$ 85,153</u>	<u>\$ 653,928</u>

\$1,791,824 and \$85,153 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction or Component of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ 227,362	\$ (340,932)
2021	58,109	(161,201)
2022	(442,984)	(140,069)
2023	(44,435)	(11,726)
Thereafter	-	-

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$6,966,542 and \$7,247,252 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$64,188,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .54581% as compared to .55266% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$3,933,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018 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.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,489,000
Change in assumptions	766,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,361,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	631,000	1,239,000
Employer contributions subsequent to the measurement date	<u>6,966,542</u>	<u>-</u>
Total	<u>\$ 8,363,542</u>	<u>\$ 8,089,000</u>

\$6,966,542 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (784,000)
2021	(1,642,000)
2022	(3,102,000)
2023	(919,000)
2024	(245,000)
Thereafter	-

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

- Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		<u>34,919,563</u>
Employer's Net Pension Liability (Asset)	\$	<u><u>11,759,992</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 98,048,000	\$ 64,188,000	\$ 36,161,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

VRS Pension Plans:				
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
Primary Government	\$ 2,465,025	\$ 875,149	\$ 5,757,436	\$ 971,588
Totals	<u>\$ 2,465,025</u>	<u>\$ 875,149</u>	<u>\$ 5,757,436</u>	<u>\$ 971,588</u>
Component Unit School Board				
School Board Nonprofessional	\$ 85,153	\$ 653,928	\$ (2,340,587)	\$ (499,266)
School Board Professional	<u>8,363,542</u>	<u>8,089,000</u>	<u>64,180,000</u>	<u>3,933,000</u>
Totals	<u>\$ 8,448,695</u>	<u>\$ 8,742,928</u>	<u>\$ 61,839,413</u>	<u>\$ 3,433,734</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 11—Risk Management:

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

Employee Health Insurance:

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

Employee Dental Insurance:

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

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

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

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

Note 12—Litigation:

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 13—Surety Bonds:

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

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan):

County:

Plan Description

In addition to the pension benefits described in Note 10, the County administers a single-employer defined benefit healthcare plan, The Culpeper County Post-Retirement Medical and Life Insurance Benefits. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All full-time employees who retire with 30 years of service, or at age 62 with 5 years of service are eligible. Employees with disabilities must meet service retirement eligibility to be eligible. Pre-Medicare retirees may continue to remain in the Key Care 100 Plan, which includes prescription drugs. Once the participant is Medicare eligible they are no longer eligible to remain in the plan.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County (Continued)

Plan Membership

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

Total active employees with coverage	\$	309
Total retirees with coverage		<u>6</u>
Total	\$	<u><u>315</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.30%
Salary Increases	3.50%
Discount Rate	3.62%
Investment Rate of Return	3.50%

Mortality rates for Active employees and healthy retirees were based on a RP 2000 Fully Generational Combined Healthy Table while mortality rates for disabled retirees were based on a RP 2000 Fully Generational Combined Disabled Table.

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County (Continued)

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2017	\$	1,839,186
Changes for the year:		
Service cost		134,501
Interest		63,426
Difference between expected and actual experience		(1,746,813)
Changes in assumptions		(1,308)
Contributions - employer		56,445
Net changes		<u>(1,493,749)</u>
Balances at June 30, 2018	\$	<u><u>345,437</u></u>

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

<u>Rate</u>		
<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
\$ 379,881	\$ 345,437	\$ 314,537

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County (Continued)

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

The following presents the total OPEB liability of the County was calculated using healthcare cost trend rates that are one percentage point lower (4.44%) or one percentage point higher (6.44%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.44%)	Healthcare Cost Trend (5.44%)	1% Increase (6.44%)
\$ 304,101	\$ 345,437	\$ 394,949

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

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of (\$98,147). At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,649,230
Changes in assumptions	-	80,871
Total	\$ -	\$ 1,730,101

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

Year Ended June 30	
2020	\$ (296,074)
2021	(296,074)
2022	(296,074)
2023	(296,074)
2024	(296,076)
Thereafter	(249,729)

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board:

Plan Description

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

Benefits Provided

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

Plan Membership

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

Total active employees with coverage	\$ 1,969
Total retirees with coverage	<u>29</u>
Total	<u><u>\$ 1,998</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of that date.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	3.50%
Discount Rate	3.62%
Investment Rate of Return	3.50%

Mortality rates for Active employees and healthy retirees were based on a RP 2000 Fully Generational Combined Healthy Table while mortality rates for disabled retirees were based on a RP 2000 Fully Generational Combined Disabled Table.

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

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	\$	1,596,482
Changes for the year:		
Service cost		124,715
Interest		55,024
Difference between expected and actual experience		373,217
Changes in assumptions		(5,935)
Contributions - employer		(99,451)
Net changes		447,570
Balances at June 30, 2018	\$	2,044,052

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 2,196,944	\$ 2,044,052	\$ 1,900,872

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

The following presents the total OPEB liability of the School Board was calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (3.00%)	Healthcare Cost Trend (4.00%)	1% Increase (5.00%)
\$ 1,825,344	\$ 2,044,052	\$ 2,302,663

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$225,383. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 395,268	\$ -
Changes in assumptions	-	75,497
Total	\$ 395,268	\$ 75,497

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 14—Medical and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

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

<u>Year Ended June 30</u>	
2020	\$ 45,644
2021	45,644
2022	45,644
2023	45,644
2024	45,644
Thereafter	91,551

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

Note 15—Health Insurance Credit (HIC) Program:

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>26</u>
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	<u>1</u>
Active members	<u>193</u>
Total covered employees	<u><u>220</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board's nonprofessional contractually required employer contribution rate for the year ended June 30, 2019 was 0.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 Board to the Health Insurance Credit Program were \$7,029 and \$7,663 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Net HIC OPEB Liability (Asset)

The School Board's net Health Insurance Credit OPEB liability was measured as of June 30, 2018. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions (Continued)

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 235,223	\$ 248,574	\$ (13,351)
Changes for the year:			
Service cost	\$ 6,913	\$ -	\$ 6,913
Interest	15,856	-	15,856
Benefit changes	-	-	-
Differences between expected and actual experience	(15,851)	-	(15,851)
Assumption changes	-	-	-
Contributions - employer	-	7,812	(7,812)
Net investment income	-	17,469	(17,469)
Benefit payments	(17,427)	(17,427)	-
Administrative expenses	-	(402)	402
Other changes	-	(1,291)	1,291
Net changes	\$ (10,509)	\$ 6,161	\$ (16,670)
Balances at June 30, 2018	\$ 224,714	\$ 254,735	\$ (30,021)

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

The follow presents the School Board's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the School Board's net HIC OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Culpeper County School Board Net HIC OPEB Liability (Asset)	\$ (6,705)	\$ (30,021)	\$ (50,044)

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 15—Health Insurance Credit (HIC) Program: (Continued)

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

For the year ended June 30, 2019, the *School Board* recognized Health Insurance Credit Program OPEB expense of \$1,651. At June 30, 2019, the *School Board* reported deferred outflows of resources and deferred inflows of resources related to the School Board's Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,055
Net difference between projected and actual earnings on HIC OPEB plan investments	-	6,452
Change in assumptions	-	3,398
Employer contributions subsequent to the measurement date	<u>7,029</u>	<u>-</u>
Total	<u>\$ 7,029</u>	<u>\$ 22,905</u>

\$7,029 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$ (5,807)
2021	(5,807)
2022	(5,809)
2023	(3,611)
2024	(1,871)
Thereafter	-

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC 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 HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. 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: \$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.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% 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 550,712 and \$546,208 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$6,973,000 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, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.54917% as compared to 0.5504% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$562,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

At June 30, 2019, 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	\$ -	\$ 35,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	5,000
Change in assumptions	-	61,000
Change in proportion	-	34,000
Employer contributions subsequent to the measurement date	<u>550,712</u>	<u>-</u>
Total	\$ <u><u>550,712</u></u>	\$ <u><u>135,000</u></u>

\$550,712 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (24,000)
2021	(24,000)
2022	(24,000)
2023	(21,000)
2024	(22,000)
Thereafter	(20,000)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality Rates - Teachers

- Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, 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	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	7,788,000	\$ 6,973,000	\$ 6,279,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$100,991 and \$96,765 for the years ended June 30, 2019 and June 30, 2018, respectively, for the County; \$24,337 and \$23,621 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (nonprofessional); and \$238,829 and \$232,694 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (professional).

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, 2019, the entity reported a liability of \$1,474,000, \$361,000, and \$3,549,000 for the County, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.09710%, 0.02372%, and 0.23366% as compared to 0.09680%, 0.02394%, and 0.23558% at June 30, 2017 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$19,000, \$4,000, and \$23,000 for the County, School Board Nonprofessional, and School Board Professional, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Differences between expected and actual experience	\$ 72,000	\$ 27,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	48,000
Change in assumptions	-	61,000
Changes in proportion	43,000	-
Employer contributions subsequent to the measurement date	100,991	-
Total Primary Government	\$ 215,991	\$ 136,000
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ 18,000	\$ 6,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,000
Change in assumptions	-	15,000
Changes in proportion	15,000	-
Employer contributions subsequent to the measurement date	24,337	-
Total Component Unit School Board (nonprofessional)	\$ 57,337	\$ 33,000
Component Unit School Board (professional)		
Differences between expected and actual experience	\$ 173,000	\$ 64,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	115,000
Change in assumptions	-	148,000
Changes in proportion	13,000	27,000
Employer contributions subsequent to the measurement date	238,829	-
Total Component Unit School Board (professional)	\$ 424,829	\$ 354,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

\$100,991, \$24,337 and \$238,829 for the County, School Board Nonprofessional, and School Board Professional, respectively, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2020	\$ (13,000)	\$ (1,000)	\$ (54,000)
2021	(13,000)	(1,000)	(54,000)
2022	(13,000)	(1,000)	(54,000)
2023	1,000	1,000	(21,000)
2024	12,000	1,000	7,000
Thereafter	5,000	1,000	8,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 17—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,927,000	\$ 1,474,000	\$ 1,107,000
School Board(nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 471,000	\$ 361,000	\$ 271,000
School Board(professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 4,638,000	\$ 3,549,000	\$ 2,665,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 18—Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources

	VRS OPEB Plans			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Primary Government				
Group Life Insurance Program (Note 17):				
County	\$ 215,991	\$ 136,000	\$ 1,474,000	\$ 19,000
County Stand-Alone Plan (Note 14)	-	1,730,101	345,437	(98,147)
Totals	<u>\$ 215,991</u>	<u>\$ 1,866,101</u>	<u>\$ 1,819,437</u>	<u>\$ (79,147)</u>
Component Unit School Board				
Group Life Insurance Program (Note 17):				
School Board Nonprofessional	\$ 57,337	\$ 33,000	\$ 361,000	\$ 4,000
School Board Professional	424,829	354,000	3,549,000	23,000
School Board Health Insurance Credit Program (Note 15)	7,029	22,905	(30,021)	1,651
Teacher Health Insurance Credit Program (Note 16)	550,712	135,000	6,973,000	562,000
School Stand-Alone Plan (Note 14)	395,268	75,497	2,044,052	225,383
Totals	<u>\$ 1,435,175</u>	<u>\$ 620,402</u>	<u>\$ 12,897,031</u>	<u>\$ 816,034</u>

Note 19—Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 20—Upcoming Pronouncements:

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2019 (Continued)

Note 20—Upcoming Pronouncements:

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 62,605,928	\$ 62,605,928	\$ 63,979,906	\$ 1,373,978
Other local taxes	8,946,721	8,946,721	9,071,378	124,657
Permits, privilege fees and regulatory licenses	739,500	752,375	1,092,849	340,474
Fines and forfeitures	35,500	35,500	65,124	29,624
Revenue from use of money and property	558,136	558,136	1,116,344	558,208
Charges for services	3,978,236	4,095,978	4,073,670	(22,308)
Miscellaneous	158,000	195,923	512,657	316,734
Recovered costs	420,338	420,338	481,197	60,859
Intergovernmental:				
Commonwealth	16,140,398	16,197,669	14,131,083	(2,066,586)
Federal	5,512,397	5,714,041	5,728,463	14,422
Total revenues	\$ 99,095,154	\$ 99,522,609	\$ 100,252,671	\$ 730,062
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 279,757	\$ 278,067	\$ 251,575	\$ 26,492
General and financial administration:				
County administration	\$ 512,965	\$ 503,632	\$ 477,546	\$ 26,086
County attorney	273,284	273,463	247,200	26,263
Human resources	244,037	255,100	232,181	22,919
Procurement	326,104	326,120	303,459	22,661
Auditor	56,500	56,500	56,500	-
Commissioner of the Revenue	701,656	701,278	601,379	99,899
Reassessment	526,525	528,079	446,056	82,023
Board of equalization	14,774	14,774	362	14,412
Treasurer	670,387	670,430	570,955	99,475
Department of finance and budget	586,518	594,116	592,421	1,695
Information systems	550,154	550,234	468,923	81,311
Records management	228,755	229,158	222,699	6,459
Other general and financial administration	12,000	12,000	1,846	10,154
Total general and financial administration	\$ 4,703,659	\$ 4,714,884	\$ 4,221,527	\$ 493,357
Board of Elections:				
Electoral board and officials	\$ 122,978	\$ 135,250	\$ 120,678	\$ 14,572
Registrar	186,410	186,229	169,318	16,911
Total board of elections	\$ 309,388	\$ 321,479	\$ 289,996	\$ 31,483
Total general government administration	\$ 5,292,804	\$ 5,314,430	\$ 4,763,098	\$ 551,332

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2019 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 95,076	\$ 95,082	\$ 86,204	\$ 8,878
Clerk of the circuit court	754,644	786,325	751,974	34,351
Victim assistance program	163,138	166,389	164,889	1,500
Sheriff	1,330,219	1,367,186	1,362,468	4,718
Other courts	58,480	75,997	46,111	29,886
Total courts	\$ 2,401,557	\$ 2,490,979	\$ 2,411,646	\$ 79,333
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,258,471	\$ 1,253,434	\$ 1,190,588	\$ 62,846
Criminal justice services	542,404	544,027	530,011	14,016
Total commonwealth attorney	\$ 1,800,875	\$ 1,797,461	\$ 1,720,599	\$ 76,862
Total judicial administration	\$ 4,202,432	\$ 4,288,440	\$ 4,132,245	\$ 156,195
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 6,493,264	\$ 6,466,934	\$ 6,395,588	\$ 71,346
Other law enforcement and traffic control	-	37,945	35,668	2,277
E-911	2,360,173	2,379,443	2,074,877	304,566
Total law enforcement and traffic control	\$ 8,853,437	\$ 8,884,322	\$ 8,506,133	\$ 378,189
Fire and rescue services:				
Fire and rescue	\$ 2,072,919	\$ 2,073,460	\$ 2,034,091	\$ 39,369
State forest fire extinction	9,085	9,085	8,456	629
Total fire and rescue services	\$ 2,082,004	\$ 2,082,545	\$ 2,042,547	\$ 39,998
Correction and detention:				
Jail	\$ 2,740,536	\$ 2,629,215	\$ 2,520,956	\$ 108,259
Outside jail services	900,000	1,033,000	1,032,506	494
Supervision plan services	49,221	49,221	25,692	23,529
Probation office	418,750	418,750	407,370	11,380
Total correction and detention	\$ 4,108,507	\$ 4,130,186	\$ 3,986,524	\$ 143,662
Inspections:				
Building	\$ 607,110	\$ 623,177	\$ 620,326	\$ 2,851

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2019 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 767,365	\$ 839,581	\$ 799,956	\$ 39,625
Medical examiner	750	750	660	90
Emergency services	2,335,070	2,371,298	2,235,341	135,957
Total other protection	\$ 3,103,185	\$ 3,211,629	\$ 3,035,957	\$ 175,672
Total public safety	\$ 18,754,243	\$ 18,931,859	\$ 18,191,487	\$ 740,372
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,589,603	\$ 1,776,965	\$ 1,205,986	\$ 570,979
Total public works	\$ 1,589,603	\$ 1,776,965	\$ 1,205,986	\$ 570,979
Health and welfare:				
Health:				
Local health department	\$ 379,699	\$ 379,699	\$ 379,699	\$ -
Mental health and community services:				
Community services	\$ 594,832	\$ 601,619	\$ 601,619	\$ -
Welfare:				
Community youth services	\$ 4,395,296	\$ 4,407,295	\$ 3,523,356	\$ 883,939
Culpeper cable commission	112,766	112,766	112,766	-
Options	296,627	316,207	286,231	29,976
Social services administration	7,534,902	7,595,579	6,106,781	1,488,798
Full circle thrift	266,841	266,841	261,066	5,775
Wheels for work				-
Cosmetology center	466,262	466,262	458,605	7,657
Daycare	1,575,346	1,575,546	1,951,080	(375,534)
Families first	226,209	226,609	225,914	695
New Pathways	-	-	100,725	(100,725)
Early Headstart	1,248,200	1,407,540	1,416,629	(9,089)
Headstart	1,351,284	1,499,623	1,171,395	328,228
Total welfare	\$ 17,473,733	\$ 17,874,268	\$ 15,614,548	\$ 2,259,720
Total health and welfare	\$ 18,448,264	\$ 18,855,586	\$ 16,595,866	\$ 2,259,720
Education:				
Contributions to community colleges	\$ 28,158	\$ 28,158	\$ 28,158	\$ -
Contributions to Piedmont Tech	146,506	146,506	228,915	(82,409)
Contributions to Component Unit School Board	33,631,886	33,631,886	31,969,141	1,662,745
Total education	\$ 33,806,550	\$ 33,806,550	\$ 32,226,214	\$ 1,580,336

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2019 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 433,079	\$ 491,684	\$ 447,075	\$ 44,609
Community complex	846,569	1,038,059	831,706	206,353
Total parks and recreation	\$ 1,279,648	\$ 1,529,743	\$ 1,278,781	\$ 250,962
Library:				
Library	\$ 1,124,242	\$ 1,210,548	\$ 1,146,699	\$ 63,849
Total parks, recreation and cultural	\$ 2,403,890	\$ 2,740,291	\$ 2,425,480	\$ 314,811
Community development:				
Planning and community development:				
Planning	\$ 669,187	\$ 669,364	\$ 588,684	\$ 80,680
Zoning board	4,844	4,844	761	4,083
Economic development	1,639,479	2,210,585	1,995,108	215,477
Total planning and community development	\$ 2,313,510	\$ 2,884,793	\$ 2,584,553	\$ 300,240
Environmental management:				
Soil and water conservation district	\$ 77,451	\$ 77,451	\$ 77,451	\$ -
Cooperative extension program:				
VPI extension	\$ 215,898	\$ 215,898	\$ 176,719	\$ 39,179
Total community development	\$ 2,606,859	\$ 3,178,142	\$ 2,838,723	\$ 339,419
Nondepartmental:				
Employee benefits	\$ 9,000	\$ 79,818	\$ -	\$ 79,818
Total nondepartmental	\$ 9,000	\$ 79,818	\$ -	\$ 79,818
Debt service:				
Principal retirement	\$ 5,962,262	\$ 5,962,262	\$ 5,947,662	\$ 14,600
Interest and fiscal charges	2,734,633	2,762,061	2,771,695	(9,634)
Total debt service	\$ 8,696,895	\$ 8,724,323	\$ 8,719,357	\$ 4,966
Total expenditures	\$ 95,810,540	\$ 97,696,404	\$ 91,098,456	\$ 6,597,948
Excess (deficiency) of revenues over (under) expenditures	\$ 3,284,614	\$ 1,826,205	\$ 9,154,215	\$ 7,328,010
Other financing sources (uses):				
Transfers (out)	\$ (6,256,491)	\$ (6,256,491)	\$ (6,030,117)	\$ 226,374
Total other financing sources (uses)	\$ (6,256,491)	\$ (6,256,491)	\$ (6,030,117)	\$ 226,374
Changes in fund balances	\$ (2,971,877)	\$ (4,430,286)	\$ 3,124,098	\$ 7,554,384
Fund balances at beginning of year	2,971,877	4,430,286	35,301,088	30,870,802
Fund balances at end of year	\$ -	\$ -	\$ 38,425,186	\$ 38,425,186

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 1,773,851	\$ 1,919,125	\$ 2,004,919	\$ 2,010,667	\$ 2,048,803
Interest	3,283,915	3,486,386	3,694,889	3,957,108	4,150,048
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(208,709)	315,239	(526,442)	804,899
Changes in assumptions	-	-	-	(308,817)	-
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)	(2,229,824)	(2,308,290)	(2,444,178)
Net change in total pension liability	\$ 2,933,675	\$ 2,990,250	\$ 3,785,223	\$ 2,824,226	\$ 4,559,572
Total pension liability - beginning	47,975,114	50,908,789	53,899,039	57,684,262	60,508,488
Total pension liability - ending (a)	\$ 50,908,789	\$ 53,899,039	\$ 57,684,262	\$ 60,508,488	\$ 65,068,060
Plan fiduciary net position					
Contributions - employer	\$ 1,854,477	\$ 1,648,227	\$ 1,724,735	\$ 1,694,138	\$ 1,742,241
Contributions - employee	777,107	788,770	825,798	944,891	897,775
Net investment income	6,152,389	2,089,804	844,406	5,992,864	4,082,622
Benefit payments, including refunds of employee contributions	(2,124,091)	(2,206,552)	(2,229,824)	(2,308,290)	(2,444,178)
Administrative expense	(32,421)	(27,937)	(29,039)	(33,568)	(34,433)
Other	324	(445)	(356)	(5,382)	(3,681)
Net change in plan fiduciary net position	\$ 6,627,785	\$ 2,291,867	\$ 1,135,720	\$ 6,284,653	\$ 4,240,346
Plan fiduciary net position - beginning	38,730,253	45,358,038	47,649,905	48,785,625	55,070,278
Plan fiduciary net position - ending (b)	\$ 45,358,038	\$ 47,649,905	\$ 48,785,625	\$ 55,070,278	\$ 59,310,624
County's net pension liability - ending (a) - (b)	\$ 5,550,751	\$ 6,249,134	\$ 8,898,637	\$ 5,438,210	\$ 5,757,436
Plan fiduciary net position as a percentage of the total pension liability	89.10%	88.41%	84.57%	91.01%	91.15%
Covered payroll	\$ 15,180,815	\$ 15,950,558	\$ 16,817,837	\$ 17,962,959	\$ 18,435,581
County's net pension liability as a percentage of covered payroll	36.56%	39.18%	52.91%	30.27%	31.23%

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

Schedule of Changes in Net Pension Liability(Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 411,690	\$ 416,073	\$ 415,482	\$ 407,359	\$ 408,123
Interest	707,097	748,220	781,183	813,886	820,961
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(130,169)	(155,229)	(451,319)	(493,672)
Changes in assumptions	-	-	-	(145,976)	-
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)	(606,570)	(541,939)	(503,809)
Net change in total pension liability	\$ 576,058	\$ 514,243	\$ 434,866	\$ 82,011	\$ 231,603
Total pension liability - beginning	10,372,746	10,948,804	11,463,047	11,897,913	11,979,924
Total pension liability - ending (a)	\$ 10,948,804	\$ 11,463,047	\$ 11,897,913	\$ 11,979,924	\$ 12,211,527
Plan fiduciary net position					
Contributions - employer	\$ 290,747	\$ 246,237	\$ 242,403	\$ 156,205	\$ 158,079
Contributions - employee	190,739	203,046	198,355	211,109	215,346
Net investment income	1,621,774	540,962	214,020	1,500,771	1,011,380
Benefit payments, including refunds of employee contributions	(542,729)	(519,881)	(606,570)	(541,939)	(503,809)
Administrative expense	(8,704)	(7,356)	(7,620)	(8,654)	(8,670)
Other	85	(112)	(90)	(1,337)	(903)
Net change in plan fiduciary net position	\$ 1,551,912	\$ 462,896	\$ 40,498	\$ 1,316,155	\$ 871,423
Plan fiduciary net position - beginning	10,309,230	11,861,142	12,324,038	12,364,536	13,680,691
Plan fiduciary net position - ending (b)	\$ 11,861,142	\$ 12,324,038	\$ 12,364,536	\$ 13,680,691	\$ 14,552,114
School Division's net pension liability(asset) - ending (a) - (b)	\$ (912,338)	\$ (860,991)	\$ (466,623)	\$ (1,700,767)	\$ (2,340,587)
Plan fiduciary net position as a percentage of the total pension liability	108.33%	107.51%	103.92%	114.20%	119.17%
Covered payroll	\$ 3,816,863	\$ 3,991,722	\$ 4,061,591	\$ 4,416,279	\$ 4,509,552
School Division's net pension liability as a percentage of covered payroll	-23.90%	-21.57%	-11.49%	-38.51%	-51.90%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2014	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.55%	0.56%	0.62%	0.55%	0.55%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 65,904,000	\$ 70,768,000	\$ 77,450,000	\$ 67,223,000	\$ 64,188,000
Employer's Covered Payroll	39,847,538	41,793,330	43,492,596	43,357,060	44,407,179
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165%	169%	178%	155%	145%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.68%	70.68%	72.92%	74.81%

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

Schedule of Employer Contributions - Pension
 Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 1,791,824	\$ 1,791,824	\$ -	\$ 19,373,437	9.25%
2018	1,806,978	1,806,978	-	18,435,581	9.80%
2017	1,742,407	1,742,407	-	17,962,959	9.70%
2016	1,749,055	1,749,055	-	16,817,837	10.40%
2015	1,658,858	1,658,858	-	15,950,558	10.40%
2014	1,855,096	1,855,096	-	15,180,815	12.22%
2013	1,788,622	1,788,622	-	14,636,845	12.22%
2012	1,294,749	1,294,749	-	13,744,685	9.42%
2011	1,314,180	1,314,180	-	13,950,960	9.42%
2010	1,147,393	1,147,393	-	14,218,007	8.07%
Component Unit School Board (nonprofessional)					
2019	\$ 85,153	\$ 85,153	\$ -	\$ 4,686,098	1.82%
2018	174,451	174,451	-	4,509,552	3.87%
2017	170,910	170,910	-	4,416,279	3.87%
2016	249,382	249,382	-	4,061,591	6.14%
2015	245,092	245,092	-	3,991,722	6.14%
2014	290,845	290,845	-	3,816,863	7.62%
2013	295,510	295,510	-	3,878,090	7.62%
2012	269,653	269,653	-	3,891,100	6.93%
2011	274,255	274,255	-	3,957,500	6.93%
2010	314,324	314,324	-	4,152,227	7.57%
Component Unit School Board (professional)					
2019	\$ 6,966,542	\$ 6,966,542	\$ -	\$ 45,890,976	15.18%
2018	7,247,252	7,247,252	-	44,407,179	16.32%
2017	6,356,145	6,356,145	-	43,357,060	14.66%
2016	6,115,059	6,115,059	-	43,492,596	14.06%
2015	6,060,033	6,060,033	-	41,793,330	14.50%

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

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

Notes to Required Supplementary Information - Pension
Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2018 and June 30, 2017

	2017	2018
Total OPEB liability		
Service cost	\$ 141,817	\$ 134,501
Interest	52,314	63,426
Changes in assumptions	(111,650)	(1,308)
Differences between expected and actual experience	(212,746)	(1,746,813)
Contributions - employer	54,950	56,445
Net change in total OPEB liability	\$ (75,315)	\$ (1,493,749)
Total OPEB liability - beginning	1,914,501	1,839,186
Total OPEB liability - ending	\$ 1,839,186	\$ 345,437
 Covered-employee payroll	 \$ N/A	 \$ N/A
 County/City/Town/ABC's total OPEB liability (asset) as a percentage of covered-employee payroll	 N/A	 N/A

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 and June 30, 2017

	<u>2017</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 134,111	\$ 124,715
Interest	38,797	55,024
Changes in assumptions	(93,738)	(5,935)
Differences between expected and actual experience	433,235	373,217
Contributions - employer	(554,459)	(99,451)
Net change in total OPEB liability	\$ (42,054)	\$ 447,570
Total OPEB liability - beginning	<u>1,638,536</u>	<u>1,596,482</u>
Total OPEB liability - ending	<u>\$ 1,596,482</u>	<u>\$ 2,044,052</u>
 Covered-employee or Covered payroll	 \$ N/A	 \$ N/A
 County/City/Town/ABC's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 N/A	 N/A

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

Notes to Required Supplementary Information - County and Component Unit School Board OPEB
For the Year Ended June 30, 2019

County:

Valuation Date: 6/30/2018

Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.30%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.7% in 2017 and gradually declines to 5.50% by the year 2087
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Fully Generational Combined Healthy Table. The mortality rates for disabled retirees and calculated using the RP 2000 Fully Generational Combined Disabled Table.

Component Unit School Board

Valuation Date: 6/30/2018

Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.30%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.7% in 2017 and gradually declines to 5.50% by the year 2087
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP 2000 Fully Generational Combined Healthy Table. The mortality rates for disabled retirees and calculated using the RP 2000 Fully Generational Combined Disabled Table.

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

	<u>2017</u>	<u>2018</u>
Total HIC OPEB Liability		
Service cost	\$ 7,155	\$ 6,913
Interest	15,460	15,856
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(15,851)
Changes in assumptions	(5,182)	-
Benefit payments	(6,119)	(17,427)
Net change in total HIC OPEB liability	\$ 11,314	\$ (10,509)
Total HIC OPEB Liability - beginning	223,909	235,223
Total HIC OPEB Liability - ending (a)	<u>\$ 235,223</u>	<u>\$ 224,714</u>
 Plan fiduciary net position		
Contributions - employer	\$ 7,526	\$ 7,812
Net investment income	25,657	17,469
Benefit payments	(6,119)	(17,427)
Administrative expense	(417)	(402)
Other	1,291	(1,291)
Net change in plan fiduciary net position	\$ 27,938	\$ 6,161
Plan fiduciary net position - beginning	220,636	248,574
Plan fiduciary net position - ending (b)	<u>\$ 248,574</u>	<u>\$ 254,735</u>
 School Division's net HIC OPEB liability(asset) - ending (a) - (b)	\$ (13,351)	\$ (30,021)
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	105.68%	113.36%
 Covered payroll	\$ 4,420,059	\$ 4,507,773
 School Division's net HIC OPEB liability as a percentage of covered payroll	-0.30%	-0.67%

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

Schedule of Employer Contributions
 Component Unit School Board (nonprofessional)
 Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2019	\$ 7,029	\$ 7,029	\$ -	\$ 4,686,098		0.15%
2018	7,663	7,663	-	4,507,773		0.17%
2017	7,514	7,514	-	4,420,059		0.17%

Schedule is intended to show information for 10 years. Information prior to the 2017 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Component Unit School Board (nonprofessional)
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Culpeper County School Board's Share of Net OPEB Liability
 Teacher Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.5492% \$	6,973,000 \$	44,407,179	15.70%	8.08%
2017	0.5504%	6,982,000	43,357,063	16.10%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2017 through June 30, 2019

		Contributions in Relation to				Contributions as a % of
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Covered Payroll	
Date	(1)	(2)	(3)	(4)	(5)	
2019	\$ 550,712	\$ 550,712	\$ -	\$ 45,892,653	1.20%	
2018	546,208	546,208	-	44,407,179	1.23%	
2017	481,263	481,263	-	43,357,063	1.11%	

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Teacher Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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

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

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

Schedule of County and School Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2018	0.09710% \$	1,474,000 \$	18,628,639	7.91%	51.22%
2017	0.09680%	1,456,000	17,962,959	8.11%	48.86%
Component Unit School Board (nonprofessional)					
2018	0.02372% \$	361,000 \$	4,507,773	8.01%	51.22%
2017	0.02394%	360,000	4,420,059	8.14%	48.86%
Component Unit School Board (professional)					
2018	0.23366% \$	3,549,000 \$	44,407,179	7.99%	51.22%
2017	0.23558%	3,545,000	43,357,063	8.18%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 100,990	\$ 100,990	\$ -	\$ 19,421,523	0.52%
2018	96,765	96,765	-	18,628,639	0.52%
2017	93,640	93,640	-	17,962,959	0.52%
Component Unit School Board (nonprofessional)					
2019	\$ 24,377	\$ 24,377	\$ -	\$ 4,687,897	0.52%
2018	23,621	23,621	-	4,507,773	0.52%
2017	23,161	23,161	-	4,420,059	0.52%
Component Unit School Board (professional)					
2019	\$ 238,829	\$ 238,829	\$ -	\$ 45,928,734	0.52%
2018	232,694	232,694	-	44,407,179	0.52%
2017	204,645	204,645	-	43,357,063	0.47%

Schedule is intended to show information for 10 years. Information prior to the 2017 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Financial Statements and Schedules

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Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Capital Projects Fund
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Intergovernmental:				
Commonwealth	-	-	146,498	146,498
Total revenues	\$ -	\$ -	\$ 162,588	\$ 162,588
Expenditures:				
Current:				
General government administration	\$ -	\$ 752,732	\$ 107,977	\$ 644,755
Public safety	2,403,148	6,160,598	4,114,753	2,045,845
Public works	1,545,000	3,080,116	1,778,763	1,301,353
Parks, recreation, and cultural	210,000	484,306	195,978	288,328
Total expenditures	\$ 4,158,148	\$ 10,477,752	\$ 6,197,471	\$ 4,280,281
Excess (deficiency) of revenues over (under) expenditures	\$ (4,158,148)	\$ (10,477,752)	\$ (6,034,883)	\$ 4,442,869
Other financing sources (uses):				
Transfers out	\$ -	\$ -	\$ (26,000)	\$ (26,000)
Transfers in	\$ 4,158,148	\$ 4,158,148	\$ 4,158,148	\$ -
Total other financing sources (uses)	\$ 4,158,148	\$ 4,158,148	\$ 4,132,148	\$ (26,000)
Changes in fund balances	\$ -	\$ (6,319,604)	\$ (1,902,735)	\$ 4,416,869
Fund balances at beginning of year	-	6,319,604	5,266,929	(1,052,675)
Fund balances at end of year	\$ -	\$ -	\$ 3,364,194	\$ 3,364,194

Combining Statement of Net Position
Internal Service Funds
At June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ 120,681	\$ 120,681
Total Assets	\$ -	\$ 120,681	\$ 120,681
LIABILITIES			
Current Liabilities			
Reconciled overdraft	\$ 1,838,783	\$ -	\$ 1,838,783
NET POSITION			
Unrestricted (deficit)	\$ (1,838,783)	\$ 120,681	\$ (1,718,102)
Total Net Position	\$ (1,838,783)	\$ 120,681	\$ (1,718,102)
Total Liabilities and Net Position	\$ -	\$ 120,681	\$ 120,681

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

Combining Statement of Revenues, Expenses and Changes in Net Position --
Internal Service Funds
Year Ended June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Totals
Operating revenues:			
Charges for services	\$ 3,212,004	\$ 176,376	\$ 3,388,380
Total operating revenues	\$ 3,212,004	\$ 176,376	\$ 3,388,380
Operating expenses:			
Fringe benefits	\$ 4,724,480	\$ 156,178	\$ 4,880,658
Total operating expenses	\$ 4,724,480	\$ 156,178	\$ 4,880,658
Change in net position	\$ (1,512,476)	\$ 20,198	\$ (1,492,278)
Net position at beginning of year	(326,307)	100,483	(225,824)
Net position at end of year	\$ (1,838,783)	\$ 120,681	\$ (1,718,102)

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

Combining Statement of Cash Flows --
Internal Service Funds
Year Ended June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Totals
Cash flows from operating activities:			
Receipts from insured	\$ 3,212,004	\$ 176,376	\$ 3,388,380
Payments to suppliers	<u>(3,212,004)</u>	<u>(156,178)</u>	<u>(3,368,182)</u>
Net cash provided by (used for) operating activities	\$ -	\$ 20,198	\$ 20,198
Increase (decrease) in cash and cash equivalents	\$ -	\$ 20,198	\$ 20,198
Cash and cash equivalents at beginning of year	-	100,483	100,483
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 120,681</u>	<u>\$ 120,681</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,512,476)	\$ 20,198	\$ (1,492,278)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Changes in operating assets and liabilities:			
(Increase) decrease in reconciled overdraft	\$ 1,512,476	\$ -	\$ 1,512,476
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 20,198</u>	<u>\$ 20,198</u>

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

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2019

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Thrift Store	Totals
Assets:					
Cash and cash equivalents	\$ 100,430	\$ 20,553	\$ 3,172	\$ 245,593	\$ 369,748
Total assets	<u>\$ 100,430</u>	<u>\$ 20,553</u>	<u>\$ 3,172</u>	<u>\$ 245,593</u>	<u>\$ 369,748</u>
Liabilities:					
Amounts held for others	\$ -	\$ -	\$ 3,172	\$ 245,593	\$ 248,765
Amounts held for inmates	-	20,553	-	-	20,553
Amounts held for social services clients	<u>100,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,430</u>
Total liabilities	<u>\$ 100,430</u>	<u>\$ 20,553</u>	<u>\$ 3,172</u>	<u>\$ 245,593</u>	<u>\$ 369,748</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 102,444	\$ 206,968	\$ 208,982	\$ 100,430
Liabilities:				
Amounts held for social services clients	\$ 102,444	\$ 206,968	\$ 208,982	\$ 100,430
Sheriff Commissary Fund:				
Assets:				
Cash and cash equivalents	\$ 33,159	\$ 331,333	\$ 343,939	\$ 20,553
Liabilities:				
Amounts held for inmates	\$ 33,159	\$ 331,333	\$ 343,939	\$ 20,553
Piedmont Tech Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 393,975	\$ 390,803	\$ 3,172
Accounts receivable	6,122	-	6,122	-
Total assets	\$ 6,122	\$ 393,975	\$ 396,925	\$ 3,172
Liabilities:				
Amounts held for others	\$ 6,122	\$ 393,975	\$ 396,925	\$ 3,172
Thrift Store:				
Assets:				
Cash and cash equivalents	\$ 266,802	\$ 424,299	\$ 445,508	\$ 245,593
Liabilities:				
Amounts held for others	\$ 266,802	\$ 424,299	\$ 445,508	\$ 245,593
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 402,405	\$ 1,356,575	\$ 1,389,232	\$ 369,748
Accounts receivable	6,122	-	6,122	-
Total assets	\$ 408,527	\$ 1,356,575	\$ 1,395,354	\$ 369,748
Liabilities:				
Amounts held for social services clients	\$ 102,444	\$ 206,968	\$ 208,982	\$ 100,430
Amounts held for inmates	33,159	331,333	343,939	20,553
Amounts held for others	272,924	818,274	842,433	248,765
Total liabilities	\$ 408,527	\$ 1,356,575	\$ 1,395,354	\$ 369,748

Discretely Presented Component Unit-School Board

Combining Balance Sheet
 Governmental Funds - Discretely Presented Component Unit -- School Board
 At June 30, 2019

	Governmental Funds				Totals
	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Capital Projects Fund	
Assets:					
Cash and cash equivalents	\$ 498,797	\$ 2,638,776	\$ 500,109	\$ 74,569	\$ 3,712,251
Receivables (net of allowances for uncollectibles):					
Accounts receivable	-	-	500,000	233,545	733,545
Due from other governmental units	1,947,351	-	-	-	1,947,351
Prepaid expenditures	91,071	-	-	407,338	498,409
Due from primary government	2,300,636	-	-	-	2,300,636
Total assets	<u>\$ 4,837,855</u>	<u>\$ 2,638,776</u>	<u>\$ 1,000,109</u>	<u>\$ 715,452</u>	<u>\$ 9,192,192</u>
Liabilities:					
Accounts payable	\$ 489,530	\$ -	\$ -	\$ 84,717	\$ 574,247
Reconciled overdraft	-	-	-	79,067	79,067
Accrued liabilities	4,348,325	105,931	-	-	4,454,256
Total liabilities	<u>\$ 4,837,855</u>	<u>\$ 105,931</u>	<u>\$ -</u>	<u>\$ 163,784</u>	<u>\$ 5,107,570</u>
Fund Balances:					
Nonspendable	\$ 91,071	\$ -	\$ -	\$ -	\$ 91,071
Committed	-	-	-	551,668	551,668
Assigned	-	2,532,845	1,000,109	-	3,532,954
Unassigned	(91,071)	-	-	-	(91,071)
Total fund balances	<u>\$ -</u>	<u>\$ 2,532,845</u>	<u>\$ 1,000,109</u>	<u>\$ 551,668</u>	<u>\$ 4,084,622</u>
Total liabilities and fund balances	<u>\$ 4,837,855</u>	<u>\$ 2,638,776</u>	<u>\$ 1,000,109</u>	<u>\$ 715,452</u>	

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

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

\$ 58,292,779

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

5,186,617

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

2,340,587

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

30,021

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

(9,363,330)

Deferred outflows related to OPEB

1,435,175

Deferred outflows related to pensions

8,448,695

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

(78,467,177)

Net position of Government Activities

\$ (8,012,011)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --
 Governmental Funds - Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2019

	Governmental Fund Types				Totals
	School Operating Fund	School Cafeteria Fund	School Textbook Fund	School Capital Projects Fund	
Revenues:					
Revenue from use of money and property	\$ 155,559	\$ 24,611	\$ -	\$ 1,342	\$ 181,512
Charges for services	203,437	1,347,183	-	-	1,550,620
Miscellaneous	1,755,439	55,411	500,000	233,545	2,544,395
Intergovernmental:					
County contribution to School Board	30,980,741	-	-	988,400	31,969,141
Commonwealth	48,935,455	49,802	-	66,778	49,052,035
Federal	4,112,913	2,535,686	-	-	6,648,599
Total revenues	<u>\$ 86,143,544</u>	<u>\$ 4,012,693</u>	<u>\$ 500,000</u>	<u>\$ 1,290,065</u>	<u>\$ 91,946,302</u>
Expenditures:					
Current:					
Education	\$ 86,143,544	\$ 3,967,170	\$ 139,000	\$ -	\$ 90,249,714
Capital projects	-	-	-	1,991,913	1,991,913
Total expenditures	<u>\$ 86,143,544</u>	<u>\$ 3,967,170</u>	<u>\$ 139,000</u>	<u>\$ 1,991,913</u>	<u>\$ 92,241,627</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 45,523	\$ 361,000	\$ (701,848)	\$ (295,325)
Changes in fund balances	\$ -	\$ 45,523	\$ 361,000	\$ (701,848)	\$ (295,325)
Fund balances at beginning of year	-	2,487,322	639,109	1,253,516	4,379,947
Fund balances at end of year	<u>\$ -</u>	<u>\$ 2,532,845</u>	<u>\$ 1,000,109</u>	<u>\$ 551,668</u>	<u>\$ 4,084,622</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds - Budget and Actual -- Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2019

	School Operating Fund				School Cafeteria Fund			
				Variance From Final Budget Positive (Negative)				Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual		Budget	Final Budget	Actual	
Revenues:								
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 155,559	\$ 100,559	\$ 1,500	\$ 1,500	\$ 24,611	\$ 23,111
Charges for services	662,326	662,326	203,437	(458,889)	1,516,045	1,516,045	1,347,183	(168,862)
Miscellaneous	1,109,186	1,109,186	1,755,439	646,253	51,819	51,819	55,411	3,592
Intergovernmental:								
County contribution to School Board	32,643,486	32,643,486	30,980,741	(1,662,745)	-	-	-	-
Commonwealth	48,609,072	48,609,072	48,935,455	326,383	50,774	50,774	49,802	(972)
Federal	4,064,333	4,064,333	4,112,913	48,580	2,211,777	2,211,777	2,535,686	323,909
Total revenues	\$ 87,143,403	\$ 87,143,403	\$ 86,143,544	\$ (999,859)	\$ 3,831,915	\$ 3,831,915	\$ 4,012,693	\$ 180,778
Expenditures:								
Current:								
Education:								
Instruction	\$ 67,544,603	\$ 67,514,403	\$ 66,789,192	\$ 725,211	\$ -	\$ -	\$ -	\$ -
Administration, attendance and health	3,789,445	3,819,645	3,606,233	213,412	-	-	-	-
Pupil transportation	4,413,986	4,413,986	4,633,461	(219,475)	-	-	-	-
Operation and maintenance of school plant	8,385,792	8,385,792	8,340,078	45,714	-	-	-	-
Facilities	55,082	55,082	28,726	26,356	-	-	-	-
Technology instruction	2,954,495	2,954,495	2,745,854	208,641	-	-	-	-
School food service	-	-	-	-	3,831,915	3,831,915	3,967,170	(135,255)
Total education	\$ 87,143,403	\$ 87,143,403	\$ 86,143,544	\$ 999,859	\$ 3,831,915	\$ 3,831,915	\$ 3,967,170	\$ (135,255)
Capital Projects	-	-	-	-	-	-	-	-
Total expenditures	\$ 87,143,403	\$ 87,143,403	\$ 86,143,544	\$ 999,859	\$ 3,831,915	\$ 3,831,915	\$ 3,967,170	\$ (135,255)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,523	\$ 45,523
Other financing sources:								
Transfer in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,523	\$ 45,523
Fund balances at beginning of year	-	-	-	-	-	-	2,487,322	2,487,322
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,532,845	\$ 2,532,845

School Textbook Fund				School Capital Projects Fund			
Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,342	\$ 1,342
-	-	-	-	-	-	-	-
-	139,109	500,000	360,891	-	120,000	233,545	113,545
-	-	-	-	988,400	988,400	988,400	-
-	-	-	-	-	450	66,778	66,328
-	-	-	-	-	-	-	-
\$ -	\$ 139,109	\$ 500,000	\$ 360,891	\$ 988,400	\$ 1,108,850	\$ 1,290,065	\$ 181,215
\$ -	\$ 139,109	\$ 139,000	\$ 109	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 139,109	\$ 139,000	\$ 109	\$ -	\$ -	\$ -	\$ -
-	-	-	-	16,935,500	18,898,761	1,991,913	16,906,848
\$ -	\$ 139,109	\$ 139,000	\$ 109	\$ 16,935,500	\$ 18,898,761	\$ 1,991,913	\$ 16,906,848
\$ -	\$ -	\$ 361,000	\$ 361,000	\$ (15,947,100)	\$ (17,789,911)	\$ (701,848)	\$ 17,088,063
\$ -	\$ -	\$ -	\$ -	\$ 15,947,100	\$ 15,947,100	\$ -	\$ (15,947,100)
\$ -	\$ -	\$ -	\$ -	\$ 15,947,100	\$ 15,947,100	\$ -	\$ (15,947,100)
\$ -	\$ -	\$ 361,000	\$ 361,000	\$ -	\$ (1,842,811)	\$ (701,848)	\$ 1,140,963
-	-	639,109	639,109	-	1,842,811	1,253,516	(589,295)
\$ -	\$ -	\$ 1,000,109	\$ 1,000,109	\$ -	\$ -	\$ 551,668	\$ 551,668

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$ (295,325)
---	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation expense in the current period:

Capital asset additions	\$ 2,529,462	
Depreciation expense	<u>(2,344,542)</u>	184,920

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(1,152)
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Internal service funds are used by the School Board to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities.	1,353,818
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Increase (decrease) in deferred inflows related to the measurement of the net pension liabilities/assets.	747,528
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Increase (decrease) in deferred inflows related to the measurement of the net OPEB liabilities/assets.	18,015
--	--------

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

Compensated absences	\$ (326,343)	
Decrease (increase) in net pension liability/asset	3,674,820	
Decrease (increase) in net OPEB liability/asset	(426,900)	
Decrease (increase) in deferred outflows related to pensions	(1,014,008)	
Decrease (increase) in deferred outflows related to OPEB	<u>210,908</u>	2,118,477

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	<u>3,375,612</u>
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Change in net position of governmental activities	<u>\$ 7,501,893</u>
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Statement of Net Position

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

At June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,021,026	\$ 165,591	\$ 5,186,617
Total Assets	\$ 5,021,026	\$ 165,591	\$ 5,186,617
NET POSITION			
Unrestricted	\$ 5,021,026	\$ 165,591	\$ 5,186,617
Total Net Position	\$ 5,021,026	\$ 165,591	\$ 5,186,617
Total Liabilities and Net Position	\$ 5,021,026	\$ 165,591	\$ 5,186,617

Statement of Revenues, Expenses and Changes in Net Position --
Internal Service Funds -- Discretely Presented Component Unit -- School Board
Year Ended June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Total Fund
Operating revenues:			
Charges for services	\$ 8,400,703	\$ 495,887	\$ 8,896,590
Operating expenses:			
Fringe benefits	\$ 7,085,070	\$ 457,702	\$ 7,542,772
Change in net position	\$ 1,315,633	\$ 38,185	\$ 1,353,818
Net position at beginning of year	3,705,393	127,406	3,832,799
Net position at end of year	\$ 5,021,026	\$ 165,591	\$ 5,186,617

Statement of Cash Flows

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

Year Ended June 30, 2019

	Health Insurance Fund	Dental Insurance Fund	Total
Cash flows from operating activities:			
Receipts from insured	\$ 8,400,703	\$ 495,887	\$ 8,896,590
Payments to suppliers	<u>(7,085,070)</u>	<u>(457,702)</u>	<u>(7,542,772)</u>
Net cash provided by (used for) operating activities	\$ 1,315,633	\$ 38,185	\$ 1,353,818
Increase (decrease) in cash and cash equivalents	\$ 1,315,633	\$ 38,185	\$ 1,353,818
Cash and cash equivalents at beginning of year	<u>3,705,393</u>	<u>127,406</u>	<u>3,832,799</u>
Cash and cash equivalents at end of year	<u>\$ 5,021,026</u>	<u>\$ 165,591</u>	<u>\$ 5,186,617</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 1,315,633	\$ 38,185	\$ 1,353,818
Net cash provided by (used for) operating activities	<u>\$ 1,315,633</u>	<u>\$ 38,185</u>	<u>\$ 1,353,818</u>

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Discretely Presented Component Unit-EDA

Discretely Presented Component Unit - Culpeper County EDA
Statement of Net Position
At June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 347,012
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Total assets	\$ 347,012
--------------	------------

Net Position

Unrestricted	\$ 347,012
--------------	------------

Total net position	\$ 347,012
--------------------	------------

Discretely Presented Component Unit - Culpeper County EDA
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

Operating Expenses

Economic development grants	\$	<u>1,513,523</u>
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Operating income (loss)	\$	<u>(1,513,523)</u>
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Nonoperating revenues

Contribution from Culpeper County	\$	1,520,841
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Interest revenue		<u>1,355</u>
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Total nonoperating revenues	\$	<u>1,522,196</u>
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Change in net position	\$	8,673
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Net position, beginning of year		<u>338,339</u>
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Net position, end of year	\$	<u><u>347,012</u></u>
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Discretely Presented Component Unit - Culpeper County EDA
Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities

Payments to suppliers	\$ <u>(1,513,523)</u>
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Net cash provided by (used for) by operating activities	\$ <u>(1,513,523)</u>
---	-----------------------

Cash flows from noncapital financing activities

Contribution from Culpeper County	\$ <u>1,520,841</u>
-----------------------------------	---------------------

Cash flows from investing activities

Interest revenue	\$ <u>1,355</u>
------------------	-----------------

Net increase (decrease) in cash and cash equivalents	\$ 8,673
--	----------

Cash and cash equivalents, beginning of year	<u>338,339</u>
--	----------------

Cash and cash equivalents, end of year	\$ <u><u>347,012</u></u>
--	--------------------------

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

Operating income (loss)	\$ (1,513,523)
-------------------------	----------------

Change in assets and liabilities:	
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Net cash provided by (used for) by operating activities	\$ <u><u>(1,513,523)</u></u>
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Supporting Schedule

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 33,734,885	\$ 33,734,885	\$ 33,890,770	\$ 155,885
Real and personal public service corporation property taxes	1,732,221	1,732,221	1,716,946	(15,275)
Personal property taxes	24,595,831	24,595,831	25,213,412	617,581
Mobile home taxes	17,471	17,471	17,474	3
Machinery and tools taxes	1,652,042	1,652,042	1,849,820	197,778
Recreational property taxes	198,478	198,478	243,729	45,251
Penalties	375,000	375,000	574,351	199,351
Interest	300,000	300,000	473,404	173,404
Total general property taxes	\$ 62,605,928	\$ 62,605,928	\$ 63,979,906	\$ 1,373,978
Other local taxes:				
Local sales and use taxes	\$ 6,500,000	\$ 6,500,000	\$ 6,535,334	\$ 35,334
Transient occupancy tax	19,021	19,021	18,755	(266)
Consumer utility taxes	866,200	866,200	853,940	(12,260)
Motor vehicle licenses tax	720,000	720,000	813,619	93,619
Taxes on recordation and wills	841,500	841,500	849,730	8,230
Total other local taxes	\$ 8,946,721	\$ 8,946,721	\$ 9,071,378	\$ 124,657
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 17,500	\$ 17,500	\$ 26,465	\$ 8,965
Building and related permits	588,600	601,475	800,748	199,273
Other permits and licenses	133,400	133,400	265,636	132,236
Total permits, privilege fees and regulatory licenses	\$ 739,500	\$ 752,375	\$ 1,092,849	\$ 340,474
Fines and Forfeitures:				
Court fines and forfeitures	\$ 35,500	\$ 35,500	\$ 65,124	\$ 29,624
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 563,353	\$ 513,353
Revenue from use of property	508,136	508,136	552,991	44,855
Total revenue from use of money and property	\$ 558,136	\$ 558,136	\$ 1,116,344	\$ 558,208

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 46,000	\$ 46,000	\$ 29,517	\$ (16,483)
Charges for Commonwealth's attorney	5,000	5,000	5,063	63
Charges for parks and recreation	116,275	139,440	102,229	(37,211)
Charges for law enforcement and traffic control	31,000	31,000	33,676	2,676
Charges for courthouse maintenance fees	50,000	50,000	51,226	1,226
Charges for courthouse and courtroom security fees	78,250	78,250	79,037	787
Charges for other court costs	13,600	13,600	12,699	(901)
Charges for other protection	67,700	105,405	65,462	(39,943)
Charges for library	35,000	91,872	86,258	(5,614)
Charges for fire and rescue services	700,000	700,000	789,775	89,775
Charges for planning and community development	8,354	8,354	4,924	(3,430)
Full circle thrift fees	266,841	266,841	276,802	9,961
Charges for law library	12,000	12,000	12,361	361
Cosmetology fees	466,262	466,262	565,104	98,842
Charges for daycare	2,081,954	2,081,954	1,959,537	(122,417)
Total charges for services	\$ 3,978,236	\$ 4,095,978	\$ 4,073,670	\$ (22,308)
Miscellaneous:				
Miscellaneous	\$ 158,000	\$ 195,923	\$ 512,657	\$ 316,734
Total miscellaneous	\$ 158,000	\$ 195,923	\$ 512,657	\$ 316,734
Recovered costs:				
New Pathways	\$ -	\$ -	\$ 100,958	\$ 100,958
Town of Culpeper E-911	420,338	420,338	380,239	(40,099)
Total recovered costs	\$ 420,338	\$ 420,338	\$ 481,197	\$ 60,859
Total revenue from local sources	\$ 77,442,359	\$ 77,610,899	\$ 80,393,125	\$ 2,782,226
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 41,000	\$ 41,000	\$ 40,960	\$ (40)
Recordation tax	200,000	200,000	211,705	11,705
Mobile home titling taxes	4,000	4,000	9,904	5,904
Communications tax	1,907,000	1,907,000	1,725,799	(181,201)
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	85,000	85,000	105,865	20,865
Total noncategorical aid	\$ 5,604,808	\$ 5,604,808	\$ 5,462,041	\$ (142,767)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 432,916	\$ 432,916	\$ 417,919	\$ (14,997)
Sheriff	2,931,385	2,931,385	2,829,630	(101,755)
Commissioner of the Revenue	132,039	132,039	130,027	(2,012)
Treasurer	133,675	133,675	130,753	(2,922)
Registrar/electoral board	47,915	47,915	46,452	(1,463)
Clerk of the Circuit Court	317,136	348,759	324,788	(23,971)
Combined Court	11,700	11,700	12,162	462
Total shared expenses	\$ 4,006,766	\$ 4,038,389	\$ 3,891,731	\$ (146,658)
Other categorical aid:				
Welfare administration and assistance	\$ 2,743,671	\$ 2,743,671	\$ 1,634,927	\$ (1,108,744)
Local jail	144,000	144,000	149,722	5,722
Fire service program	101,000	101,000	104,912	3,912
Families first grant	182,379	182,379	154,680	(27,699)
Library aid	152,500	154,277	154,277	-
E-911 wireless	166,885	166,885	170,776	3,891
Four for life funds	52,000	52,000	54,612	2,612
Community youth services grant	2,628,111	2,628,111	1,987,267	(640,844)
Juvenile and domestic relations	51,802	51,802	28,342	(23,460)
Criminal justice services	251,972	251,972	252,311	339
Crime victim assistance	22,644	22,644	22,923	279
Other categorical aid	31,860	55,731	62,562	6,831
Total other categorical aid	\$ 6,528,824	\$ 6,554,472	\$ 4,777,311	\$ (1,777,161)
Total categorical aid	\$ 10,535,590	\$ 10,592,861	\$ 8,669,042	\$ (1,923,819)
Total revenue from the Commonwealth	\$ 16,140,398	\$ 16,197,669	\$ 14,131,083	\$ (2,066,586)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 3,271,119	\$ 3,271,119	\$ 3,054,853	\$ (216,266)
Department of justice grants	-	32,299	13,647	(18,652)
Emergency services	-	-	10,751	10,751
VSTOP grant	36,638	36,638	36,638	-
Victim witness grant	67,934	67,934	68,769	835
USDA grant funds	250,000	397,539	365,680	(31,859)
Headstart	1,070,491	1,070,491	1,108,694	38,203
Early Headstart	816,215	816,215	1,014,045	197,830
Federal interest subsidy	-	-	41,973	41,973
DMV selective enforcement grant	-	21,806	13,413	(8,393)
Total revenue from the federal government	\$ 5,512,397	\$ 5,714,041	\$ 5,728,463	\$ 14,422
Total General Fund	\$ 99,095,154	\$ 99,522,609	\$ 100,252,671	\$ 730,062
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 16,090	\$ 16,090
Total revenue from local sources	\$ -	\$ -	\$ 16,090	\$ 16,090
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ -	\$ -	\$ 146,498	\$ 146,498
Total Capital Projects Fund	\$ -	\$ -	\$ 162,588	\$ 162,588
Total Revenues -- Primary Government	\$ 99,095,154	\$ 99,522,609	\$ 100,415,259	\$ 892,650

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 55,000	\$ 55,000	\$ 155,559	\$ 100,559
Total revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 155,559	\$ 100,559
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ 550	\$ (5,450)
Transportation and field trips	45,000	45,000	182,366	137,366
Tuition and fees	611,326	611,326	20,521	(590,805)
Total charges for services	\$ 662,326	\$ 662,326	\$ 203,437	\$ (458,889)
Miscellaneous:				
Miscellaneous	\$ 1,109,186	\$ 1,109,186	\$ 1,755,439	\$ 646,253
Total miscellaneous	\$ 1,109,186	\$ 1,109,186	\$ 1,755,439	\$ 646,253
Total revenue from local sources	\$ 1,826,512	\$ 1,826,512	\$ 2,114,435	\$ 287,923
Intergovernmental:				
County contribution to School Board	\$ 32,643,486	\$ 32,643,486	\$ 30,980,741	\$ (1,662,745)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 9,384,275	\$ 9,384,275	\$ 9,511,476	\$ 127,201
Basic school aid	24,338,673	24,338,673	24,054,921	(283,752)
Special education-SOQ	2,282,555	2,282,555	2,266,019	(16,536)
Primary class size	1,010,673	1,010,673	1,001,537	(9,136)
Lottery	1,405,324	1,405,324	1,879,660	474,336
Gifted and talented	265,172	265,172	263,250	(1,922)
Remedial education	837,110	837,110	831,046	(6,064)
Preschool initiative	476,321	476,321	491,952	15,631
Vocational education-SOQ	504,346	504,346	500,692	(3,654)
Educational technology	310,000	310,000	536,046	226,046
At - risk	676,293	676,293	741,635	65,342
Textbook	523,532	523,532	519,739	(3,793)
Fringe benefits	4,715,895	4,715,895	4,681,729	(34,166)
ESL	508,991	508,991	533,755	24,764
Special education-Tuition	837,695	837,695	660,538	(177,157)
Early reading intervention	143,060	143,060	180,476	37,416
Other categorical aid	389,157	389,157	280,984	(108,173)
Total categorical aid	\$ 48,609,072	\$ 48,609,072	\$ 48,935,455	\$ 326,383
Total revenue from the Commonwealth	\$ 48,609,072	\$ 48,609,072	\$ 48,935,455	\$ 326,383

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,754,082	\$ 1,754,082	\$ 1,409,623	\$ (344,459)
Title II -- Part A	264,677	264,677	216,950	(47,727)
Title VI - B	1,748,114	1,748,114	2,035,451	287,337
Preschool incentive	40,742	40,742	40,180	(562)
Title III	77,577	77,577	65,741	(11,836)
Vocational education	114,167	114,167	188,424	74,257
Miscellaneous federal grants	64,974	64,974	156,544	91,570
Total revenue from the federal government	\$ 4,064,333	\$ 4,064,333	\$ 4,112,913	\$ 48,580
Total School Operating Fund	\$ 87,143,403	\$ 87,143,403	\$ 86,143,544	\$ (999,859)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 24,611	\$ 23,111
Charges for services:				
Cafeteria sales	1,516,045	1,516,045	1,347,183	(168,862)
Miscellaneous:				
Miscellaneous	51,819	51,819	55,411	3,592
Total revenue from local sources	\$ 1,569,364	\$ 1,569,364	\$ 1,427,205	\$ (142,159)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 50,774	\$ 50,774	\$ 49,802	\$ (972)
Total revenue from the Commonwealth	\$ 50,774	\$ 50,774	\$ 49,802	\$ (972)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 2,211,777	\$ 2,211,777	\$ 2,535,686	\$ 323,909
Total revenue from the federal government	\$ 2,211,777	\$ 2,211,777	\$ 2,535,686	\$ 323,909
Total School Cafeteria Fund	\$ 3,831,915	\$ 3,831,915	\$ 4,012,693	\$ 180,778

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Textbook Fund:				
Miscellaneous:				
Miscellaneous	\$ -	\$ 139,109	\$ 500,000	\$ 360,891
Total School Textbook Fund	\$ -	\$ 139,109	\$ 500,000	\$ 360,891
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,342	\$ 1,342
Miscellaneous:				
Miscellaneous	\$ -	\$ 120,000	\$ 233,545	\$ 113,545
Intergovernmental:				
County contribution to School Board	\$ 988,400	\$ 988,400	\$ 988,400	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School security grant	\$ -	\$ 450	\$ 66,778	\$ 66,328
Total revenue from the Commonwealth	\$ -	\$ 450	\$ 66,778	\$ 66,328
Total School Capital Projects Fund	\$ 988,400	\$ 1,108,850	\$ 1,290,065	\$ 181,215
Total Revenues--Component Unit--School Board	\$ 91,963,718	\$ 92,223,277	\$ 91,946,302	\$ (276,975)

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

Sources:

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

COUNTY OF CULPEPER, VIRGINIA

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

	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 21,744,425	\$ 21,370,300	\$ 17,778,776	\$ 16,842,091
Unrestricted	25,869,837	27,474,989	27,471,050	14,216,874
Total governmental activities net position	<u>\$ 47,614,262</u>	<u>\$ 48,845,289</u>	<u>\$ 45,249,826</u>	<u>\$ 31,058,965</u>
Business-type activities:				
Net investment in capital assets	\$ 38,791,879	\$ 41,694,088	\$ 40,660,307	\$ 39,449,925
Unrestricted	2,974,397	3,178,202	2,598,615	2,183,371
Total primary government expenses	<u>\$ 41,766,276</u>	<u>\$ 44,872,290</u>	<u>\$ 43,258,922</u>	<u>\$ 41,633,296</u>
Primary government				
Net investment in capital assets	\$ 60,536,304	\$ 63,064,388	\$ 58,439,083	\$ 56,292,016
Restricted	-	-	-	-
Unrestricted	28,844,234	30,653,191	30,069,665	16,400,245
Total primary government	<u>\$ 89,380,538</u>	<u>\$ 93,717,579</u>	<u>\$ 88,508,748</u>	<u>\$ 72,692,261</u>

Table 1

2014	2015	2016	2017	2018	2019
\$ 17,096,240	\$ 17,459,113	\$ 21,001,499	\$ 20,476,394	\$ 22,417,921	\$ 25,730,555
28,013,102	28,338,644	29,135,567	31,150,231	31,272,022	31,945,875
<u>\$ 45,109,342</u>	<u>\$ 45,797,757</u>	<u>\$ 50,137,066</u>	<u>\$ 51,626,625</u>	<u>\$ 53,689,943</u>	<u>\$ 57,676,430</u>
\$ 38,628,122	\$ 38,385,061	\$ 38,066,796	\$ 36,577,263	\$ 35,819,052	\$ 34,797,441
2,177,151	1,451,761	744,747	987,074	462,725	502,152
<u>\$ 40,805,273</u>	<u>\$ 39,836,822</u>	<u>\$ 38,811,543</u>	<u>\$ 37,564,337</u>	<u>\$ 36,281,777</u>	<u>\$ 35,299,593</u>
\$ 55,724,362	\$ 55,844,174	\$ 59,068,295	\$ 57,053,657	\$ 58,236,973	\$ 60,527,996
-	-	-	-	-	-
30,190,253	29,790,405	29,880,314	32,137,305	31,734,747	32,448,027
<u>\$ 85,914,615</u>	<u>\$ 85,634,579</u>	<u>\$ 88,948,609</u>	<u>\$ 89,190,962</u>	<u>\$ 89,971,720</u>	<u>\$ 92,976,023</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government										
administration	\$ 3,775,509	\$ 3,633,816	\$ 3,800,416	\$ 3,931,161	\$ 4,089,623	\$ 4,254,839	\$ 4,547,939	\$ 4,046,456	\$ 5,452,121	\$ 6,336,513
Judicial administration	2,447,227	2,473,186	2,624,197	2,780,091	2,830,835	3,159,004	3,344,654	3,457,114	3,778,989	4,093,726
Public safety	13,702,268	13,562,228	14,386,558	15,463,283	15,743,399	16,857,312	17,603,365	17,316,692	18,516,259	18,270,446
Public works	1,568,686	2,583,345	1,618,568	1,543,378	2,574,243	2,627,335	5,880,173	2,819,964	1,669,650	3,429,626
Health & welfare	15,032,809	12,738,839	14,647,425	14,203,433	14,809,148	15,551,493	16,346,871	17,400,767	17,311,790	16,522,900
Education	31,510,041	34,331,434	34,440,476	49,430,292	31,691,953	33,516,082	33,452,127	40,747,103	39,310,935	37,801,053
Parks, recreation, & cultural	1,919,952	1,600,257	1,567,789	1,664,904	1,788,029	1,890,478	1,974,084	2,112,076	2,234,409	2,466,357
Community development	1,452,963	1,610,886	1,460,773	1,659,241	1,697,660	1,759,110	1,994,738	1,640,577	1,708,184	2,823,207
Interest & other fiscal charges	4,389,711	4,099,392	4,092,858	4,401,646	4,080,005	4,073,880	3,078,129	2,833,683	2,608,220	2,439,642
Total governmental activities expenses	\$ 75,799,166	\$ 76,633,383	\$ 78,639,060	\$ 95,077,429	\$ 79,304,895	\$ 83,689,533	\$ 88,222,080	\$ 92,374,432	\$ 92,590,557	\$ 94,183,470
Business-type activities:										
Landfill	\$ 2,222,198	\$ 2,138,539	\$ 1,886,407	\$ 1,733,255	\$ 1,805,472	\$ 2,200,272	\$ 2,405,621	\$ 2,844,365	\$ 2,997,172	\$ 2,978,183
Water & sewer	756,992	1,221,589	1,221,665	1,262,463	1,425,469	1,224,855	3,616,354	1,354,845	1,187,162	1,426,735
Airport	1,582,110	1,475,240	1,723,893	1,769,009	1,637,828	1,708,933	1,626,017	1,765,017	1,832,838	1,747,414
Water & sewer authority	16,591	314,927	1,009,152	953,781	954,642	953,879	901,092	834,070	874,662	1,041,137
Total business-type activities expenses	\$ 4,577,891	\$ 5,150,295	\$ 5,841,117	\$ 5,718,508	\$ 5,823,411	\$ 6,087,939	\$ 8,549,084	\$ 6,798,297	\$ 6,891,834	\$ 7,193,469
Total primary government expenses	\$ 80,377,057	\$ 81,783,678	\$ 84,480,177	\$ 100,795,937	\$ 85,128,306	\$ 89,777,472	\$ 96,771,164	\$ 99,172,729	\$ 99,482,391	\$ 101,376,939
Program revenues:										
Governmental activities:										
Charges for services:										
General government										
administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	230,856	249,528	199,559	328,873	213,434	209,594	220,689	245,394	230,716	255,027
Public safety	1,093,514	1,101,495	1,081,223	1,506,250	1,527,478	1,585,417	1,475,965	1,760,350	1,910,465	1,981,762
Public works	-	-	-	-	-	-	-	-	-	-
Health & welfare	1,522,702	1,461,360	2,091,457	2,083,400	2,210,720	2,624,598	2,424,414	2,372,851	2,385,305	2,801,443
Parks, recreation, & cultural	162,289	193,087	183,356	163,125	205,816	197,551	214,469	216,603	318,693	188,487
Community development	1,643	4,522	2,921	5,106	3,579	4,543	1,311	3,874	5,688	4,924
Operating grants & contributions:										
General government										
administration	309,388	320,640	358,526	323,391	327,019	320,993	369,826	338,893	343,888	349,205
Judicial administration	666,028	686,096	692,587	695,860	718,726	707,908	741,865	738,963	762,183	754,869
Public safety	3,511,081	3,506,061	3,506,375	3,437,623	3,616,312	3,481,667	3,913,187	3,636,924	3,672,751	3,819,008
Public works	183,088	-	-	-	-	-	-	-	-	-
Health & welfare	9,418,108	8,719,521	8,208,982	8,220,881	8,588,740	8,964,935	12,107,884	11,101,707	9,918,230	9,320,146
Parks, recreation, & cultural	168,706	148,913	146,531	146,547	150,167	145,514	148,946	153,288	152,500	154,277
Community development	-	194,062	191,034	150,000	100,000	-	420,000	-	-	-
Interest on long-term debt	20,136	-	-	-	-	-	-	-	-	-
Capital grants & contributions	4,910,289	317,073	93,094	97,676	10,333,914	4,441,317	1,075,856	208,004	542,927	146,498
Total governmental activities program revenues	\$ 22,197,828	\$ 16,902,358	\$ 16,755,645	\$ 17,158,732	\$ 27,995,905	\$ 22,684,037	\$ 23,114,412	\$ 20,776,851	\$ 20,243,346	\$ 19,775,646

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Landfill	\$ 1,186,803	\$ 1,109,940	\$ 1,094,329	\$ 937,857	\$ 981,934	\$ 1,415,977	\$ 1,607,937	\$ 1,975,783	\$ 2,051,170	\$ 1,966,749
Water & sewer	242,502	951,072	775,115	850,439	865,799	847,081	788,210	773,496	745,269	948,438
Airport	688,225	731,398	813,900	871,332	968,238	929,679	829,613	978,422	1,009,731	962,574
Operating grants & contributions:										
Water & sewer	-	-	-	-	-	-	-	-	-	-
Airport	7,560	14,123	50,755	6,876	20,096	131,062	26,400	36,887	20,918	23,516
Capital grants & contributions	381,494	6,831,743	226,084	167,021	55,932	455,445	1,617,157	473,031	255,496	350,716
Total business-type activities program revenues	\$ 2,506,584	\$ 9,638,276	\$ 2,960,183	\$ 2,833,525	\$ 2,891,999	\$ 3,779,244	\$ 4,869,317	\$ 4,237,619	\$ 4,082,584	\$ 4,251,993
Total primary government program revenues	\$ 24,704,412	\$ 26,540,634	\$ 19,715,828	\$ 19,992,257	\$ 30,887,904	\$ 26,463,281	\$ 27,983,729	\$ 25,014,470	\$ 24,325,930	\$ 24,027,639
Net (expense) / revenue										
Governmental activities	\$ (53,601,338)	\$ (59,731,025)	\$ (61,883,415)	\$ (77,918,697)	\$ (51,308,990)	\$ (61,005,496)	\$ (65,107,668)	\$ (71,597,581)	\$ (72,347,211)	\$ (74,407,824)
Business-type activities	(2,071,307)	4,487,981	(2,880,934)	(2,884,983)	(2,931,412)	(2,308,695)	(3,679,767)	(2,560,678)	(2,809,250)	(2,941,476)
Total primary government net expense	\$ (55,672,645)	\$ (55,243,044)	\$ (64,764,349)	\$ (80,803,680)	\$ (54,240,402)	\$ (63,314,191)	\$ (68,787,435)	\$ (74,158,259)	\$ (75,156,461)	\$ (77,349,300)
General Revenues & Other										
Changes in Net Position										
Governmental activities:										
General property taxes	\$ 45,953,541	\$ 46,440,370	\$ 46,299,778	\$ 50,615,844	\$ 52,430,770	\$ 54,849,577	\$ 56,828,062	\$ 58,674,302	\$ 63,260,943	\$ 64,113,770
Local sales & use taxes	4,670,002	4,710,612	4,782,750	5,675,646	5,721,942	5,824,383	5,836,450	6,561,608	6,913,346	6,535,334
Consumer utility taxes	1,983,855	810,500	753,893	776,370	793,620	778,733	784,328	799,701	842,434	853,940
E-911 taxes	750,680	-	-	-	-	-	-	-	-	-
Taxes on recordation & wills	538,548	507,473	554,087	669,957	589,489	658,320	762,765	885,276	795,709	849,730
Motor vehicle license taxes	701,177	715,355	724,866	791,114	924,867	962,847	842,419	804,588	789,141	813,619
Other local taxes	146,960	22,897	35,157	39,077	14,742	14,048	16,459	19,021	20,975	18,755
Unrestricted revenues from use of money & property	449,462	300,580	317,143	463,480	485,177	499,326	511,220	548,640	644,546	1,132,434
Miscellaneous	677,791	293,577	338,516	223,984	434,414	1,112,623	828,463	381,966	675,503	512,657
Grants & contributions not restricted to specific programs	3,626,392	5,768,766	5,742,053	5,729,055	5,709,779	5,723,154	5,688,086	5,717,658	5,564,604	5,462,041
Transfers	(1,700,442)	1,391,922	(1,260,291)	(1,256,691)	(1,745,433)	(1,560,438)	(2,651,275)	(1,305,620)	(1,602,161)	(1,897,969)
Total governmental activities	\$ 57,797,966	\$ 60,962,052	\$ 58,287,952	\$ 63,727,836	\$ 65,359,367	\$ 68,862,573	\$ 69,446,977	\$ 73,087,140	\$ 77,905,040	\$ 78,394,311
Business-type activities:										
Unrestricted revenues from use of money & property	\$ 12,334	\$ 9,955	\$ 7,275	\$ 2,666	\$ 1,574	\$ 1,528	\$ 3,213	\$ 7,852	\$ 20,847	\$ 61,323
Transfers	1,700,442	(1,391,922)	1,260,291	1,256,691	1,745,433	1,560,438	2,651,275	1,305,620	1,602,161	1,897,969
Total business-type activities	\$ 1,712,776	\$ (1,381,967)	\$ 1,267,566	\$ 1,259,357	\$ 1,747,007	\$ 1,561,966	\$ 2,654,488	\$ 1,313,472	\$ 1,623,008	\$ 1,959,292
Total primary government	\$ 59,510,742	\$ 59,580,085	\$ 59,555,518	\$ 64,987,193	\$ 67,106,374	\$ 70,424,539	\$ 72,101,465	\$ 74,400,612	\$ 79,528,048	\$ 80,353,603
Change in Net Position										
Governmental activities	\$ 4,196,628	\$ 1,231,027	\$ (3,595,463)	\$ (14,190,861)	\$ 14,050,377	\$ 7,857,077	\$ 4,339,309	\$ 1,489,559	\$ 5,557,829	\$ 3,986,487
Business-type activities	(358,531)	3,106,014	(1,613,368)	(1,625,626)	(1,184,405)	(746,729)	(1,025,279)	(1,247,206)	(1,186,242)	(982,184)
Total primary government	\$ 3,838,097	\$ 4,337,041	\$ (5,208,831)	\$ (15,816,487)	\$ 12,865,972	\$ 7,110,348	\$ 3,314,030	\$ 242,353	\$ 4,371,587	\$ 3,004,303

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes (1)	Total
2019	\$ 64,113,770	\$ 6,535,334	\$ 853,940	-	\$ 849,730	\$ 813,619	\$ 18,755	73,185,148
2018	63,260,943	6,913,346	842,434	-	795,709	789,141	20,975	72,622,548
2017	58,674,302	6,561,608	799,701	-	885,276	804,588	19,021	67,744,496
2016	56,828,062	5,836,450	784,328	-	762,765	842,419	16,459	65,070,483
2015	54,849,577	5,824,383	778,733	-	658,320	962,847	14,048	63,087,908
2014	52,430,770	5,721,942	793,620	-	589,489	924,867	14,742	60,475,430
2013	50,615,844	5,675,646	776,370	-	669,957	791,114	39,077	58,568,008
2012	46,299,778	4,782,750	753,893	-	554,087	724,866	35,157	53,150,531
2011	46,440,370	4,710,612	810,500	-	507,473	715,355	22,897	53,207,207
2010	45,953,541	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,744,763

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

COUNTY OF CULPEPER, VIRGINIA

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

	2010	2011	2012	2013
General fund				
Unreserved, designated for subsequent expenditures	\$ 2,130,135	\$ -	\$ -	\$ -
Unreserved, designated for capital projects	1,606,334	-	-	-
Unreserved, undesignated	22,342,047	-	-	-
Nonspendable	-	41,294	7,161	-
Restricted	-	79,313	69,173	40,961
Committed	-	2,663,269	2,680,321	2,728,933
Assigned	-	4,175	4,175	4,175
Unassigned	-	25,424,950	23,878,983	27,115,368
Total general fund	<u>\$ 26,078,516</u>	<u>\$ 28,213,001</u>	<u>\$ 26,639,813</u>	<u>\$ 29,889,437</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 979,708	\$ -	\$ -	\$ -
Committed	-	151,354	1,267,657	2,310,572
Total all other governmental funds	<u>\$ 979,708</u>	<u>\$ 151,354</u>	<u>\$ 1,267,657</u>	<u>\$ 2,310,572</u>

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

Table 4

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	84,057
51,482	68,704	106,625	110,427	87,128	86,799
2,845,076	2,512,042	2,373,097	1,860,834	1,898,597	4,459,548
4,175	4,175	11,675	11,675	2,061,373	2,188,011
<u>29,125,041</u>	<u>30,511,542</u>	<u>30,097,176</u>	<u>30,747,712</u>	<u>31,253,990</u>	<u>31,606,771</u>
<u>\$ 32,025,774</u>	<u>\$ 33,096,463</u>	<u>\$ 32,588,573</u>	<u>\$ 32,730,648</u>	<u>\$ 35,301,088</u>	<u>\$ 38,425,186</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,843,072</u>	<u>3,161,445</u>	<u>2,880,952</u>	<u>4,741,026</u>	<u>5,266,929</u>	<u>3,364,194</u>
<u>\$ 2,843,072</u>	<u>\$ 3,161,445</u>	<u>\$ 2,880,952</u>	<u>\$ 4,741,026</u>	<u>\$ 5,266,929</u>	<u>\$ 3,364,194</u>

COUNTY OF CULPEPER, VIRGINIA

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

	2010	2011	2012	2013
Revenues:				
General property taxes	\$ 45,440,793	\$ 46,509,646	\$ 46,323,781	\$ 51,137,567
Other local taxes	8,791,222	6,766,837	6,850,753	7,952,164
Permits, privilege fees and regulatory licenses	563,189	569,944	428,957	735,097
Fines and forfeitures	77,962	62,947	89,089	170,555
Revenue from use of money and property	449,462	300,580	317,143	463,480
Charges for services	2,369,853	2,377,101	3,040,470	3,181,102
Miscellaneous	677,791	293,577	338,516	223,984
Recovered costs	258,658	270,126	368,617	417,539
Intergovernmental:				
School Board Contribution to Primary Government	4,910,289	317,073	-	97,676
Commonwealth	12,815,210	14,091,483	14,086,945	14,355,605
Federal	5,087,717	5,252,576	4,852,237	4,347,752
Total revenues	\$ 81,442,146	\$ 76,811,890	\$ 76,696,508	\$ 83,082,521
Expenditures:				
General government administration	\$ 3,736,033	\$ 3,556,229	\$ 3,748,509	\$ 3,882,047
Judicial administration	2,434,963	2,788,266	2,618,326	2,758,190
Public safety	13,684,548	13,708,943	14,695,407	15,635,912
Public works	2,353,642	2,115,634	2,232,883	1,078,434
Health and welfare	15,004,065	13,826,298	14,448,935	14,198,860
Education	29,906,138	28,611,381	28,699,942	27,313,953
Parks, recreation, and cultural	1,776,126	1,737,378	1,629,557	1,576,636
Community development	1,441,024	1,590,180	1,444,933	1,642,414
Nondepartmental	-	359,157	378,310	299,721
Debt service:				
Principal retirement	4,369,831	4,415,162	13,329,095	10,623,730
Interest and other fiscal charges	4,125,385	4,189,053	4,212,005	4,226,801
Total expenditures	\$ 78,831,755	\$ 76,897,681	\$ 87,437,902	\$ 83,236,698
Excess (deficiency) of revenues over (under) expenditures	\$ 2,610,391	\$ (85,791)	\$ (10,741,394)	\$ (154,177)
Other financing sources (uses):				
Transfers in	\$ 288,933	\$ 288,933	\$ 30,000	\$ 1,300,000
Transfers (out)	(1,989,375)	(1,989,375)	(1,290,291)	(2,556,691)
Issuance of debt	11,425,000	11,425,000	11,544,800	3,762,350
Premium on bonds issued	142,513	142,513	-	1,941,057
Payment to bond escrow agent	-	-	-	-
Retirement of temporary financing	(7,500,000)	(7,500,000)	-	-
Total other financing sources (uses)	\$ 2,367,071	\$ 2,367,071	\$ 10,284,509	\$ 4,446,716
Net changes in fund balances	\$ 4,977,462	\$ 2,281,280	\$ (456,885)	\$ 4,292,539
Debt service as a percentage of noncapital expenditures	11.05%	11.61%	20.49%	18.91%

Table 5

	2014	2015	2016	2017	2018	2019
\$	52,737,696	\$ 54,872,724	\$ 56,741,652	\$ 59,087,406	\$ 63,368,224	\$ 63,979,906
	8,044,660	8,238,331	8,242,421	9,070,194	9,361,605	9,071,378
	678,813	765,036	857,772	963,959	944,909	1,092,849
	57,565	50,048	53,638	42,749	45,371	65,124
	485,177	499,326	511,220	548,640	644,546	1,132,434
	3,424,649	3,806,619	3,425,438	3,592,364	3,860,587	4,073,670
	434,414	899,723	828,463	381,966	675,503	512,657
	385,588	37,133	42,656	350,621	450,697	481,197
	10,333,914	4,409,912	809,724	-	-	-
	14,805,147	14,576,767	15,995,003	14,863,756	15,192,936	14,277,581
	4,405,596	4,798,809	7,660,923	7,031,681	5,764,147	5,728,463
\$	95,793,219	\$ 92,954,428	\$ 95,168,910	\$ 95,933,336	\$ 100,308,525	\$ 100,415,259
\$	4,058,789	\$ 4,350,632	\$ 4,953,548	\$ 4,339,420	\$ 4,878,705	\$ 4,871,075
	2,835,743	3,171,912	3,383,748	3,371,500	3,790,604	4,132,245
	17,139,178	17,611,122	17,779,124	18,488,205	21,228,815	22,306,240
	2,133,552	2,432,381	5,838,019	2,945,253	1,577,177	2,984,749
	14,925,935	15,569,457	18,214,297	17,829,715	17,254,103	16,595,866
	38,997,695	33,323,986	29,758,919	32,757,601	33,976,985	32,226,214
	1,951,229	2,040,179	1,922,212	1,961,670	2,413,384	2,621,458
	1,698,483	1,763,992	2,046,156	1,634,352	1,732,493	2,838,723
	-	-	-	-	-	-
	5,592,400	10,888,917	5,996,910	6,122,712	5,830,252	5,947,662
	4,258,043	5,518,903	3,413,085	3,175,139	2,944,639	2,771,695
\$	93,591,047	\$ 96,671,481	\$ 93,306,018	\$ 92,625,567	\$ 95,627,157	\$ 97,295,927
\$	2,202,172	\$ (3,717,053)	\$ 1,862,892	\$ 3,307,769	\$ 4,681,368	\$ 3,119,332
\$	1,471,250	\$ 3,207,913	\$ 5,762,903	\$ 4,678,875	\$ 2,771,740	\$ 4,158,148
	(3,216,683)	(4,768,351)	(8,414,178)	(5,984,495)	(4,373,901)	(6,056,117)
	2,212,098	49,745,000	-	-	731,464	-
	-	4,006,776	-	-	-	-
	-	(47,085,223)	-	-	-	-
	-	-	-	-	-	-
\$	466,665	\$ 5,106,115	\$ (2,651,275)	\$ (1,305,620)	\$ (870,697)	\$ (1,897,969)
\$	2,668,837	\$ 1,389,062	\$ (788,383)	\$ 2,002,149	\$ 3,810,671	\$ 1,221,363
	12.11%	18.11%	10.55%	10.34%	9.53%	9.37%

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes (1)	Total
2010	\$ 45,440,793	\$ 4,670,002	\$ 1,983,855	\$ 750,680	\$ 538,548	\$ 701,177	\$ 146,960	\$ 54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483
2012	46,323,781	4,782,750	753,893	-	554,087	724,866	35,157	53,174,534
2013	51,137,567	5,675,646	776,370	-	669,957	791,114	39,077	59,089,731
2014	52,737,696	5,721,942	793,620	-	589,489	924,867	14,742	60,782,356
2015	54,872,724	5,824,383	778,733	-	658,320	962,847	14,048	63,111,055
2016	56,741,652	5,836,450	784,328	-	762,765	842,419	16,459	64,984,073
2017	59,087,406	6,561,608	799,701	-	885,276	804,588	19,021	68,157,600
2018	63,368,224	6,913,346	842,434	-	795,709	789,141	20,975	72,729,829
2019	63,979,906	6,535,334	853,940	-	849,730	813,619	18,755	73,051,284

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

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total	Direct Tax Rate
2009-10	\$ 5,169,795,493	\$ 436,200,596	\$ 2,988,600	\$ 85,458,768	\$ 163,102,988	\$ 5,857,546,445	6.15
2010-11	5,144,951,484	459,950,654	2,942,500	80,056,700	183,217,885	5,871,119,223	6.15
2011-12	4,400,186,016	487,572,092	2,817,700	66,468,588	190,638,752	5,147,683,148	6.24
2012-13	4,425,676,576	521,285,475	2,789,500	70,437,097	211,146,356	5,231,335,004	6.30
2013-14	4,467,220,827	545,845,762	2,415,300	72,671,619	258,417,645	5,346,571,153	6.33
2014-15	4,564,280,180	661,189,332	2,395,100	71,043,729	178,726,950	5,477,635,291	6.33
2015-16	5,102,653,639	726,629,228	2,448,568	70,237,404	218,994,108	6,120,962,947	6.23
2016-17	5,168,221,853	760,805,390	2,724,413	82,437,316	206,779,011	6,220,967,983	6.23
2017-18	5,585,154,697	850,784,798	2,679,738	84,885,503	247,296,570	6,770,801,306	6.17
2018-19	5,671,642,820	876,167,949	2,635,298	87,292,113	244,573,562	6,882,311,742	6.17

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years		Real Estate	Personal Property	Machinery and Tools	Total Direct Tax Rate
2009-10 (2)	\$	0.65	\$ 3.50	\$ 2.00	\$ 6.15
2010-11 (2)		0.65	3.50	2.00	6.15
2011-12 (2)		0.74	3.50	2.00	6.24
2012-13 (2)		0.80	3.50	2.00	6.30
2013-14 (2)		0.83	3.50	2.00	6.33
2014-15 (2)		0.83	3.50	2.00	6.33
2015-16 (2)		0.73	3.50	2.00	6.23
2016-17 (2)		0.73	3.50	2.00	6.23
2017-18 (2)		0.67	3.50	2.00	6.17
2018-19 (2)		0.67	3.50	2.00	6.17

(1) Per \$100 of assessed value.

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

Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	Type of Business	2019			2010		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Verizon Data Centers, LLC	Managed Data Services	\$ 67,443,200	1	1.00%	\$ 12,146,000	7	0.19%
SWIFT, Inc.	Communications	21,533,500	2	0.32%	43,038,877	2	0.67%
Culpeper 2018 LLC	Retail	15,070,800	3	0.22%	n/a	n/a	n/a
Continental Teves	Manufacturing	13,887,900	4	0.21%	47,035,309	1	0.73%
Dominion Square	Retail	13,850,100	5	0.20%	18,047,200	3	0.28%
Frep IV-Centre	Shopping Center	12,610,300	6	0.19%	n/a	n/a	n/a
Wal-Mart	Retail	12,109,600	7	0.18%	14,409,396	4	0.22%
VA Equities, LLC	Real Estate	10,089,700	8	0.15%	n/a	n/a	n/a
Culpeper Senior LP	Retirement Community	8,901,000	9	0.13%	n/a	n/a	n/a
Target	Retail	8,160,200	10	0.12%	n/a	n/a	n/a
Culpeper Regency, LLC	Retail	n/a	n/a	n/a	12,017,600	9	0.19%
Centrex Homes	Developer	n/a	n/a	n/a	12,548,300	5	0.19%
Friendship Heights, LLC	Developer	n/a	n/a	n/a	12,211,300	6	0.19%
Continental 181 Fund, LLC	Developer	n/a	n/a	n/a	12,124,400	8	0.19%
MASCO Builder Cabinet Group	Manufacturing	n/a	n/a	n/a	11,267,652	10	0.17%
Totals		\$ 183,656,300		2.71%	\$ 194,846,034		3.01%

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent (1) Tax (2) Collections	Total Collections to Date	
		Amount (1)(3)	Percent of Levy		Amount (1)	Percent of Levy
2009-10	\$ 48,609,356	\$ 46,285,974	95.22%	\$ 1,961,231	\$ 48,247,205	99.25%
2010-11	49,411,286	47,149,308	95.42%	1,879,804	49,029,112	99.23%
2011-12	49,497,125	47,041,042	95.04%	1,833,280	48,874,322	98.74%
2012-13	53,633,638	51,788,087	96.56%	1,886,118	53,674,205	100.08%
2013-14	53,749,811	53,389,369	99.33%	1,952,950	55,342,319	102.96%
2014-15	57,165,955	55,335,680	96.80%	2,050,569	57,386,249	100.39%
2015-16	59,234,910	57,205,748	96.57%	2,163,621	59,369,369	100.23%
2016-17	61,078,989	58,866,864	96.38%	1,938,585	60,805,449	99.55%
2017-18	64,332,506	63,745,969	99.09%	1,677,865	65,423,834	101.70%
2018-19	65,809,789	64,979,148	98.74%	-	64,979,148	98.74%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		
	County General Obligation Bonds	Lease Revenue Bonds	Literary Loans	Capital Leases	School Lease Revenue Bonds	School General Obligation Bonds	Lease Revenue Bonds	Notes Payable
2010	\$ 2,774,560	\$ 10,721,334	\$ 14,625,000	\$ -	\$ 51,670,000	\$ 17,537,153	\$ 1,176,496	\$ -
2011	2,624,526	10,228,841	13,875,000	-	50,340,000	15,844,518	965,316	-
2012	2,546,000	12,431,262	13,125,000	-	49,713,575	14,194,590	742,712	-
2013	2,363,500	11,761,136	12,375,000	-	48,242,691	31,965,364	508,065	-
2014	2,176,800	12,524,010	11,625,000	555,323	46,716,807	29,386,611	260,723	-
2015	1,985,600	11,731,884	5,250,000	378,649	52,520,893	26,771,842	-	-
2016	1,790,000	10,912,758	4,875,000	193,671	50,245,010	24,125,479	1,792,620	-
2017	1,589,800	10,069,632	4,500,000	-	47,904,127	21,446,914	2,548,270	-
2018	1,384,900	9,196,506	4,125,000	476,362	45,493,244	19,165,509	2,512,233	-
2019	1,175,100	8,294,380	3,750,000	243,649	43,027,361	16,855,594	2,474,913	-

(1) Weldon Cooper Website

Table 11

	Total Primary Government	Personal Income (1) (amounts expressed in thousands)	Percentage of Personal Income	Population (1)	Per Capita
\$	98,504,543	\$ 1,540,742	6.39%	47,938	2,055
	93,878,201	1,553,966	6.04%	47,040	1,996
	92,753,139	1,762,003	5.26%	47,114	1,969
	107,215,756	1,814,249	5.91%	47,732	2,246
	103,245,274	1,840,445	5.61%	48,506	2,129
	98,638,868	1,959,118	5.03%	49,166	2,006
	93,934,538	1,948,412	4.82%	49,432	1,900
	88,058,743	2,005,323	4.39%	50,083	1,758
	82,353,754	2,091,315	3.94%	50,272	1,638
	75,820,997	2,273,655	3.33%	51,282	1,479

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

Fiscal Year	Population (1)	Assessed Value (2)(1)	Gross Bonded Debt	Less Business Type Activities Lease Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	47,938	\$ 5,857,546,445	\$ 98,504,543	\$ 1,176,496	\$ 97,328,047	1.66%	\$ 2,030
2010-11	47,040	5,871,119,223	93,878,201	965,316	92,912,885	1.58%	1,975
2011-12	47,114	5,147,683,148	92,753,139	742,712	92,010,427	1.79%	1,953
2012-13	47,732	5,231,335,004	107,215,756	508,065	106,707,691	2.04%	2,236
2013-14	48,506	5,346,571,153	103,245,274	260,723	102,984,551	1.93%	2,123
2014-15	49,166	5,477,635,291	98,638,868	-	98,638,868	1.80%	2,006
2015-16	49,432	6,120,962,947	93,934,538	1,792,620	92,141,918	1.51%	1,864
2016-17	50,083	6,220,967,983	88,058,743	2,548,270	85,510,473	1.37%	1,707
2017-18	50,272	6,770,801,306	82,353,754	2,512,233	79,841,521	1.18%	1,588
2018-19	51,282	6,882,311,742	75,820,997	2,474,913	73,346,084	1.07%	1,430

(1) Bureau of the Census.

(2) From Table 7

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2019

Direct:(1)

County of Culpeper, Virginia	\$	75,820,997	100% \$	75,820,997
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(1) The County of Culpeper has no overlapping debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	School Enrollment	Unemployment Rate (2)	Personal Income (3) (amounts expressed in thousands)	Per Capita Personal Income (2)
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035
2011-12	47,114	7,612	6.50%	1,762,003	35,850
2012-13	47,732	7,731	5.50%	1,814,249	37,867
2013-14	48,506	7,841	5.80%	1,840,445	37,943
2014-15	49,166	7,965	5.00%	1,959,118	39,847
2015-16	49,432	7,974	3.70%	1,948,412	39,416
2016-17	50,083	8,114	3.70%	2,005,323	40,040
2017-18	50,272	8,141	3.00%	2,091,315	41,600
2018-19	51,282	8,090	2.70%	2,273,655	44,336

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2019			Fiscal Year 2010		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,255	7.92%	1	1,237	8.06%	1
Culpeper Regional Hospital	648	4.09%	2	575	3.75%	2
County of Culpeper	608	3.84%	3	518	3.37%	4
Walmart	500	3.16%	4	506	3.30%	3
Va. Dept. of Transportation	490	3.09%	5	442	2.88%	5
Rappahannock Rapidan Community Services	335	2.12%	6	n/a	n/a	n/a
Coffeewood Correctional Center	287	1.81%	7	267	1.74%	7
Continential Automotive	230	1.45%	8	236	1.54%	9
Cintas	216	1.36%	9	216	1.41%	10
SWIFT	200	1.26%	10	200	1.30%	n/a
Masco Builder Cabinet Group	n/a	n/a	n/a	340	2.21%	6
Builder's First Source	n/a	n/a	n/a	257	1.67%	8
Total	4,769			4,794		
Total County	15,838			15,351		

Source: Virginia Employment Commission

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	40	39	42	43	43	44	45	45	46	47
Judicial administration	34	33	34	35	37	36	40	47	45	45
Public safety										
Sheriffs department	83	84	83	85	85	85	84	86	87	87
E911	19	19	22	22	22	22	22	26	26	26
Fire & rescue/emergency services	24	24	24	24	24	24	24	24	25	25
Building inspections	14	3	6	6	6	7	7	7	7	7
Animal control	10	8	8	8	8	8	8	7	8	8
Public works										
General maintenance	3	3	3	3	3	3	6	6	5	6
Landfill	6	6	6	5	5	5	4	4	4	6
Water & Sewer	7	3	2	3	3	3	6	4	6	7
Health and welfare (Options/CSA)	4	4	3	4	4	4	4	5	5	5
Department of social services	94	89	87	84	84	89	89	115	120	120
Culture and recreation										
Parks and recreation	5	3	3	3	4	4	5	5	7	8
Library	7	7	7	7	7	7	7	7	7	7
Community development										
Planning	6	6	5	5	5	5	5	5	5	6
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	1	1	2	2	2	2	2	2	2	2
Totals	<u>359</u>	<u>334</u>	<u>339</u>	<u>341</u>	<u>344</u>	<u>350</u>	<u>360</u>	<u>397</u>	<u>407</u>	<u>414</u>

Source: FY adopted budgets

Operating Indicators by Function
Last Ten Fiscal Years

		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Sheriff	Physical arrests	730	922	1,254	1,814	1,184	1,356	1,148	932	1,495	1,264
	Traffic violations	1,914	1,287	2,240	2,788	2,342	1,546	622	578	768	781
Fire Protection	Number of stations - Fire	7	7	7	7	7	7	7	7	7	7
	Number of stations - EMS	1	1	1	1	1	1	1	1	1	1
Community Development	Residential building permits	66	117	288	370	451	483	526	498	632	734
Parks & Recreation	Number of parks & recreation facilities	7	7	8	8	8	8	8	8	8	8
	Number of libraries	1	1	1	1	1	1	1	1	1	1

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	65	84	88	91	107	98	99	95	109	105
Animal control:										
Buildings	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	3	5	5	5	5	8	8	8	7	7
Landfill:										
Vehicles	2	1	2	2	2	2	2	2	2	2
Equipment	7	12	13	13	13	13	13	13	13	13
Sites	1	1	1	1	1	1	1	1	1	1
Health and welfare										
Department of Social Services:										
Vehicles	3	4	4	4	4	2	3	5	9	13
Culture and recreation										
Parks and recreation:										
Vehicles	2	2	5	5	5	2	2	2	2	2
Parks acreage (or playing fields)	3	3	8	8	8	8	8	8	8	8
Community development										
Planning:										
Vehicles	0	0	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	10	10	10	10	10	10	10	10	10	10
School buses	129	136	131	131	135	120	125	124	122	122

NA - Not available

Source: Individual county departments



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Culpeper, Virginia's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
November 21, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Culpeper, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Culpeper Virginia's major federal programs for the year ended June 30, 2019. County of Culpeper, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Culpeper, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Hannul, Cox Associates

Charlottesville, Virginia
November 21, 2019

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Agriculture:			
Pass through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	\$ 557,513
Summer Food Service Program for Children	10.559	Not Available	112,730
Child and Adult Care Food Program	10.558	Not Available	<u>252,950</u>
Total Department of Agriculture			\$ <u>923,193</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start	93.600	N/A	\$ 2,122,739
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	4,950
Temporary Assistance for Needy Families	93.558	0400109/0400110	376,803
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	870
Low Income Home Energy Assistance	93.568	0600409/0600410	48,248
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	(270)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	<u>55,130</u>
Total Child Care and Development Fund Cluster			\$ <u>54,860</u>
Chafee Education and Training Vouchers Program	93.599	9160108/9160109	2,200
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	0900109	328
Foster Care - Title IV-E	93.658	1100109/1100110	399,336
Adoption Assistance	93.659	1120109/1120110	620,001
Social Services Block Grant	93.667	1000109/1000110	305,896
Chafee Foster Care Independence Program	93.674	915108/9150109/9150110	5,590
Children's Health Insurance Program	93.767	0540109/0540110	16,301
Medical Assistance Program	93.778	1200109/1200110	<u>661,957</u>
Total pass through payments			\$ <u>2,497,340</u>
Total Department of Health and Human Services			\$ <u>4,620,079</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Missing Children's Assistance	16.543	Not Available	\$ 5,964
Crime Victim Assistance	16.575	18V9389VA17	68,769
State Criminal Alien Assistance Program	16.606	N/A	2,381
Bulletproof vest partnership program	16.607	N/A	5,302
Violence Against Women Formula Grants	16.588	19Y8572VW17	<u>36,638</u>
Total Department of Justice			\$ <u>119,054</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (Continued)			
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	\$ 198,648
Pass through payments:			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC1959356	\$ 7,038
National Priority Safety Programs	20.616	M6OT1858421 M6OT1959232	6,375
Total Highway Safety Cluster			<u>\$ 13,413</u>
Total Department of Transportation			<u>\$ 212,061</u>
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	Not Available	\$ 10,751
Total Department of Homeland Security			<u>\$ 10,751</u>
Total Expenditures of Federal Awards-Primary Government			<u><u>\$ 5,885,138</u></u>
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution -- Schools	10.555	Not Available	\$ 290,458
Department of Education:			
National School Lunch Program	10.555	2013IN109941/2014IN109941	<u>1,786,310</u>
			<u>\$ 2,076,768</u>
School Breakfast Program	10.553	2013IN109941/2014IN109941	<u>458,918</u>
Total Child Nutrition Cluster			<u>\$ 2,535,686</u>
Total Department of Agriculture			<u>\$ 2,535,686</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A130046/S010A140046	\$ 1,409,623
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A130107/H027A140107	2,035,451
Special Education - Preschool Grants	84.173	H173A130112/H173A140112	40,180
Total Special Education Cluster			<u>\$ 2,075,631</u>
Career and Technical Education -- Basic Grants to States	84.048	V048A130046/VA048A140046	188,424
English Language Acquisition State Grants	84.365	S365A140046	75,949
Education Innovation and Research (Formally Investing in Innovation (i3) Fund	84.411	Not Available	7,270
Student Support and Academic Enrichment Program	84.424	S424A180048	139,066
Supporting Effective Instruction State Grants	84.367	S367A130044/S367A140044	<u>216,950</u>
Total Department of Education			<u>\$ 4,112,913</u>
Total Expenditures of Federal Awards-Component Unit School Board			<u>\$ 6,648,599</u>
Total Expenditures of Federal Awards-Reporting Entity			<u><u>\$ 12,533,737</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Culpeper, Virginia under programs of the federal government for the year ended June 30, 2019. 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. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - De Minimis Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Loan Balances

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

Note 7 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 5,728,463
Airport Fund	<u>198,648</u>
Total primary government	<u>\$ 5,927,111</u>

Component Unit School Board:

School Operating Fund	\$ 4,112,913
School Cafeteria Fund	<u>2,535,686</u>
Total component unit school board	<u>\$ 6,648,599</u>
Total federal expenditures per basic financial statements	<u>\$ 12,575,710</u>

Less federal subsidy	<u>\$ 41,973</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 12,533,737</u></u>
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COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
93.659	Adoption Assistance
10.561	State Administration Matching Grants for Supplemental Nutrition Assistance Program

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

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Audit Findings

None