

COUNTY OF LUNENBURG, VIRGINIA



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017

COUNTY OF LUNENBURG, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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COUNTY OF LUNENBURG, VIRGINIA

Board of Supervisors

Charles R. Slayton., Chairperson

Robert G. Zava
Dr. Frank W. Bacon
T. Wayne Hoover

J. Mike Hankins
Alvester L. Edmonds
Edward W. Pennington

Department of Social Services

Charles R. Slayton
Patricia Harper-Tunley
Linda Chumney

Luther Drummond, Jr.
Mary Beth Gregory

County School Board

Donald B. Carnes, Chairperson

Kathy P. Coffee
Doug Aubel
Ada A. Whitehead

Amy McClure
Beverley P. Hawthorne
Elizabeth R. Williams

Other Officials

Judge of the Circuit Court	Donald C. Blessing
Clerk of the Circuit Court	Gordon F. Erby
Commonwealth's Attorney	Robert E. Clement
Commissioner of the Revenue	Liz Y. Hamlett
Treasurer	Amona Currin
Sheriff	Arthur Townsend
Superintendent of Schools	Charles M. Berkley, Jr.
Director of Social Services	Dorothy A. Newcomb
County Administrator	Tracy M. Gee

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg, Virginia, as of and for the year ended June 30, 2017, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg, Virginia, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 72-73, and 74-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

The 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.

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of County of Lunenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lunenburg, Virginia's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "D. F. Clark", followed by a long horizontal line extending to the right.

Richmond, Virginia
November 13, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Lunenburg, 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, 2017. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,171,758 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$1,026,642 (Exhibit 5) after making contributions totaling \$3,431,352 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,865,108, an increase of \$1,026,642 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,361,825 or 56% of total general fund expenditures and other uses.
- < The combined long-term obligations increased by \$479,020 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements 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 and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Lunenburg, 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 two categories: governmental funds and fiduciary funds.

Overview of the Financial Statements (Continued)

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

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is 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 units - School Board and Industrial Development Authority. Neither issues separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$13,171,758 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lunenburg, Virginia's Net Position			
	Governmental Activities		
	2017	2016	
Current and other assets	\$ 12,903,266	\$ 11,654,697	
Capital assets	<u>17,902,112</u>	<u>18,729,017</u>	
Total assets	<u>\$ 30,805,378</u>	<u>\$ 30,383,714</u>	
Deferred outflows of resources	<u>\$ 563,081</u>	<u>\$ 385,757</u>	
Current liabilities	\$ 1,644,064	\$ 1,683,143	
Long-term liabilities outstanding	<u>13,306,827</u>	<u>13,889,799</u>	
Total liabilities	<u>\$ 14,950,891</u>	<u>\$ 15,572,942</u>	
Deferred inflows of resources	<u>\$ 3,245,810</u>	<u>\$ 3,188,128</u>	
Net position:			
Net investment in capital assets	\$ 6,005,649	\$ 5,947,163	
Unrestricted	<u>7,166,109</u>	<u>6,061,238</u>	
Total net position	<u>\$ 13,171,758</u>	<u>\$ 12,008,401</u>	

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Government-wide Financial Analysis (Continued)

The County's net position increased by \$1,163,357 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lunenburg, Virginia's Changes in Net Position			
	#	Governmental Activities	
		2017	2016
Revenues:			
Program revenues:			
Charges for services	\$	324,967	\$ 336,993
Operating grants and contributions		3,503,832	3,504,970
Capital grants and contributions		418,367	161,250
General property taxes		5,905,263	5,707,134
Other local taxes		920,475	889,055
Grants and other contributions not restricted		1,281,236	1,292,264
Other general revenues		138,850	236,499
Payment from Lunenburg County School Board		772,257	70,323
Total revenues	\$	13,265,247	\$ 12,198,488
Expenses:			
General government administration	\$	1,063,344	\$ 1,050,276
Judicial administration		932,939	875,310
Public safety		2,290,208	2,337,300
Public works		418,352	398,893
Health and welfare		2,447,789	2,334,804
Education		4,012,355	3,807,852
Community development		517,514	614,157
Interest and other fiscal charges		419,389	505,103
Total expenses	\$	12,101,890	\$ 11,923,695
Change in net position	\$	1,163,357	\$ 274,793
Net position, beginning of year		12,008,401	11,733,608
Net position, end of year	\$	13,171,758	\$ 12,008,401

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$8,865,108, an increase of \$1,026,642 in comparison with the prior year. Approximately 72% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other sources exceeded budgetary estimates by \$552,614 and budgetary estimates were greater than expenditures and other uses by \$894,428. The resulting positive variance for change in fund balance was \$1,447,042.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounts to \$17,902,112 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$11,888,025. Of this amount, \$8,125,025 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease revenue bonds).

The County's total debt decreased by \$703,302 during the current fiscal year.

Additional information on the County of Lunenburg, Virginia's long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

There was virtually no increase or decrease in the overall FY18 budget and all tax rates remained the same as in 2017.

Requests for Information

This financial report is designed to provide a general overview of the County of Lunenburg, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 11413 Courthouse Road, Lunenburg, Virginia 23952.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lunenburg, Virginia
Statement of Net Position
June 30, 2017

	Primary Government		Component Units	
	Governmental		School Board	IDA
	<u>Activities</u>			
ASSETS				
Cash and cash equivalents	\$ 7,235,969	\$ 29,219	\$ 79,578	
Investments	1,153,741	-	-	
Inventory	-	-	80,000	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	3,454,184	-	-	
Accounts receivable	56,118	18,632	-	
Due from other governmental units	1,003,254	563,881	-	
Net pension asset	-	168,878	-	
Capital assets (net of accumulated depreciation):				
Land	260,582	37,807	-	
Buildings and improvements	8,834,346	24,000	-	
Intangible	111,965	-	-	
Machinery and equipment	677,672	414,008	-	
Jointly owned assets	7,898,324	4,072,091	-	
Construction in progress	119,223	-	-	
Total assets	<u>\$ 30,805,378</u>	<u>\$ 5,328,516</u>	<u>\$ 159,578</u>	
DEFERRED OUTFLOWS OF RESOURCES				
Items related to measurement of net pension liability	\$ 284,221	\$ 1,268,470	\$ -	
Pension contributions subsequent to measurement date	278,860	1,147,084	-	
Total deferred outflow of resources	<u>\$ 563,081</u>	<u>\$ 2,415,554</u>	<u>\$ -</u>	
LIABILITIES				
Accounts payable	\$ 127,688	\$ 102,462	\$ -	
Accrued liabilities	152,690	-	-	
Reconciled overdraft payable	96,800	-	-	
Accrued interest payable	146,926	-	-	
Due to other governmental units	-	382,419	-	
Long-term liabilities:				
Due within one year	1,119,960	7,832	-	
Due in more than one year	13,306,827	15,448,399	-	
Total liabilities	<u>\$ 14,950,891</u>	<u>\$ 15,941,112</u>	<u>\$ -</u>	
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 3,220,548	\$ -	\$ -	
Items related to measurement of net pension liability	25,262	844,955	-	
Total deferred inflows of resources	<u>\$ 3,245,810</u>	<u>\$ 844,955</u>	<u>\$ -</u>	
NET POSITION				
Net investment in capital assets	\$ 6,005,649	\$ 4,547,906	\$ -	
Unrestricted	7,166,109	(13,589,903)	159,578	
Total net position	<u>\$ 13,171,758</u>	<u>\$ (9,041,997)</u>	<u>\$ 159,578</u>	

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

County of Lunenburg, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	School Board	IDA	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,063,344	\$ -	\$ 206,997	\$ -	\$ (856,347)	\$ -	\$ -	
Judicial administration	932,939	41,960	420,429	-	(470,550)	-	-	
Public safety	2,290,208	59,627	894,019	83,134	(1,253,428)	-	-	
Public works	418,352	219,364	-	-	(198,988)	-	-	
Health and welfare	2,447,789	-	1,833,933	-	(613,856)	-	-	
Education	4,012,355	-	141,179	-	(3,871,176)	-	-	
Community development	517,514	4,016	7,275	335,233	(170,990)	-	-	
Interest on long-term debt	419,389	-	-	-	(419,389)	-	-	
Total governmental activities	\$ 12,101,890	\$ 324,967	\$ 3,503,832	\$ 418,367	\$ (7,854,724)	\$ -	\$ -	
Total primary government	\$ 12,101,890	\$ 324,967	\$ 3,503,832	\$ 418,367	\$ (7,854,724)	\$ -	\$ -	
COMPONENT UNITS:								
School Board	\$ 17,300,619	\$ 332,053	\$ 12,810,888	\$ -	\$ -	\$ (4,157,678)	\$ -	
IDA	50,151	43,659	-	-	-	-	(6,492)	
Total component units	\$ 17,350,770	\$ 375,712	\$ 12,810,888	\$ -	\$ -	\$ (4,157,678)	\$ (6,492)	
General revenues:								
General property taxes					\$ 5,905,263	\$ -	\$ -	
Local sales and use taxes					422,732	-	-	
Motor vehicle licenses					230,185	-	-	
Utility taxes					184,421	-	-	
Other local taxes					83,137	-	-	
Unrestricted revenues from use of money and property					73,420	314	262	
Miscellaneous					65,430	2,016	39,799	
Grants and contributions not restricted to specific programs					1,281,236	-	-	
Contribution from Lunenburg County					-	3,653,817	-	
Contribution from Lunenburg County School Board					772,257	-	-	
Total general revenues					\$ 9,018,081	\$ 3,656,147	\$ 40,061	
Change in net position					\$ 1,163,357	\$ (501,531)	\$ 33,569	
Net position - beginning					12,008,401	(8,540,466)	126,009	
Net position - ending					\$ 13,171,758	\$ (9,041,997)	\$ 159,578	

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

FUND FINANCIAL STATEMENTS

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County of Lunenburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,741,238	\$ 114,731	\$ 380,000	\$ 7,235,969
Investments	1,153,741	-	-	1,153,741
Receivables (net of allowance for uncollectibles):				
Taxes receivable	3,454,184	-	-	3,454,184
Accounts receivable	56,044	74	-	56,118
Due from other governmental units	894,183	109,071	-	1,003,254
Total assets	<u>\$ 12,299,390</u>	<u>\$ 223,876</u>	<u>\$ 380,000</u>	<u>\$ 12,903,266</u>
LIABILITIES				
Accounts payable	\$ 127,688	\$ -	\$ -	\$ 127,688
Accrued liabilities	152,690	-	-	152,690
Reconciled overdraft payable	-	96,800	-	96,800
Total liabilities	<u>\$ 280,378</u>	<u>\$ 96,800</u>	<u>\$ -</u>	<u>\$ 377,178</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 3,660,980	\$ -	\$ -	\$ 3,660,980
Total deferred inflows of resources	<u>\$ 3,660,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,660,980</u>
FUND BALANCES				
Committed	\$ 1,822,116	\$ 42,280	\$ 380,000	\$ 2,244,396
Assigned	174,091	-	-	174,091
Unassigned	6,361,825	84,796	-	6,446,621
Total fund balances	<u>\$ 8,358,032</u>	<u>\$ 127,076</u>	<u>\$ 380,000</u>	<u>\$ 8,865,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,299,390</u>	<u>\$ 223,876</u>	<u>\$ 380,000</u>	<u>\$ 12,903,266</u>

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

County of Lunenburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,865,108
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 29,349,697	
Accumulated depreciation	(11,447,585)	17,902,112

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

Unavailable revenue - property taxes	\$ 440,432	
Items related to measurement of net pension liability	(25,262)	415,170

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		278,860
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

General obligation bonds	\$ (11,888,025)	
Bond premium	(8,438)	
Compensated absences	(59,508)	
Net pension liability	(2,470,816)	
Deferred outflows related to measurement of net pension liability	284,221	
Accrued interest payable	(146,926)	(14,289,492)

Net position of governmental activities	\$	13,171,758

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

County of Lunenburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 5,866,563	\$ -	\$ -	\$ 5,866,563
Other local taxes	920,475	-	-	920,475
Permits, privilege fees, and regulatory licenses	33,376	-	-	33,376
Fines and forfeitures	23,544	-	-	23,544
Revenue from the use of money and property	60,986	12,434	-	73,420
Charges for services	252,319	15,728	-	268,047
Miscellaneous	57,892	1,420	6,118	65,430
Recovered costs	10,938	-	-	10,938
Intergovernmental:				
Local Government	-	-	772,257	772,257
Commonwealth	4,020,317	354,764	-	4,375,081
Federal	687,175	-	141,179	828,354
Total revenues	<u>\$ 11,933,585</u>	<u>\$ 384,346</u>	<u>\$ 919,554</u>	<u>\$ 13,237,485</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,068,627	\$ -	\$ -	\$ 1,068,627
Judicial administration	705,926	6,606	-	712,532
Public safety	2,157,440	-	-	2,157,440
Public works	360,273	-	-	360,273
Health and welfare	2,448,474	-	-	2,448,474
Education	3,431,352	-	-	3,431,352
Community development	406,895	150,576	-	557,471
Capital projects	149,287	-	-	149,287
Debt service:				
Principal retirement	-	-	6,974,302	6,974,302
Interest and other fiscal charges	-	-	500,085	500,085
Total expenditures	<u>\$ 10,728,274</u>	<u>\$ 157,182</u>	<u>\$ 7,474,387</u>	<u>\$ 18,359,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,205,311</u>	<u>\$ 227,164</u>	<u>\$ (6,554,833)</u>	<u>\$ (5,122,358)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 7,500	\$ 626,860	\$ 634,360
Transfers out	(634,360)	-	-	(634,360)
Issuance of debt	-	-	6,271,000	6,271,000
Bond issuance costs	-	-	(122,000)	(122,000)
Total other financing sources (uses)	<u>\$ (634,360)</u>	<u>\$ 7,500</u>	<u>\$ 6,775,860</u>	<u>\$ 6,149,000</u>
Net change in fund balances	\$ 570,951	\$ 234,664	\$ 221,027	\$ 1,026,642
Fund balances - beginning	7,787,081	(107,588)	158,973	7,838,466
Fund balances - ending	<u>\$ 8,358,032</u>	<u>\$ 127,076</u>	<u>\$ 380,000</u>	<u>\$ 8,865,108</u>

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

County of Lunenburg, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	1,026,642
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 352,720	
Transfer of joint tenancy assets	(222,465)	
Depreciation expense	(957,160)	(826,905)

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

Property taxes	\$ 38,700	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	247,969	286,669

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

Issuance of lease revenue bonds	\$ (3,763,000)	
Issuance of general obligation bonds	(2,508,000)	
Principal retirement on lease revenue bonds	4,112,000	
Principal retirement on general obligation bonds	2,862,302	703,302

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

(Increase) decrease in accrued interest payable	\$ 20,607	
Amortization of bond issuance premium	182,089	
(Increase) decrease in net pension liability	(436,920)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	230,310	
Increase (decrease) deferred outflows related to measurement of net pension liability	(52,986)	
(Increase) decrease in compensated absences	30,549	(26,351)

Change in net position of governmental activities	\$	<u><u>1,163,357</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Lunenburg, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 38,393
	<u>38,393</u>
LIABILITIES	
Amounts held for others	\$ 33,909
Amounts held for social services clients	4,484
Total liabilities	<u>\$ 38,393</u>

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

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2017

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental 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.

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Lunenburg (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 that it is legally separate from the government.

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

B. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units at June 30, 2017.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lunenburg County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding 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, 2017.

The Industrial Development Authority of Lunenburg County is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. The Industrial Development Authority of Lunenburg County does not issue a separate financial report.

C. Other Related Organizations

Jointly Governed Organizations

The County, in conjunction with other localities, has created the Crossroads Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$53,000 to the Crossroads Community Services Board.

Complete financial statements of the jointly governed organizations may be obtained by contacting the County of Lunenburg, Virginia, Office of the Administrator, 11413 Courthouse Road, Lunenburg, VA 23952.

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

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

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

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

D. 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.

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

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund, County Special Revenue Fund, County Debt Service Fund, and County Capital Projects fund as major governmental funds.

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 and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Special Revenue Fund - The County Special Revenue Fund accounts for and reports the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - The County Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

2. 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 described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County reports the following Fiduciary Funds: Special Welfare and Cell Tower Escrow.

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$300,025 at June 30, 2017 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5/December 5 (50% each date)	June 5/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

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 expenses in the Statement of Activities and long-term obligations in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset). These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

N. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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

N. Fund Equity (Continued)

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

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Debt Service Fund County Debt Service Fund	Total
Fund Balances:				
Committed:				
Landfill	\$ 1,119,414	\$ -	\$ -	\$ 1,119,414
Project lifesaver	-	3,904	-	3,904
Law library	-	21,094	-	21,094
Forfeited assets	-	10,616	-	10,616
Airport	-	6,666	-	6,666
Debt service	-	-	380,000	380,000
Land sale unclaimed funds	99,033	-	-	99,033
E-911	603,669	-	-	603,669
Total Committed	\$ 1,822,116	\$ 42,280	\$ 380,000	\$ 2,244,396
Assigned:				
Reassessment	\$ 168,063	\$ -	\$ -	\$ 168,063
Emergency Services	6,028	-	-	6,028
Total Assigned	\$ 174,091	\$ -	\$ -	\$ 174,091
Unassigned	\$ 6,361,825	\$ 84,796	\$ -	\$ 6,446,621
Total Fund Balances	\$ 8,358,032	\$ 127,076	\$ 380,000	\$ 8,865,108

O. Pensions

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

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

P. Long-term Obligations

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

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

Q. Inventory

Inventory in the Component Unit - Economic Development Authority consists of land held for resale.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund 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. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All appropriations expire as of June 30 each year.

Expenditures and Appropriations

Expenditures did not exceed appropriations in in any fund at June 30, 2017.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2017 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

Rated Debt Investments	Fair Quality Ratings		
	AAA	AA	Unrated
Corporate Issues	\$ -	\$ 50,110	\$ -
U.S. Government Issues	914,664	-	188,967
Total	\$ 914,664	\$ 50,110	\$ 188,967

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Corporate Issues	\$ 50,110	\$ -	\$ -
U.S. Government Issues	-	64,167	1,039,464
Total	\$ 50,110	\$ 64,167	\$ 1,039,464

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 4—Due to/from Other Governments:

At June 30, 2017, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Lunenburg County School Board	\$ 382,419	\$ -
Commonwealth of Virginia:		
Local sales tax	84,825	-
Welfare	16,907	-
Rolling stock tax	4,377	-
Mobile home titling tax	2,706	-
State sales tax	-	318,427
E911 grant	8,712	-
Constitutional officer reimbursements	110,365	-
Victim witness grant	15,502	-
Tobacco grant	91,300	-
Recordation tax	3,265	-
Comprehensive services act	160,471	-
Communications tax	32,021	-
Airport grant	17,774	-
Federal Government:		
School fund grants	-	245,454
Homeland security	6,192	-
Welfare	13,638	-
USDA grant	50,000	-
Other federal grants	2,780	-
Total due from other governments	\$ <u>1,003,254</u>	\$ <u>563,881</u>

At June 30, 2017, amounts due to other local governments are as follows:

Other Local Governments:		
County of Lunenburg	\$ -	\$ 382,419

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Primary Government:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 251,582	\$ 9,000	\$ -	\$ 260,582
Construction in progress	15,900	139,438	36,115	119,223
Total capital assets not subject to depreciation	\$ 267,482	\$ 148,438	\$ 36,115	\$ 379,805
Capital assets subject to depreciation:				
Buildings and improvements	\$ 12,594,243	\$ 36,115	\$ -	\$ 12,630,358
Machinery and equipment	2,706,114	204,282	57,903	2,852,493
Intangible	159,950	-	-	159,950
Jointly owned assets	13,702,462	-	375,371	13,327,091
Total capital assets subject to depreciation	\$ 29,162,769	\$ 240,397	\$ 433,274	\$ 28,969,892
Accumulated depreciation:				
Buildings and improvements	\$ 3,435,866	\$ 360,146	\$ -	\$ 3,796,012
Machinery and equipment	2,010,243	222,481	57,903	2,174,821
Intangible	31,990	15,995	-	47,985
Jointly owned assets	5,223,135	358,538	152,906	5,428,767
Total accumulated depreciation	\$ 10,701,234	\$ 957,160	\$ 210,809	\$ 11,447,585
Total capital assets being depreciated, net	\$ 18,461,535	\$ (716,763)	\$ 222,465	\$ 17,522,307
Governmental activities capital assets, net	\$ 18,729,017	\$ (568,325)	\$ 258,580	\$ 17,902,112

Component Unit - School Board:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 37,807	\$ -	\$ -	\$ 37,807
Total capital assets not subject to depreciation	\$ 37,807	\$ -	\$ -	\$ 37,807
Capital assets subject to depreciation:				
Buildings and improvements	\$ 30,000	\$ -	\$ -	\$ 30,000
Machinery and equipment	3,108,985	101,018	43,286	3,166,717
Jointly owned assets	6,495,594	-	(375,371)	6,870,965
Total capital assets subject to depreciation	\$ 9,634,579	\$ 101,018	\$ (332,085)	\$ 10,067,682
Accumulated depreciation:				
Buildings and improvements	\$ 4,500	\$ 1,500	\$ -	\$ 6,000
Machinery and equipment	2,634,334	161,661	43,286	2,752,709
Jointly owned assets	2,476,005	169,963	(152,906)	2,798,874
Total accumulated depreciation	\$ 5,114,839	\$ 333,124	\$ (109,620)	\$ 5,557,583
Total capital assets being depreciated, net	\$ 4,519,740	\$ (232,106)	\$ (222,465)	\$ 4,510,099
Governmental activities capital assets, net	\$ 4,557,547	\$ (232,106)	\$ (222,465)	\$ 4,547,906

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	28,085
Judicial administration		234,516
Public safety		197,344
Public works		38,755
Health and welfare		22,201
Education		358,538
Community development		<u>77,721</u>
Total Governmental activities	\$	<u>957,160</u>
Component Unit School Board	\$	<u>333,124</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 634,360
County special revenue	7,500	-
County debt service fund	<u>626,860</u>	<u>-</u>
Total Primary Government	\$ <u>634,360</u>	\$ <u>634,360</u>

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

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 90,057	\$ 30,549	\$ 61,098	\$ 59,508	\$ 5,951
Net pension liability	2,033,896	1,088,370	651,450	2,470,816	-
Lease revenue bond	<u>4,112,000</u>	<u>3,763,000</u>	<u>4,112,000</u>	<u>3,763,000</u>	<u>432,000</u>
Total incurred by County	<u>\$ 6,235,953</u>	<u>\$ 4,881,919</u>	<u>\$ 4,824,548</u>	<u>\$ 6,293,324</u>	<u>\$ 437,951</u>
Incurred by School Board:					
General obligation bonds	\$ 8,479,327	\$ 2,508,000	\$ 2,862,302	\$ 8,125,025	\$ 682,009
Issuance premium	<u>190,527</u>	<u>-</u>	<u>182,089</u>	<u>8,438</u>	<u>-</u>
Total incurred by School Board	<u>\$ 8,669,854</u>	<u>\$ 2,508,000</u>	<u>\$ 3,044,391</u>	<u>\$ 8,133,463</u>	<u>\$ 682,009</u>
Total Governmental Activities Obligations	<u>\$ 14,905,807</u>	<u>\$ 7,389,919</u>	<u>\$ 7,868,939</u>	<u>\$ 14,426,787</u>	<u>\$ 1,119,960</u>

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

Year Ending June 30	Incurred by County	
	Lease Revenue Bond	
	Principal	Interest
2018	\$ 432,000	\$ 82,162
2019	449,000	65,621
2020	457,000	56,775
2021	466,000	47,773
2022	476,000	38,592
2023	485,000	29,215
2024	494,000	19,661
2025	<u>504,000</u>	<u>9,928</u>
Total	<u>\$ 3,763,000</u>	<u>\$ 349,727</u>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Incurred by School Board	
	General Obligation Bonds	
	Principal	Interest
2018	\$ 628,009	\$ 351,050
2019	738,909	325,871
2020	758,222	306,110
2021	777,971	285,788
2022	798,177	264,881
2023	743,865	243,472
2024	763,159	222,331
2025	776,478	201,061
2026	791,235	179,268
2027	425,000	166,112
2028	343,000	98,994
2029	351,000	94,206
2030	115,000	89,250
2031	115,000	89,250
Total	\$ <u>8,125,025</u>	\$ <u>2,917,644</u>

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows:

Incurring by County:

Lease Revenue Bond:

\$3,763,000 public facility lease revenue bond, Series 2016, issued December 22, 2016 due on varying installments of principal plus interest through February 1, 2025, interest at 1.97%.	\$	<u>3,763,000</u>
Net pension liability	\$	<u>2,470,816</u>
Compensated absences (payable from the General Fund)	\$	<u>59,508</u>
Total incurred by County	\$	<u>6,293,324</u>

Incurring by School Board:

General Obligation Bonds:

\$5,856,256 School Bonds 2005A Series issued October 25, 2005, due in varying annual installments through January 15, 2026, interest at various rates.	\$	2,997,025
\$2,508,000 School Bonds Refunding Series 2016 issued December 20, 2016, due in varying annual installments through February 1, 2029, interest at 2.10%.		2,508,000
\$1,175,000 School Bonds issued July 8, 2010, due in varying annual installments through June 1, 2027, interest at 4.25%.		850,000
\$2,100,000 Virginia Public School Authority bonds issued December 15, 2011, due in varying annual installments of principal and interest through December 1, 2030, interest at 4.25%.		1,770,000
Bond premium		<u>8,438</u>
Total General Obligation Bonds	\$	<u>8,133,463</u>
Total Incurred by School Board	\$	<u>8,133,463</u>
Total Governmental Activities Obligations	\$	<u><u>14,426,787</u></u>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

The County issued the series 2016 Refunding Bond in the amount of \$2,508,000 to refund the Series 2005A General Obligation bond. The aggregate difference in the debt service between the refunded debt and the refunding debt was \$186,026 and the economic gain on the transaction was \$187,032.

The County issued Public Facility Lease Revenue Bond series 2016 in the amount of \$3,763,000 to refund the Public Facility Lease Revenue Bond series 2012. The aggregate difference in the debt service between the refunded debt and the refunding debt was \$(80,371) and the economic loss on the transaction was \$17,506.

Component Unit-School Board:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Component Unit-School Board:					
Net pension liability	\$ 13,200,000	\$ 3,851,000	\$ 1,922,000	\$ 15,129,000	\$ -
Capital lease	-	43,345	3,123	40,222	7,832
Net OPEB obligation	<u>235,572</u>	<u>75,837</u>	<u>24,400</u>	<u>287,009</u>	<u>-</u>
Total Component Unit-School Board	\$ <u>13,435,572</u>	\$ <u>3,970,182</u>	\$ <u>1,949,523</u>	\$ <u>15,456,231</u>	\$ <u>7,832</u>

Note 8—Capital Leases:

The County has entered into various lease agreements as lessee for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Component Unit Incurred by School Board
Asset:	
Equipment	\$ 43,345
Less: accumulated depreciation	<u>(4,335)</u>
Total	\$ <u>39,010</u>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017 were as follows:

Year Ended June 30	Component Unit Incurred by School Board
2018	\$ 10,101
2019	10,101
2020	10,101
2021	10,101
2022	5,892
Total minimum lease payments	\$ 46,296
Less: amount representing interest	(6,074)
Present value of minimum lease payments	\$ 40,222

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and 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. The County reports deferred/unavailable revenue totaling \$3,660,980 at June 30, 2017 which is comprised of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 440,432
2nd half assessment - property tax	2,827,763	2,827,763
Prepaid property taxes due in December but paid in advance by taxpayers	392,785	392,785
Total	\$ 3,220,548	\$ 3,660,980

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 10—Commitments and Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2017, there were no matters of litigation involving the County or its component units which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12—Risk Management:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates with other Virginia localities in public entity risk pools for the provision of insurance coverage. The County receives workers' compensation, liability and property loss coverage through the Virginia Association of Counties Group Self Insurance Risk Pool. The School Board receives its workers' compensation coverage from the School Systems of Virginia and all other coverage from commercial carriers. The County pays an annual premium to the pool for insurance through member premiums. There have been no reductions in any insurance coverage from the previous year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan:

Plan Description

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 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	53	22
Inactive members:		
Vested inactive members	6	2
Non-vested inactive members	13	3
Inactive members active elsewhere in VRS	30	5
Total inactive members	49	10
Active members	54	33
Total covered employees	156	65

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, 2017 was 12.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$278,860 and \$331,846 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 2.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$13,527 and \$40,881 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liability/asset were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 12,163,216	\$ 10,129,320	\$ 2,033,896
Changes for the year:			
Service cost	\$ 254,636	\$ -	\$ 254,636
Interest	827,318	-	827,318
Benefit changes			
Differences between expected and actual experience	(37,291)	-	(37,291)
Contributions - employer	-	326,381	(326,381)
Contributions - employee	-	117,177	(117,177)
Net investment income	-	170,601	(170,601)
Benefit payments, including refunds of employee contributions	(688,771)	(688,771)	-
Administrative expenses	-	(6,342)	6,342
Other changes	-	(74)	74
Net changes	\$ 355,892	\$ (81,028)	\$ 436,920
Balances at June 30, 2016	\$ 12,519,108	\$ 10,048,292	\$ 2,470,816

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—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, 2015	\$ 2,285,646	\$ 2,488,079	\$ (202,433)
Changes for the year:			
Service cost	\$ 59,924	\$ -	\$ 59,924
Interest	155,869	-	155,869
Benefit changes			
Differences between expected and actual experience	(69,531)	-	(69,531)
Contributions - employer	-	39,362	(39,362)
Contributions - employee	-	31,397	(31,397)
Net investment income	-	43,532	(43,532)
Benefit payments, including refunds of employee contributions	(117,897)	(117,897)	-
Administrative expenses	-	(1,566)	1,566
Other changes	-	(18)	18
Net changes	\$ 28,365	\$ (5,190)	\$ 33,555
Balances at June 30, 2016	\$ 2,314,011	\$ 2,482,889	\$ (168,878)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 3,858,111	\$ 2,470,816	\$ 1,301,136
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 113,177	\$ (168,878)	\$ (404,706)

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$285,022 and \$(32,599) respectively. At June 30, 2017, 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	\$ 26,820	\$ 25,262	\$ -	\$ 69,955
Net difference between projected and actual earnings on pension plan investments	257,401	-	64,470	-
Employer contributions subsequent to the measurement date	278,860	-	13,527	-
Total	<u>\$ 563,081</u>	<u>\$ 25,262</u>	<u>\$ 77,997</u>	<u>\$ 69,955</u>

\$278,860 and \$13,527 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year fiscal ended June 30, 2018. 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)
2018	\$ 13,803	\$ (46,118)
2019	(13,015)	(22,366)
2020	152,243	37,214
2021	105,928	25,785
2022	-	-
Thereafter	-	-

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,133,557 and \$1,545,205 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$15,129,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .10796% as compared to .10488% at June 30, 2015.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,264,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, 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 \$	- \$	490,000
Net difference between projected and actual earnings on pension plan investments	864,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	340,000	285,000
Employer contributions subsequent to the measurement date	<u>1,133,557</u>	<u>-</u>
Total	<u>\$ 2,337,557</u>	<u>\$ 775,000</u>

\$1,133,557 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, 2018. 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>	
2018	(138,000)
2019	(138,000)
2020	390,000
2021	316,000
2022	(1,000)

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—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, 2015, 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, 2016.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
		<hr/>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employers' Net Pension Liability (Asset)	\$	<hr/> <hr/> 14,014,115
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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.

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	21,567,000 \$	15,129,000 \$	9,826,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 14—Surety Bonds:

The following surety bonds covered constitutional officers and County employees at June 30, 2017:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gordon F. Erby, Clerk of the Circuit Court	\$ 150,000
Amona Currin, Treasurer	400,000
Liz Y. Hamlett, Commissioner of the Revenue	3,000
Arthur Townsend, Sheriff	30,000
VACo Risk Management Programs:	
James Abernathy, Clerk of the Board	10,000
Kathy Wray, Clerk of Textbook Fund	10,000
Mary B. Leistra, Deputy Clerk of the Board	10,000
Charles M. Berkley, Jr., School Superintendent	10,000
All School Board Employees-blanket bond	2,500
Western Surety Company:	
Dorothy A. Newcomb, Director of Social Services	100,000
VA Risk Pool:	
All Social Services Employees-Blanket Bond	1,000,000

Note 15—Other Postemployment Benefits—Health Insurance:

A. Plan Description

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the School Board. This funding methodology mirrors the funding approach used for pension benefits.

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

B. Funding Policy

The School Board's retirees pay 100% of the premiums. The Schools currently have 8 retirees and dependents on their plan.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 15-Other Postemployment Benefits-Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	80,400
Interest on net OPEB obligation		8,245
Adjustment to annual required contribution		(12,808)
Annual OPEB cost (expense)	\$	75,837
Contributions made		(24,400)
Increase in net OPEB obligation		51,437
Net OPEB obligation-beginning of year		235,572
Net OPEB obligation-end of year	\$	287,009

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
School Board:			
6/30/2015 \$	88,453	42.85%	\$ 192,399
6/30/2016	90,973	52.54%	235,572
6/17/2017	75,837	32.17%	287,009

Note 15-Other Postemployment Benefits-Health Insurance (Continued):

D. Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$736,200, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,177,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.00%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

In the January 1, 2017, the most recent actuarial valuation, the projected unit credit method with level dollar amount amortization was used.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2020 using scale AA.

Coverage elections-The actuary assumed that 30% of eligible retirees who qualify will elect coverage and 30% of employees who elect coverage will elect to cover a spouse.

Note 15–Other Postemployment Benefits-Health Insurance (Continued):

E. Actuarial Methods and Assumptions (Continued)

Cost Method (Continued)

Healthcare cost trend rate –Medical trend rates consistent with information from the Getzen Trend Model, Milliman’s *Health Cost Guidelines* and actuarial judgment were used. These trend rates do not include the effects of changes in demographics of the covered group. Health Cost trend assumptions under the Getzen Trend model include a 6.60% rate graded to 4.50% over 75 years.

Based on the historical and expected returns of the School Board’s short-term investment portfolio, a discount rate of 3.50% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2017 was thirty years.

Note 16–Other Postemployment Benefits-Health Insurance Credit:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 12.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board’s contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$85,779, \$86,685, and \$82,836, respectively and equaled the required contributions for each year.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 17—Fair Value Measurements:

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

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

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

The County has the following recurring fair value measurements as of June 30, 2017:

Investment type	Balance June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
Corporate Issues	\$ 50,110	\$ 50,110	\$ -	\$ -
U.S. Government Issues	1,103,631	1,103,631	-	-
	<u>\$ 1,153,741</u>	<u>\$ 1,153,741</u>	<u>\$ -</u>	<u>\$ -</u>

Note 18—Upcoming Pronouncements:

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

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Note 18—Upcoming Pronouncements: (Continued)

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

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County of Lunenburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 5,535,000	\$ 5,535,000	\$ 5,866,563	\$ 331,563
Other local taxes	799,000	799,000	920,475	121,475
Permits, privilege fees, and regulatory licenses	38,600	38,600	33,376	(5,224)
Fines and forfeitures	35,100	35,100	23,544	(11,556)
Revenue from the use of money and property	52,500	52,500	60,986	8,486
Charges for services	234,546	234,546	252,319	17,773
Miscellaneous	29,000	36,164	57,892	21,728
Recovered costs	5,228	5,228	10,938	5,710
Intergovernmental:				
Commonwealth	3,884,933	3,924,933	4,020,317	95,384
Federal	669,900	719,900	687,175	(32,725)
Total revenues	<u>\$ 11,283,807</u>	<u>\$ 11,380,971</u>	<u>\$ 11,933,585</u>	<u>\$ 552,614</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,315,172	\$ 1,315,172	\$ 1,068,627	\$ 246,545
Judicial administration	734,436	774,436	705,926	68,510
Public safety	2,259,370	2,316,534	2,157,440	159,094
Public works	432,615	432,615	360,273	72,342
Health and welfare	2,220,000	2,220,000	2,448,474	(228,474)
Education	3,445,884	3,445,884	3,431,352	14,532
Community development	412,653	412,653	406,895	5,758
Capital projects	320,000	320,000	149,287	170,713
Total expenditures	<u>\$ 11,140,130</u>	<u>\$ 11,237,294</u>	<u>\$ 10,728,274</u>	<u>\$ 509,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 143,677</u>	<u>\$ 143,677</u>	<u>\$ 1,205,311</u>	<u>\$ 1,061,634</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (1,019,768)</u>	<u>\$ (1,019,768)</u>	<u>\$ (634,360)</u>	<u>\$ 385,408</u>
Total other financing sources (uses)	<u>\$ (1,019,768)</u>	<u>\$ (1,019,768)</u>	<u>\$ (634,360)</u>	<u>\$ 385,408</u>
Net change in fund balances	\$ (876,091)	\$ (876,091)	\$ 570,951	\$ 1,447,042
Fund balances - beginning	876,091	876,091	7,787,081	6,910,990
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,358,032</u>	<u>\$ 8,358,032</u>

County of Lunenburg, Virginia
County Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 17,000	\$ 17,000	\$ 12,434	\$ (4,566)
Charges for services	1,000	1,000	15,728	14,728
Miscellaneous	800	800	1,420	620
Intergovernmental:				
Commonwealth	682,567	682,567	354,764	(327,803)
Federal	64,831	64,831	-	(64,831)
Total revenues	<u>\$ 766,198</u>	<u>\$ 766,198</u>	<u>\$ 384,346</u>	<u>\$ (381,852)</u>
EXPENDITURES				
Current:				
Judicial administration	\$ 1,000	\$ 1,000	\$ 6,606	\$ (5,606)
Public safety	800	800	-	800
Community development	830,831	830,831	150,576	680,255
Total expenditures	<u>\$ 832,631</u>	<u>\$ 832,631</u>	<u>\$ 157,182</u>	<u>\$ 675,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (66,433)</u>	<u>\$ (66,433)</u>	<u>\$ 227,164</u>	<u>\$ 293,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 66,433	\$ 66,433	\$ 7,500	\$ (58,933)
Total other financing sources (uses)	<u>\$ 66,433</u>	<u>\$ 66,433</u>	<u>\$ 7,500</u>	<u>\$ (58,933)</u>
Net change in fund balances	\$ -	\$ -	\$ 234,664	\$ 234,664
Fund balances - beginning	-	-	(107,588)	(107,588)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,076</u>	<u>\$ 127,076</u>

County of Lunenburg, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
School Board:						
1/1/2017	\$ -	\$ 736,200	\$ 736,200	0.00%	\$ 8,177,100	9.00%
1/1/2015	-	875,700	875,700	0.00%	8,832,500	9.91%
1/1/2013	-	850,600	850,600	0.00%	8,681,400	9.80%

County of Lunenburg, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 254,636	\$ 253,424	\$ 260,971
Interest	827,318	796,712	773,018
Differences between expected and actual experience	(37,291)	81,002	-
Benefit payments, including refunds of employee contributions	(688,771)	(699,037)	(691,966)
Net change in total pension liability	\$ 355,892	\$ 432,101	\$ 342,023
Total pension liability - beginning	12,163,216	11,731,115	11,389,092
Total pension liability - ending (a)	<u>\$ 12,519,108</u>	<u>\$ 12,163,216</u>	<u>\$ 11,731,115</u>
Plan fiduciary net position			
Contributions - employer	\$ 326,381	\$ 328,483	\$ 198,923
Contributions - employee	117,177	108,843	101,935
Net investment income	170,601	449,389	1,385,508
Benefit payments, including refunds of employee contributions	(688,771)	(699,037)	(691,966)
Administrative expense	(6,342)	(6,324)	(7,725)
Other	(74)	(96)	73
Net change in plan fiduciary net position	\$ (81,028)	\$ 181,258	\$ 986,748
Plan fiduciary net position - beginning	10,129,320	9,948,062	8,961,314
Plan fiduciary net position - ending (b)	<u>\$ 10,048,292</u>	<u>\$ 10,129,320</u>	<u>\$ 9,948,062</u>
County's net pension liability - ending (a) - (b)	\$ 2,470,816	\$ 2,033,896	\$ 1,783,053
Plan fiduciary net position as a percentage of the total pension liability	80.26%	83.28%	84.80%
Covered payroll	\$ 2,176,040	\$ 2,138,151	\$ 2,061,828
County's net pension liability as a percentage of covered payroll	113.55%	95.12%	86.48%

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

County of Lunenburg, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (Nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 59,924	\$ 61,333	\$ 66,261
Interest	155,869	152,679	143,318
Differences between expected and actual experience	(69,531)	(70,799)	-
Benefit payments, including refunds of employee contributions	(117,897)	(77,403)	(74,286)
Net change in total pension liability	\$ 28,365	\$ 65,810	\$ 135,293
Total pension liability - beginning	2,285,646	2,219,836	2,084,543
Total pension liability - ending (a)	<u>\$ 2,314,011</u>	<u>\$ 2,285,646</u>	<u>\$ 2,219,836</u>
Plan fiduciary net position			
Contributions - employer	\$ 39,362	\$ 38,525	\$ 37,671
Contributions - employee	31,397	30,884	30,980
Net investment income	43,532	109,677	326,923
Benefit payments, including refunds of employee contributions	(117,897)	(77,403)	(74,286)
Administrative expense	(1,566)	(1,488)	(1,750)
Other	(18)	(24)	18
Net change in plan fiduciary net position	\$ (5,190)	\$ 100,171	\$ 319,556
Plan fiduciary net position - beginning	2,488,079	2,387,908	2,068,352
Plan fiduciary net position - ending (b)	<u>\$ 2,482,889</u>	<u>\$ 2,488,079</u>	<u>\$ 2,387,908</u>
School Board's net pension liability (asset) - ending (a) - (b)	\$ (168,878)	\$ (202,433)	\$ (168,072)
Plan fiduciary net position as a percentage of the total pension liability	107.30%	108.86%	107.57%
Covered payroll	\$ 658,317	\$ 631,847	619,571
School Board's net pension liability (asset) as a percentage of covered payroll	-25.65%	-32.04%	-27.13%

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

County of Lunenburg, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.10796%	0.10488%	0.10549%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,129,000	\$ 13,200,000	\$ 12,748,000
Employer's Covered Payroll	8,210,455	7,640,662	7,659,648
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	184.27%	172.76%	166.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

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

County of Lunenburg, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

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					
2017	\$ 278,860	278,860	\$ -	\$ 2,165,063	12.88%
2016	331,846	331,846	-	2,176,040	15.25%
2015	326,068	326,068	-	2,138,151	15.25%
2014	289,687	202,884	86,803	2,061,828	9.84%
2013	296,460	207,627	88,832	2,110,035	9.84%
2012	200,521	200,521	-	2,128,678	9.42%
2011	204,076	204,076	-	2,166,408	9.42%
2010	185,986	185,986	-	2,254,374	8.25%
2009	188,552	188,552	-	2,285,482	8.25%
2008	117,816	117,816	-	2,227,149	5.29%
Component Unit School Board (nonprofessional)					
2017	\$ 13,527	\$ 13,527	\$ -	\$ 647,223	2.09%
2016	40,881	40,881	-	658,317	6.21%
2015	39,238	39,238	-	631,847	6.21%
2014	42,317	37,670	4,647	619,571	6.08%
2013	42,522	37,852	4,669	622,570	6.08%
2012	38,607	38,607	-	634,990	6.08%
2011	38,565	38,565	-	634,296	6.08%
2010	45,223	45,223	-	672,964	6.72%
2009	46,892	46,892	-	697,794	6.72%
2008	43,743	43,743	-	725,417	6.03%
Component Unit School Board (professional)					
2017	\$ 1,133,557	\$ 1,133,557	\$ -	\$ 7,972,091	14.22%
2016	1,154,390	1,154,390	-	8,210,455	14.06%
2015	1,107,896	1,107,896	-	7,640,662	14.50%
2014	893,115	893,115	-	7,659,648	11.66%
2013	919,305	919,305	-	7,884,262	11.66%
2012	925,663	925,663	-	8,170,018	11.33%
2011	770,923	770,923	-	8,632,956	8.93%
2010	1,026,497	1,026,497	-	7,432,998	13.81%
2009	1,238,200	1,238,200	-	8,965,967	13.81%
2008	1,355,965	1,355,965	-	8,862,516	15.30%

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

County of Lunenburg, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30 2016 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Lunenburg, Virginia
County Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 6,118	\$ 6,118
Intergovernmental:				
Local Government	380,000	380,000	772,257	392,257
Federal	140,000	140,000	141,179	1,179
Total revenues	<u>\$ 520,000</u>	<u>\$ 520,000</u>	<u>\$ 919,554</u>	<u>\$ 399,554</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 999,788	\$ 7,148,788	\$ 6,974,302	\$ 174,486
Interest and other fiscal charges	532,212	532,212	500,085	32,127
Total expenditures	<u>\$ 1,532,000</u>	<u>\$ 7,681,000</u>	<u>\$ 7,474,387</u>	<u>\$ 206,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,012,000)</u>	<u>\$ (7,161,000)</u>	<u>\$ (6,554,833)</u>	<u>\$ 606,167</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,012,000	\$ 1,012,000	\$ 626,860	\$ (385,140)
Issuance of debt	-	6,271,000	6,271,000	-
Bond issuance costs	-	(122,000)	(122,000)	-
Total other financing sources (uses)	<u>\$ 1,012,000</u>	<u>\$ 7,161,000</u>	<u>\$ 6,775,860</u>	<u>\$ (385,140)</u>
Net change in fund balances	\$ -	\$ -	\$ 221,027	\$ 221,027
Fund balances - beginning	-	-	158,973	158,973
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ 380,000</u>

County of Lunenburg, Virginia

Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 4,502	\$ 5,529	\$ 5,547	\$ 4,484
Liabilities:				
Amounts held for social services clients	\$ 4,502	\$ 5,529	\$ 5,547	\$ 4,484
Cell Tower Escrow:				
Assets:				
Cash and cash equivalents	\$ 35,184	\$ -	\$ 1,275	\$ 33,909
Liabilities:				
Amounts held for others	\$ 35,184	\$ -	\$ 1,275	\$ 33,909
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 39,686	\$ 5,529	\$ 6,822	\$ 38,393
Total assets	\$ 39,686	\$ 5,529	\$ 6,822	\$ 38,393
Liabilities:				
Amounts held for others	\$ 35,184	\$ -	\$ 1,275	\$ 33,909
Amounts held for social services clients	4,502	5,529	5,547	4,484
Total liabilities	\$ 39,686	\$ 5,529	\$ 6,822	\$ 38,393

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Lunenburg, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating <u>Fund</u>	School Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 29,219	\$ 29,219
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	18,632	18,632
Due from other funds	-	79,000	79,000
Due from other governmental units	563,881	-	563,881
Total assets	<u>\$ 563,881</u>	<u>\$ 126,851</u>	<u>\$ 690,732</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 102,462	\$ -	\$ 102,462
Due to other funds	79,000	-	79,000
Due to other governmental units	382,419	-	382,419
Total liabilities	<u>\$ 563,881</u>	<u>\$ -</u>	<u>\$ 563,881</u>
Fund balances:			
Assigned	\$ -	\$ 126,851	\$ 126,851
Total fund balances	<u>\$ -</u>	<u>\$ 126,851</u>	<u>\$ 126,851</u>
Total liabilities and fund balances	<u>\$ 563,881</u>	<u>\$ 126,851</u>	<u>\$ 690,732</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total fund balances per above			\$ 126,851
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost		\$ 10,105,489	
Accumulated depreciation		<u>(5,557,583)</u>	4,547,906
The net pension asset is not an available resource and, therefore, is not reported in the funds.			
			168,878
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred inflows related to measurement of net pension liability			(844,955)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.			
			1,147,084
Long-term liabilities, including net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the funds.			
Net OPEB obligation		\$ (287,009)	
Capital lease		(40,222)	
Deferred outflows related to measurement of net pension liability		1,268,470	
Net pension liability		<u>(15,129,000)</u>	(14,187,761)
Net position of governmental activities			<u>\$ (9,041,997)</u>

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County of Lunenburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 314	\$ 314
Charges for services	147,065	184,988	332,053
Miscellaneous	2,016	-	2,016
Intergovernmental:			
Local government	3,431,352	-	3,431,352
Commonwealth	10,882,521	15,820	10,898,341
Federal	1,220,153	692,394	1,912,547
Total revenues	<u>\$ 15,683,107</u>	<u>\$ 893,516</u>	<u>\$ 16,576,623</u>
EXPENDITURES			
Current:			
Education	\$ 15,614,611	\$ 917,338	\$ 16,531,949
Debt service:			
Principal retirement	3,123	-	3,123
Interest and other fiscal charges	1,086	-	1,086
Total expenditures	<u>\$ 15,618,820</u>	<u>\$ 917,338</u>	<u>\$ 16,536,158</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 64,287	\$ (23,822)	\$ 40,465
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 107,632	\$ 107,632
Transfers out	(107,632)	-	(107,632)
Issuance of capital lease	43,345	-	43,345
Total other financing sources (uses)	<u>\$ (64,287)</u>	<u>\$ 107,632</u>	<u>\$ 43,345</u>
Net change in fund balances	\$ -	\$ 83,810	\$ 83,810
Fund balances - beginning	-	43,041	43,041
Fund balances - ending	<u>\$ -</u>	<u>\$ 126,851</u>	<u>\$ 126,851</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 83,810

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 depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 101,018	
Transfer of joint tenancy assets	222,465	
Depreciation expense	<u>(333,124)</u>	(9,641)

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

Change in deferred inflows related to measurement of net pension liability/asset 649,046

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (40,222)

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

Change in Net OPEB obligation	\$ (51,437)	
Change in net pension liability	(1,929,000)	
Change in net pension asset	(33,555)	
Change in deferred outflows related to the measurement of net pension liability	1,268,470	
Change in deferred outflows related to pension contributions subsequent to the measurement date	<u>(439,002)</u>	(1,184,524)

Change in net position of governmental activities \$ (501,531)

County of Lunenburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 100	\$ 100	\$ -	\$ (100)
Charges for services	235,144	235,144	147,065	(88,079)
Miscellaneous	3,500	3,500	2,016	(1,484)
Intergovernmental:				
Local government	3,445,884	3,445,884	3,431,352	(14,532)
Commonwealth	11,033,016	11,033,016	10,882,521	(150,495)
Federal	1,437,159	1,437,159	1,220,153	(217,006)
Total revenues	<u>\$ 16,154,803</u>	<u>\$ 16,154,803</u>	<u>\$ 15,683,107</u>	<u>\$ (471,696)</u>
EXPENDITURES				
Current:				
Education	\$ 16,107,729	\$ 16,028,729	\$ 15,614,611	\$ 414,118
Debt service:				
Principal retirement	3,123	3,123	3,123	-
Interest and other fiscal charges	1,086	1,086	1,086	-
Total expenditures	<u>\$ 16,111,938</u>	<u>\$ 16,032,938</u>	<u>\$ 15,618,820</u>	<u>\$ 414,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 42,865</u>	<u>\$ 121,865</u>	<u>\$ 64,287</u>	<u>\$ (57,578)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(42,865)	(121,865)	(107,632)	14,233
Issuance of capital lease	-	-	43,345	43,345
Total other financing sources (uses)	<u>\$ (42,865)</u>	<u>\$ (121,865)</u>	<u>\$ (64,287)</u>	<u>\$ 57,578</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School Special Revenue Fund				
Budgeted Amounts			Variance with Final Budget Positive (Negative)	
<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>	
\$ -	\$ -	\$ 314	\$ 314	
283,084	283,084	184,988	(98,096)	
-	-	-	-	
-	-	-	-	
11,809	11,809	15,820	4,011	
645,145	701,738	692,394	(9,344)	
\$ 940,038	\$ 996,631	\$ 893,516	\$ (103,115)	
\$ 982,903	\$ 1,118,496	\$ 917,338	\$ 201,158	
-	-	-	-	
-	-	-	-	
\$ 982,903	\$ 1,118,496	\$ 917,338	\$ 201,158	
\$ (42,865)	\$ (121,865)	\$ (23,822)	\$ 98,043	
\$ 42,865	\$ 121,865	\$ 107,632	\$ (14,233)	
-	-	-	-	
-	-	-	-	
\$ 42,865	\$ 121,865	\$ 107,632	\$ (14,233)	
\$ -	\$ -	\$ 83,810	\$ 83,810	
-	-	43,041	43,041	
\$ -	\$ -	\$ 126,851	\$ 126,851	

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DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY

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County of Lunenburg, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 79,578
Inventories	80,000
Total current assets	<u>\$ 159,578</u>
Total assets	<u>\$ 159,578</u>

NET POSITION

Unrestricted	\$ 159,578
Total net position	<u><u>\$ 159,578</u></u>

County of Lunenburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2017

OPERATING REVENUES

Charges for services:

Lease revenue	\$ 36,000
Contributions from local government	7,659
Total operating revenues	<u>\$ 43,659</u>

OPERATING EXPENSES

Other charges	\$ 10,352
Tax incentives	39,799
Total operating expenses	<u>\$ 50,151</u>

Operating income (loss)	<u>\$ (6,492)</u>
-------------------------	-------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 262
Economic development incentives	39,799
Total nonoperating revenues (expenses)	<u>\$ 40,061</u>

Change in net position	\$ 33,569
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Total net position - beginning	126,009
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Total net position - ending	<u><u>\$ 159,578</u></u>
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County of Lunenburg, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 43,659
Payments for operating activities	(50,151)
Net cash provided by (used for) operating activities	<u>\$ (6,492)</u>

CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES

Economic development incentives received	<u>\$ 39,799</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 39,799</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>\$ 262</u>
Net cash provided by (used for) investing activities	<u>\$ 262</u>

Net increase (decrease) in cash and cash equivalents	\$ 33,569
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Cash and cash equivalents - beginning	<u>46,009</u>
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Cash and cash equivalents - ending	<u><u>\$ 79,578</u></u>
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SUPPORTING SCHEDULES

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County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,220,000	\$ 3,220,000	\$ 3,206,120	\$ (13,880)
Real and personal public service corporation taxes	140,000	140,000	269,509	129,509
Personal property taxes	1,737,000	1,737,000	1,882,660	145,660
Mobile home taxes	22,500	22,500	23,625	1,125
Machinery and tools taxes	248,000	248,000	296,107	48,107
Merchant's capital taxes	68,500	68,500	76,804	8,304
Penalties	57,000	57,000	76,001	19,001
Interest	42,000	42,000	35,737	(6,263)
Total general property taxes	\$ 5,535,000	\$ 5,535,000	\$ 5,866,563	\$ 331,563
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 422,732	\$ 72,732
Utility taxes	170,000	170,000	184,421	14,421
Consumption tax	24,000	24,000	23,310	(690)
Motor vehicle licenses	204,000	204,000	230,185	26,185
Taxes on recordation and wills	51,000	51,000	59,827	8,827
Total other local taxes	\$ 799,000	\$ 799,000	\$ 920,475	\$ 121,475
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 10,640	\$ 640
Transfer fees	400	400	420	20
Permits and other licenses	28,200	28,200	22,316	(5,884)
Total permits, privilege fees, and regulatory licenses	\$ 38,600	\$ 38,600	\$ 33,376	\$ (5,224)
Fines and forfeitures:				
Court fines and forfeitures	\$ 35,100	\$ 35,100	\$ 23,544	\$ (11,556)
Total fines and forfeitures	\$ 35,100	\$ 35,100	\$ 23,544	\$ (11,556)
Revenue from use of money and property:				
Revenue from use of money	\$ 21,000	\$ 21,000	\$ 29,253	\$ 8,253
Revenue from use of property	31,500	31,500	31,733	233
Total revenue from use of money and property	\$ 52,500	\$ 52,500	\$ 60,986	\$ 8,486
Charges for services:				
Excess fees of clerk	\$ 6,000	\$ 6,000	\$ 7,002	\$ 1,002
Sheriff's fees	646	646	646	-
Courthouse security fees	17,000	17,000	17,422	422
Landfill fees	205,000	205,000	219,364	14,364
Court appointed attorney fees	-	-	83	83
Charges for Commonwealth's Attorney	1,500	1,500	1,725	225
Charges for correction and detention	1,700	1,700	2,061	361
Document reproduction costs	2,700	2,700	4,016	1,316
Total charges for services	\$ 234,546	\$ 234,546	\$ 252,319	\$ 17,773

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 29,000	\$ 36,164	\$ 57,892	\$ 21,728
Total miscellaneous	\$ 29,000	\$ 36,164	\$ 57,892	\$ 21,728
Recovered costs:				
Town of Victoria/Town of Kenbridge	\$ 5,228	\$ 5,228	\$ 5,234	\$ 6
VJCCA juvenile reimbursement	-	-	5,704	5,704
Total recovered costs	\$ 5,228	\$ 5,228	\$ 10,938	\$ 5,710
Total revenue from local sources	\$ 6,728,974	\$ 6,736,138	\$ 7,226,093	\$ 489,955
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 194,000	\$ 194,000	\$ 194,773	\$ 773
Mobile home titling tax	13,000	13,000	20,758	7,758
Rolling stock tax	4,000	4,000	4,382	382
Recordation tax	8,000	8,000	13,091	5,091
Personal property tax relief funds	1,048,232	1,048,232	1,048,232	-
Total noncategorical aid	\$ 1,267,232	\$ 1,267,232	\$ 1,281,236	\$ 14,004
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 214,206	\$ 214,206	\$ 184,676	\$ (29,530)
Sheriff	714,959	714,959	703,273	(11,686)
Commissioner of revenue	72,374	72,374	71,030	(1,344)
Treasurer	80,626	80,626	79,299	(1,327)
Registrar/electoral board	38,000	38,000	37,030	(970)
Clerk of the Circuit Court	182,984	222,984	221,601	(1,383)
Total shared expenses	\$ 1,303,149	\$ 1,343,149	\$ 1,296,909	\$ (46,240)
Other categorical aid:				
Public assistance and welfare administration	\$ 302,600	\$ 302,600	\$ 372,420	\$ 69,820
Animal friendly plates	100	100	107	7
Comprehensive services act	800,000	800,000	904,393	104,393
Emergency medical services	11,500	11,500	-	(11,500)
Victim-witness grant	68,352	68,352	27,225	(41,127)
E-911 wireless	45,000	45,000	51,235	6,235
E-911 equipment grant	37,000	37,000	33,134	(3,866)
Selective enforcement grant	18,000	18,000	-	(18,000)
Clerk's records grant	-	-	14,152	14,152

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control	6,500	6,500	7,275	775
Fire programs fund	25,500	25,500	32,231	6,731
Total other categorical aid	\$ 1,314,552	\$ 1,314,552	\$ 1,442,172	\$ 127,620
Total categorical aid	\$ 2,617,701	\$ 2,657,701	\$ 2,739,081	\$ 81,380
Total revenue from the Commonwealth	\$ 3,884,933	\$ 3,924,933	\$ 4,020,317	\$ 95,384
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 587,400	\$ 587,400	\$ 557,120	\$ (30,280)
Victim witness grant	-	-	52,344	52,344
LEMP grant	82,500	82,500	13,692	(68,808)
Transportation safety grant	-	-	12,312	12,312
USDA vehicle grant	-	50,000	50,000	-
Justice assistance grant	-	-	1,707	1,707
Total categorical aid	\$ 669,900	\$ 719,900	\$ 687,175	\$ (32,725)
Total revenue from the federal government	\$ 669,900	\$ 719,900	\$ 687,175	\$ (32,725)
Total General Fund	\$ 11,283,807	\$ 11,380,971	\$ 11,933,585	\$ 552,614
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 45	\$ 45
Revenue from the use of property	17,000	17,000	12,389	(4,611)
Total revenue from use of money and property	\$ 17,000	\$ 17,000	\$ 12,434	\$ (4,566)
Charges for services:				
Law Library	\$ 1,000	\$ 1,000	\$ 728	\$ (272)
Recovered costs	-	-	15,000	15,000
Total charges for services	\$ 1,000	\$ 1,000	\$ 15,728	\$ 14,728
Miscellaneous:				
Miscellaneous	\$ 800	\$ 800	\$ 1,420	\$ 620
Total miscellaneous	\$ 800	\$ 800	\$ 1,420	\$ 620
Total revenue from local sources	\$ 18,800	\$ 18,800	\$ 29,582	\$ 10,782

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Aviation fees	\$ 5,500	\$ 5,500	\$ 19,531	\$ 14,031
Tobacco funds	662,400	662,400	320,233	(342,167)
Bee grant	-	-	15,000	15,000
Other categorical aid	14,667	14,667	-	(14,667)
Total categorical aid	\$ 682,567	\$ 682,567	\$ 354,764	\$ (327,803)
Total revenue from the Commonwealth	\$ 682,567	\$ 682,567	\$ 354,764	\$ (327,803)
Revenue from the federal government:				
Categorical aid:				
TEA 21 grant	\$ 64,831	\$ 64,831	\$ -	\$ (64,831)
Total categorical aid	\$ 64,831	\$ 64,831	\$ -	\$ (64,831)
Total revenue from the federal government	\$ 64,831	\$ 64,831	\$ -	\$ (64,831)
Total County Special Revenue Fund	\$ 766,198	\$ 766,198	\$ 384,346	\$ (381,852)
Debt Service Fund:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 6,118	\$ 6,118
Total miscellaneous	\$ -	\$ -	\$ 6,118	\$ 6,118
Total revenue from local sources	\$ -	\$ -	\$ 6,118	\$ 6,118
Intergovernmental:				
Revenues from local governments:				
Contribution from Lunenburg School Board	\$ 380,000	\$ 380,000	\$ 772,257	\$ 392,257
Total revenues from local governments	\$ 380,000	\$ 380,000	\$ 772,257	\$ 392,257
Revenue from the federal government:				
Categorical aid:				
QZAB subsidy	\$ 140,000	\$ 140,000	\$ 141,179	\$ 1,179
Total categorical aid	\$ 140,000	\$ 140,000	\$ 141,179	\$ 1,179
Total revenue from the federal government	\$ 140,000	\$ 140,000	\$ 141,179	\$ 1,179
Total County Debt Service Fund	\$ 520,000	\$ 520,000	\$ 919,554	\$ 399,554
Total Primary Government	\$ 12,570,005	\$ 12,667,169	\$ 13,237,485	\$ 570,316
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 100	\$ 100	\$ -	\$ (100)
Total revenue from use of money and property	\$ 100	\$ 100	\$ -	\$ (100)
Charges for services:				
Charges for education	\$ 235,144	\$ 235,144	\$ 147,065	\$ (88,079)
Total charges for services	\$ 235,144	\$ 235,144	\$ 147,065	\$ (88,079)

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 2,016	\$ (1,484)
Total miscellaneous	\$ 3,500	\$ 3,500	\$ 2,016	\$ (1,484)
Total revenue from local sources	\$ 238,744	\$ 238,744	\$ 149,081	\$ (89,663)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lunenburg, Virginia	\$ 3,445,884	\$ 3,445,884	\$ 3,431,352	\$ (14,532)
Total revenues from local governments	\$ 3,445,884	\$ 3,445,884	\$ 3,431,352	\$ (14,532)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,849,332	\$ 1,849,332	\$ 1,801,652	\$ (47,680)
Basic school aid	5,283,571	5,283,571	5,317,350	33,779
Remedial summer education	56,100	56,100	71,642	15,542
Regular foster care	3,625	3,625	-	(3,625)
Supplemental support for schools	58,698	58,698	58,836	138
Gifted and talented	53,749	53,749	53,731	(18)
Remedial education	335,930	335,930	335,821	(109)
Special education	545,327	545,327	545,150	(177)
Textbook payment	122,928	122,928	122,888	(40)
GED funding	7,859	7,859	8,418	559
Vocational education	-	-	192,881	192,881
School fringes	1,310,730	1,310,730	1,033,210	(277,520)
Early reading intervention	27,175	27,175	22,234	(4,941)
Homebound	21,706	21,706	26,498	4,792
Vocational education - equipment	4,256	4,256	6,416	2,160
Mentor teacher program	904	904	1,053	149
At risk payments	373,779	373,779	373,779	-
Technology funds	208,800	208,800	201,600	(7,200)
Primary class size	337,146	337,146	337,065	(81)
Standards of Learning algebra readiness	32,920	32,920	32,920	-
Tobacco settlement	19,000	19,000	-	(19,000)
Preschool initiative	310,490	310,490	250,245	(60,245)
Project graduation	-	-	8,142	8,142
English as a second language	68,991	68,991	73,884	4,893
Security grant	-	-	18	18
Other state funds	-	-	7,088	7,088
Total categorical aid	\$ 11,033,016	\$ 11,033,016	\$ 10,882,521	\$ (150,495)
Total revenue from the Commonwealth	\$ 11,033,016	\$ 11,033,016	\$ 10,882,521	\$ (150,495)

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 793,664	\$ 793,664	\$ 537,051	\$ (256,613)
Vocational education	38,000	38,000	34,063	(3,937)
AP test fees	-	-	760	760
Title VI-Rural	39,580	39,580	54,422	14,842
Title VIB	418,530	418,530	435,455	16,925
Preschool special education	12,385	12,385	17,794	5,409
Title II, part a-teacher quality	115,000	115,000	101,294	(13,706)
Title II, part b-math and science partnership	-	-	3,121	3,121
JROTC	20,000	20,000	36,193	16,193
Total categorical aid	<u>\$ 1,437,159</u>	<u>\$ 1,437,159</u>	<u>\$ 1,220,153</u>	<u>\$ (217,006)</u>
Total revenue from the federal government	<u>\$ 1,437,159</u>	<u>\$ 1,437,159</u>	<u>\$ 1,220,153</u>	<u>\$ (217,006)</u>
Total School Operating Fund	<u><u>\$ 16,154,803</u></u>	<u><u>\$ 16,154,803</u></u>	<u><u>\$ 15,683,107</u></u>	<u><u>\$ (471,696)</u></u>
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 314	\$ 314
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314</u>	<u>\$ 314</u>
Charges for services:				
Cafeteria sales	\$ 283,084	\$ 283,084	\$ 184,988	\$ (98,096)
Total charges for services	<u>\$ 283,084</u>	<u>\$ 283,084</u>	<u>\$ 184,988</u>	<u>\$ (98,096)</u>
Total revenue from local sources	<u>\$ 283,084</u>	<u>\$ 283,084</u>	<u>\$ 185,302</u>	<u>\$ (97,782)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 11,809	\$ 11,809	\$ 15,820	\$ 4,011
Total categorical aid	<u>\$ 11,809</u>	<u>\$ 11,809</u>	<u>\$ 15,820</u>	<u>\$ 4,011</u>
Total revenue from the Commonwealth	<u>\$ 11,809</u>	<u>\$ 11,809</u>	<u>\$ 15,820</u>	<u>\$ 4,011</u>

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 645,145	\$ 645,145	\$ 624,878	\$ (20,267)
Summer feeding	-	-	10,923	10,923
Commodities	-	56,593	56,593	-
Total categorical aid	<u>\$ 645,145</u>	<u>\$ 701,738</u>	<u>\$ 692,394</u>	<u>\$ (9,344)</u>
Total revenue from the federal government	<u>\$ 645,145</u>	<u>\$ 701,738</u>	<u>\$ 692,394</u>	<u>\$ (9,344)</u>
Total School Special Revenue Fund	<u>\$ 940,038</u>	<u>\$ 996,631</u>	<u>\$ 893,516</u>	<u>\$ (103,115)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,094,841</u>	<u>\$ 17,151,434</u>	<u>\$ 16,576,623</u>	<u>\$ (574,811)</u>

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County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 49,320	\$ 49,320	\$ 43,758	\$ 5,562
General and financial administration:				
County administrator	\$ 219,350	\$ 219,350	\$ 212,562	\$ 6,788
Professional services	105,000	105,000	103,549	1,451
Commissioner of revenue	204,563	204,563	198,587	5,976
Treasurer	230,706	230,706	213,569	17,137
Reassessment	208,069	208,069	40,006	168,063
Other general and financial administration	187,600	187,600	146,588	41,012
Total general and financial administration	\$ 1,155,288	\$ 1,155,288	\$ 914,861	\$ 240,427
Board of elections:				
Electoral board and officials	\$ 35,806	\$ 35,806	\$ 36,008	\$ (202)
Registrar	74,758	74,758	74,000	758
Total board of elections	\$ 110,564	\$ 110,564	\$ 110,008	\$ 556
Total general government administration	\$ 1,315,172	\$ 1,315,172	\$ 1,068,627	\$ 246,545
Judicial administration:				
Courts:				
Circuit court	\$ 15,000	\$ 15,000	\$ 9,548	\$ 5,452
General district court	4,900	4,900	3,906	994
Special Magistrates	1,325	1,325	1,003	322
Juvenile and domestic relations court	84,247	84,247	62,493	21,754
Victim witness	68,352	68,352	65,234	3,118
Courthouse security	15,490	15,490	17,697	(2,207)
Clerk of the circuit court	271,930	311,930	312,878	(948)
Total courts	\$ 461,244	\$ 501,244	\$ 472,759	\$ 28,485
Commonwealth's attorney:				
Commonwealth's attorney	\$ 273,192	\$ 273,192	\$ 233,167	\$ 40,025
Total commonwealth's attorney	\$ 273,192	\$ 273,192	\$ 233,167	\$ 40,025
Total judicial administration	\$ 734,436	\$ 774,436	\$ 705,926	\$ 68,510
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,209,685	\$ 1,266,849	\$ 1,250,282	\$ 16,567
Total law enforcement and traffic control	\$ 1,209,685	\$ 1,266,849	\$ 1,250,282	\$ 16,567
Fire and rescue services:				
Fire department	\$ 269,040	\$ 269,040	\$ 262,852	\$ 6,188
Total fire and rescue services	\$ 269,040	\$ 269,040	\$ 262,852	\$ 6,188
Correction and detention:				
Payments to Regional Jail	\$ 424,000	\$ 424,000	\$ 321,987	\$ 102,013
Total correction and detention	\$ 424,000	\$ 424,000	\$ 321,987	\$ 102,013

County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 90,712	\$ 90,712	\$ 85,496	\$ 5,216
Total inspections	\$ 90,712	\$ 90,712	\$ 85,496	\$ 5,216
Other protection:				
Animal control	\$ 84,443	\$ 84,443	\$ 84,929	\$ (486)
E-911	181,390	181,390	151,854	29,536
Medical examiner	100	100	40	60
Total other protection	\$ 265,933	\$ 265,933	\$ 236,823	\$ 29,110
Total public safety	\$ 2,259,370	\$ 2,316,534	\$ 2,157,440	\$ 159,094
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 176,500	\$ 176,500	\$ 157,516	\$ 18,984
Convenience sites	28,000	28,000	12,032	15,968
Total sanitation and waste removal	\$ 204,500	\$ 204,500	\$ 169,548	\$ 34,952
Maintenance of general buildings and grounds:				
General properties	\$ 228,115	\$ 228,115	\$ 190,725	\$ 37,390
Total maintenance of general buildings and grounds	\$ 228,115	\$ 228,115	\$ 190,725	\$ 37,390
Total public works	\$ 432,615	\$ 432,615	\$ 360,273	\$ 72,342
Health and welfare:				
Health:				
Supplement of local health department	\$ 110,000	\$ 110,000	\$ 101,966	\$ 8,034
Total health	\$ 110,000	\$ 110,000	\$ 101,966	\$ 8,034
Mental health and mental retardation:				
Crossroads Community Services Board	\$ 53,000	\$ 53,000	\$ 53,000	\$ -
STEPS	5,000	5,000	5,000	-
Madeline's house	2,000	2,000	2,000	-
Total mental health and mental retardation	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,035,000	\$ 1,035,000	\$ 1,083,982	\$ (48,982)
Comprehensive services act	1,015,000	1,015,000	1,202,526	(187,526)
Total welfare	\$ 2,050,000	\$ 2,050,000	\$ 2,286,508	\$ (236,508)
Total health and welfare	\$ 2,220,000	\$ 2,220,000	\$ 2,448,474	\$ (228,474)
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 3,445,884	\$ 3,445,884	\$ 3,431,352	\$ 14,532
Total education	\$ 3,445,884	\$ 3,445,884	\$ 3,431,352	\$ 14,532

County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and community development	\$ 265,340	\$ 265,340	\$ 258,194	\$ 7,146
Economic development	74,313	74,313	68,830	5,483
Contribution to IDA - tax incentives	32,000	32,000	39,799	(7,799)
Total planning and community development	<u>\$ 371,653</u>	<u>\$ 371,653</u>	<u>\$ 366,823</u>	<u>\$ 4,830</u>
Cooperative extension program:				
Extension office	\$ 41,000	\$ 41,000	\$ 40,072	\$ 928
Total cooperative extension program	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 40,072</u>	<u>\$ 928</u>
Total community development	<u>\$ 412,653</u>	<u>\$ 412,653</u>	<u>\$ 406,895</u>	<u>\$ 5,758</u>
Capital projects:				
Capital improvements	\$ 320,000	\$ 320,000	\$ 149,287	\$ 170,713
Total capital projects	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 149,287</u>	<u>\$ 170,713</u>
Total General Fund	<u><u>\$ 11,140,130</u></u>	<u><u>\$ 11,237,294</u></u>	<u><u>\$ 10,728,274</u></u>	<u><u>\$ 509,020</u></u>
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Courts:				
Law Library	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Total courts	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Commonwealth's attorney:				
Asset forfeiture	\$ -	\$ -	\$ 6,606	\$ (6,606)
Total commonwealth's attorney	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,606</u>	<u>\$ (6,606)</u>
Total judicial administration	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 6,606</u>	<u>\$ (5,606)</u>
Public Safety:				
Sheriff:				
Project lifesaver	\$ 800	\$ 800	\$ -	\$ 800
Total Sheriff	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 800</u>
Total public safety	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 800</u>
Community Development:				
Airport	\$ 30,000	\$ 30,000	\$ 35,743	\$ (5,743)
Economic development	<u>800,831</u>	<u>800,831</u>	<u>114,833</u>	<u>685,998</u>
Total community development	<u>\$ 830,831</u>	<u>\$ 830,831</u>	<u>\$ 150,576</u>	<u>\$ 680,255</u>
Total County Special Revenue Fund	<u><u>\$ 832,631</u></u>	<u><u>\$ 832,631</u></u>	<u><u>\$ 157,182</u></u>	<u><u>\$ 675,449</u></u>

County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Debt Service Fund:				
Debt service:				
Principal retirement	\$ 999,788	\$ 7,148,788	\$ 6,974,302	\$ 174,486
Interest and other fiscal charges	532,212	532,212	500,085	32,127
Total debt service	<u>\$ 1,532,000</u>	<u>\$ 7,681,000</u>	<u>\$ 7,474,387</u>	<u>\$ 206,613</u>
Total County Debt Service Fund	<u>\$ 1,532,000</u>	<u>\$ 7,681,000</u>	<u>\$ 7,474,387</u>	<u>\$ 206,613</u>
Total Primary Government	<u>\$ 13,504,761</u>	<u>\$ 19,750,925</u>	<u>\$ 18,359,843</u>	<u>\$ 1,391,082</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 12,467,367	\$ 12,388,367	\$ 11,678,951	\$ 709,416
Administration, health, and attendance	786,569	786,569	752,137	34,432
Pupil transportation	929,803	929,803	913,603	16,200
Operation and maintenance of school plant	1,543,990	1,543,990	1,497,663	46,327
Contribution to County of Lunenburg, Virginia	380,000	380,000	772,257	(392,257)
Total education	<u>\$ 16,107,729</u>	<u>\$ 16,028,729</u>	<u>\$ 15,614,611</u>	<u>\$ 414,118</u>
Debt service:				
Principal retirement	\$ 3,123	\$ 3,123	\$ 3,123	\$ -
Interest and other fiscal charges	1,086	1,086	1,086	-
Total debt service	<u>\$ 4,209</u>	<u>\$ 4,209</u>	<u>\$ 4,209</u>	<u>\$ -</u>
Total School Operating Fund	<u>\$ 16,111,938</u>	<u>\$ 16,032,938</u>	<u>\$ 15,618,820</u>	<u>\$ 414,118</u>
School Special Revenue Fund:				
Education:				
Textbooks purchased	\$ -	\$ 79,000	\$ 8,171	\$ 70,829
Administration of school food program	982,903	982,903	852,574	130,329
Commodities	-	56,593	56,593	-
Total education	<u>\$ 982,903</u>	<u>\$ 1,118,496</u>	<u>\$ 917,338</u>	<u>\$ 201,158</u>
Total School Special Revenue Fund	<u>\$ 982,903</u>	<u>\$ 1,118,496</u>	<u>\$ 917,338</u>	<u>\$ 201,158</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,094,841</u>	<u>\$ 17,151,434</u>	<u>\$ 16,536,158</u>	<u>\$ 615,276</u>

OTHER STATISTICAL INFORMATION

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2008	\$ 1,267,311	\$ 788,780	\$ 1,589,530	\$ 1,066,336	\$ 2,139,340
2009	1,060,810	1,012,121	1,680,314	1,813,739	2,345,844
2010	1,158,659	770,596	1,851,410	1,434,191	2,058,065
2011	993,543	786,302	1,796,683	1,349,351	2,426,380
2012	1,202,736	842,594	1,855,943	1,490,600	2,530,373
2013	938,136	852,876	2,167,835	727,699	2,740,797
2014	945,210	882,734	2,459,725	453,493	2,228,259
2015	997,642	870,344	2,580,814	297,905	2,130,408
2016	1,050,276	875,310	2,337,300	398,893	2,334,804
2017	1,063,344	932,939	2,290,208	418,352	2,447,789

Table 1

Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Total
\$ 3,722,611	\$ -	\$ 1,178,275	\$ 743,397	\$ 12,495,580
3,343,586	-	1,150,648	706,413	13,113,475
3,622,849	133,242	487,960	677,615	12,194,587
3,687,691	138,749	408,819	705,728	12,293,246
3,853,703	-	833,964	808,152	13,418,065
3,791,866	-	571,048	626,724	12,416,981
3,353,114	3,074	1,083,840	567,880	11,977,329
3,242,837	-	984,558	529,083	11,633,591
3,807,852	-	614,157	505,103	11,923,695
4,012,355	-	517,514	419,389	12,101,890

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

PROGRAM REVENUES			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2008	\$ 192,836	\$ 4,197,951	\$ 126,396
2009	152,202	3,524,726	-
2010	287,780	4,197,527	-
2011	206,780	3,614,913	-
2012	221,790	4,638,023	-
2013	176,037	3,824,968	150,000
2014	327,273	3,389,093	265,875
2015	317,265	3,404,694	556,961
2016	336,993	3,504,970	161,250
2017	324,967	3,503,832	418,367

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 5,141,240	\$ 1,104,475	\$ 373,171	\$ 507,423	\$ 1,115,543	\$ 12,759,035
5,558,933	889,096	260,983	87,021	1,099,010	11,571,971
5,394,155	640,729	166,291	144,487	1,287,101	12,118,070
5,355,045	611,393	120,417	349,526	1,311,378	11,569,452
8,451,150	781,842	81,293	69,459	1,281,254	15,524,811
5,253,842	870,733	95,930	63,385	1,300,097	11,734,992
5,438,422	891,323	78,350	316,297	1,296,880	12,003,513
5,917,386	913,402	97,278	253,918	1,288,699	12,749,603
5,707,134	889,055	77,496	229,326	1,292,264	12,198,488
5,905,263	920,475	73,420	837,687	1,281,236	13,265,247

County of Lunenburg, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2008	\$ 1,061,929	\$ 535,879	\$ 1,599,390	\$ 1,027,727	\$ 2,161,754
2009	994,533	574,202	1,696,089	1,159,999	2,294,238
2010	1,106,845	563,350	2,556,889	1,036,023	2,058,513
2011	963,722	551,585	1,754,985	1,033,137	2,433,176
2012	1,345,432	607,878	1,782,118	1,021,773	2,518,865
2013	874,407	608,687	2,140,351	669,769	2,678,632
2014	925,521	638,264	2,302,880	353,786	2,217,030
2015	964,773	663,222	2,467,807	800,555	2,129,955
2016	946,751	666,682	2,200,354	368,027	2,334,705
2017	1,068,627	712,532	2,157,440	360,273	2,448,474

- (1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.
(3) Excludes Capital Projects.

Table 3

Education (2)	Parks, Recreation, and Cultural	Community Development	Non- departmental	Debt Service	Total
\$ 17,049,964	\$ -	\$ 1,158,703	\$ -	\$ 1,678,318	\$ 26,273,664
17,553,259	-	1,144,920	-	1,613,638	27,030,878
16,871,972	133,242	484,086	-	1,638,396	26,449,316
16,977,943	138,749	388,843	-	1,672,947	25,915,087
16,977,828	-	1,699,913	-	7,360,005	33,313,812
16,047,752	-	608,583	-	1,951,091	25,579,272
15,623,242	-	1,004,149	-	1,611,422	24,676,294
16,179,524	-	980,262	80,383	1,522,206	25,788,687
16,629,670	-	543,693	83,178	1,507,380	25,280,440
16,536,158	-	557,471	-	7,474,387	31,315,362

Presented Component Unit - School Board.

County of Lunenburg, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
2008	\$ 5,037,134	\$ 1,104,475	\$ 37,001	\$ 10,642	\$ 281,880
2009	5,490,039	845,816	44,260	12,235	247,754
2010	5,311,432	640,729	30,566	22,632	165,380
2011	5,321,103	611,393	27,228	39,532	117,435
2012	8,206,738	781,842	25,682	35,644	77,669
2013	5,459,029	870,733	33,417	28,770	93,394
2014	5,529,434	891,323	41,096	22,864	78,475
2015	5,802,033	913,402	36,178	36,073	97,949
2016	5,817,193	889,055	38,829	35,890	78,041
2017	5,866,563	920,475	33,376	23,544	73,734

- (1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board and its Discretely Presented Component Unit - School Board to the Primary Government.
- (2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board and its Discretely Presented Component Unit - School Board to the Primary Government.
- (3) Excludes Capital Projects.

Table 4

	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$	763,611	\$ 507,573	\$ 77,972	\$ 18,885,606	\$ 26,705,894
	526,005	188,646	68,324	19,037,845	26,460,924
	540,584	242,927	38,257	18,997,195	25,989,702
	504,953	349,526	29,765	18,113,790	25,114,725
	653,868	69,459	41,436	19,627,967	29,520,305
	504,883	63,385	-	17,662,296	24,715,907
	704,152	254,453	15,033	17,238,892	24,775,722
	604,650	187,943	1,013	18,338,146	26,017,387
	720,215	159,003	25,422	17,816,366	25,580,014
	600,100	67,446	10,938	18,786,580	26,382,756

esented Component Unit - School Board.

d contribution from the Discretely Presented Component

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2008	\$ 5,008,531	\$ 4,787,234	95.58%	\$ 118,147	\$ 4,905,381	97.94%	\$ 361,653	7.22%
2009	5,519,039	5,305,586	96.13%	161,618	5,467,204	99.06%	541,743	9.82%
2010	6,330,617	6,103,459	96.41%	248,538	6,351,997	100.34%	588,010	9.29%
2011	6,370,760	6,092,933	95.64%	263,411	6,356,344	99.77%	625,605	9.82%
2012	9,659,019	8,782,078	90.92%	334,995	9,117,073	94.39%	815,009	8.44%
2013	6,438,614	6,180,897	96.00%	192,453	6,373,350	98.99%	635,351	9.87%
2014	6,607,245	6,303,703	95.41%	148,079	6,451,782	97.65%	581,286	8.80%
2015	6,890,327	6,547,438	95.02%	208,886	6,756,324	98.06%	780,075	11.32%
2016	6,893,418	6,591,800	95.62%	160,893	6,752,693	97.96%	707,642	10.27%
2017	7,163,096	6,647,523	92.80%	155,534	6,803,057	94.97%	709,773	9.91%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year beginning in 2013.

(3) Includes Personal Property Tax Relief

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)		
					Real Estate	Personal Property	Total
2008	\$ 588,071,913	\$ 92,209,376	\$ 9,725,364	\$ 5,572,380	\$ 26,479,654	\$ -	\$ 722,058,687
2009	863,350,500	97,694,733	11,243,016	5,074,250	35,750,483	-	1,013,112,982
2010	871,988,824	86,504,098	12,637,030	4,588,940	34,579,627	-	1,010,298,519
2011	879,151,906	87,813,973	13,991,880	4,841,700	35,132,126	-	1,020,931,585
2012	843,252,361	91,125,404	14,272,974	5,751,715	40,076,714	-	994,479,168
2013	846,178,987	82,009,152	14,174,109	5,896,290	40,076,714	-	988,335,252
2014	854,073,900	84,582,007	15,757,159	6,553,264	44,843,992	-	1,005,810,322
2015	857,786,218	78,887,981	15,898,061	6,879,896	46,363,952	-	1,005,816,108
2016	861,620,018	89,727,790	17,533,857	6,278,956	51,634,069	-	1,026,794,690
2017	867,269,213	93,655,515	18,147,479	7,065,135	64,693,176	-	1,050,830,518

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2008	\$ 0.46	\$ 3.60	\$ 1.80	\$ 1.20
2009	0.33	3.60	1.80	1.20
2010	0.33	3.60	1.80	1.20
2011	0.33	3.60	1.80	1.20
2012	0.38	3.60	1.80	1.20
2013	0.38	3.60	1.80	1.20
2014	0.38	3.60	1.80	1.20
2015	0.38	3.60	1.80	1.20
2016	0.38	3.60	1.80	1.20
2017	0.38	3.60	1.80	1.20

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008	13,146	\$ 722,058,687	\$ 10,544,174	\$ 10,544,174	1.46%	\$ 802
2009	13,146	1,013,112,982	9,888,846	9,888,846	0.98%	752
2010	13,146	1,010,298,519	9,207,323	9,207,323	0.91%	700
2011	13,146	1,020,931,585	9,674,469	9,674,469	0.95%	736
2012	12,914	994,479,168	11,038,870	11,038,870	1.11%	855
2013	12,914	988,335,252	10,103,692	10,103,692	1.02%	782
2014	12,914	1,005,810,322	9,578,984	9,578,984	0.95%	742
2015	12,914	1,005,816,108	9,039,495	9,039,495	0.90%	700
2016	12,914	1,026,794,690	8,479,327	8,479,327	0.83%	657
2017	12,914	1,050,830,518	8,125,025	8,125,025	0.77%	629

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Lunenburg, Virginia's basic financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
November 13, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Lunenburg, 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 Lunenburg, Virginia's major federal programs for the year ended June 30, 2017. County of Lunenburg, 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 terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Lunenburg, 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 Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Lunenburg, 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 Lunenburg, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Lunenburg, 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, 2017.

Report on Internal Control over Compliance

Management of County of Lunenburg, 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 Lunenburg, 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 Lunenburg, 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.

A handwritten signature in black ink, appearing to read "D. Frick", followed by a horizontal line.

Richmond, Virginia
November 13, 2017

County of Lunenburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 157
Temporary Assistance for Needy Families	93.558	0400116/0400117	92,013
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500117	328
Low Income Home Energy Assistance	93.568	0600416/0600417	10,603
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	14,645
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900,116	164
Foster Care - Title IV-E	93.658	1100116/1100117	63,058
Adoption Assistance	93.659	1120116/1120117	82,119
Social Services Block Grant	93.667	1000116/1000117	73,852
Chafee Foster Care Independence Program	93.674	9150116/9150117	501
Children's Health Insurance Program	93.767	0540116/0540117	3,519
Medical Assistance Program	93.778	1200116/1200117	119,328
Total Department of Health and Human Services			\$ 460,287
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grant	97.042	77501-52743	\$ 13,692
Total Department of Homeland Security			\$ 13,692
Department of Agriculture:			
Direct Payments:			
Community Facilities Loan and Grants	10.766	N/A	\$ 50,000
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Summer Food Service Program for Children	10.559	unavailable	\$ 10,923
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 56,593
Department of Education:			
National School Lunch Program	10.555	17901-40623	446,481
Total CFDA# 10.555			\$ 503,074
Department of Education:			
School Breakfast Program	10.553	17901-40591	\$ 178,397
Total Child Nutrition Cluster			\$ 692,394
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	\$ 96,832
Total Department of Agriculture			\$ 839,226

County of Lunenburg, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	39001-76000	\$ 52,344
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	1,707
Total Department of Justice			\$ 54,051
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-53000	\$ 12,312
Total Department of Transportation			\$ 12,312
Department of Defense:			
Direct Payments:			
JROTC	12.xxx	N/A	\$ 36,193
Total Department of Defense			\$ 36,193
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 537,052
Special Education Cluster:			
Special Education Grants to States	84.027	17901-43071	435,455
Special Education Preschool Grants	84.173	17901-62521	17,793
Total Special Education Cluster			\$ 453,248
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	34,064
Mathematics and Science Partnerships	84.366	17901-60730	3,121
Supporting Effective Instruction State Grant	84.367	17901-61480	101,294
Rural Education	84.358	17901-43481	54,422
Advanced Placement Program	84.330	17901-60957	760
Total Department of Education			\$ 1,183,961
Total Expenditures of Federal Awards			\$ 2,599,722

See accompanying notes to schedule of expenditures of federal awards.

County of Lunenburg, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Lunenburg, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Lunenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lunenburg, 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

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 687,175
County Debt Service Fund	141,179
Total primary government	<u>\$ 828,354</u>

Component Unit School Board:

School Operating Fund	\$ 1,220,153
School Special Revenue Fund	692,394
Total component unit school board	<u>\$ 1,912,547</u>

Total federal expenditures per basic financial statements \$ 2,740,901

BAB's subsidy \$ (141,179)

Total federal expenditures per the Schedule of Expenditures of
Federal Awards \$ 2,599,722

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Lunenburg, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ none reported

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ none reported

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

unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 2 CFR
section 200.516(a)?

_____ yes ☒ no

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

☒ yes _____ no

County of Lunenburg, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.

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