COUNTY OF MADISON, VIRGINIA FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2018

Financial Report Year Ended June 30, 2018

		PAGE
Independer	nt Auditors' Report	1-3
Managemer	nt's Discussion and Analysis	4-12
Basic Finar	ncial Statements:	
Governmer	nt-wide Financial Statements:	
Exhibit 1	Statement of Net Position	13
Exhibit 2	Statement of Activities	14
Fund Finar	ncial Statements:	
Exhibit 3	Balance Sheet—Governmental Funds	15
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	16
Exhibit 5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	17
Exhibit 6	Statement of Fiduciary Net Position-Fiduciary Funds	18
Notes to Fi	nancial Statements	19-105
Required S	upplementary Information:	
Exhibit 7	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund	106
Exhibit 8	Schedule of Changes in Net Pension Liability and Related Ratios-Primary Government	107
Exhibit 9	Schedule of Changes in Net Pension Liability (Asset) and Related Ratios-Component Unit School Board (nonprofessional)	108
Exhibit 10	Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	109
Exhibit 11	Schedule of Employer Contributions	110
Exhibit 12	Notes to Required Supplementary Information	111
Exhibit 13	Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios Primary Government	112

Financial Report Year Ended June 30, 2018

		PAGE
Required S	upplementary Information:	
Exhibit 14	Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios—Component Unit School Board	113
Exhibit 15	Notes to Required Supplementary Information—County and Component Unit School Board OPEB	114
Exhibit 16	Schedule of Changes in the County's Net OPEB Liability (Asset) and Related Ratios—Health Insurance Credit Program (HIC)	115
Exhibit 17	Schedule of Employer Contributions—Health Insurance Credit Program (HIC)	116
Exhibit 18	Notes to Required Supplementary Information—Health Insurance Credit Program (HIC)	117
Exhibit 19	Schedule of Madion County School Board's Share of Net OPEB Liability—Teacher Health Insurance Credit Program (HIC)	118
Exhibit 20	Schedule of Employer Contributions—Teacher Health Insurance Credit Program (HIC)	119
Exhibit 21	Notes to Required Supplementary Information—Teacher Health Insurance Credit Program (HIC)	120
Exhibit 22	Schedule of County and School Board's Share of Net OPEB Liability—Group Life Insurance Program	121
Exhibit 23	Schedule of Employer Contributions—Group Life Insurance Program	122
Exhibit 24	Notes to Required Supplementary Information—Group Life Insurance Program	123-24
Other Supp	olementary Information:	
Combining	and Individual Fund Financial Statements and Schedules:	
Exhibit 25	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Capital Improvement Fund	125
Exhibit 26	Statement of Changes in Assets and Liabilities—Agency Funds	126
Exhibit 27	Combining Balance Sheet—Discretely Presented Component Unit- School Board	127

Financial Report Year Ended June 30, 2018

		PAGE
Other Supp	olementary Information:	
Combining	and Individual Fund Financial Statements and Schedules:	
Exhibit 28	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit—School Board	128
Exhibit 29	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Discretely Presented Component Unit—School Board	129
Exhibit 30	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Discretely Presented Component Unit—School Board	130-131
Exhibit 31	Combining Balance Sheet—Nonmajor Special Revenue Funds—Discretely Presented Component Unit—School Board	132
Exhibit 32	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Special Revenue Funds—Discretely Presented Component Unit—School Board	133
Exhibit 33	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Nonmajor Special Revenue Funds— Discretely Presented-Component Unit—School Board	134
Exhibit 34	Statement of Fiduciary Net Position—Fiduciary Fund—Discretely Presented Component Unit—School Board	135
Exhibit 35	Statement of Changes in Fiduciary Net Position—Fiduciary Fund— Discretely Presented Component Unit—School Board	136
Exhibit 36	Statement of Net Position-Discretely Presented Component Unit— Madison County Parks and Recreation Authority	137
Exhibit 37	Statement of Revenues, Expenses, and Changes in Net Position- Discretely Presented Component Unit Madison County Parks and Recreation Authority	138
Exhibit 38	Statement of Cash Flows -Discretely Presented Component Unit— Madison County Parks and Recreation Authority	139
Exhibit 39	Statement of Net Position-Discretely Presented Component Unit— Madison County IDA	140
Exhibit 40	Statement of Revenues, Expenses, and Changes in Net Position- Discretely Presented Component Unit—Madison County IDA	141
Exhibit 41	Statement of Cash Flows-Discretely Presented Component Unit— Madison County IDA	142

Financial Report Year Ended June 30, 2018

		PAGE
Other Su	pplementary Information: (Continued)	
Supporti	ng Schedules:	
Schedule	Schedule of Revenues–Budget and Actual–Governmental Funds	143-147
Schedule	e 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	148-152
Statistica	Il Information:	
Table 1	Government-wide Expenses by Function-Last Ten Fiscal Years	153
Table 2	Government-wide Revenues-Last Ten Fiscal Years	154
Table 3	General Government Revenues by Source–Last Ten Fiscal Years	155
Table 4	General Government Expenditures by Function–Last Ten Fiscal Years	156
Table 5	Property Tax Levies and Collections-Last Ten Fiscal Years	157
Table 6	Assessed Value of Taxable Property–Last Ten Fiscal Years	158
Table 7	Property Tax Rates—Last Ten Fiscal Years	159
Table 8	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita–Last Ten Fiscal Years	160
Table 9	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	161
Compliar	nce:	
and on (dent Auditors' Report on Internal Control over Financial Reporting Compliance and Other Matters Based on an Audit of Financial ents Performed in Accordance with G <i>overnment Auditing Standards</i>	162-163
	dent Auditors' Report on Compliance For Each Major Program nternal Control over Compliance Required by the Uniform Guidance	164-165
Schedule	e of Expenditures of Federal Awards	166-167
Notes to	Schedule of Expenditures of Federal Awards	168
Schedule	e of Findings and Questioned Costs	169

DIRECTORY OF PRINCIPAL OFFICIALS FISCAL YEAR ENDED JUNE 30, 2018

BOARD OF SUPERVISORS

R. Clay Jackson, Chair Jonathon Weakley, Vice-Chair

Charlotte Hoffman Amber Foster Kevin McGhee

DEPARTMENT OF SOCIAL SERVICES BOARD

Norris John, Chairman Joseph Goodall, Vice-Chair

Charlotte Hoffman Tina Weaver Valerie Ward

Jerry Butler

MADISON COUNTY SCHOOL BOARD

Barry Penn Hollar, Chairman Karen M. Allen, Vice-Chairman

Nita Collier Robert Chappell Arthur Greene, Jr.

OTHER OFFICIALS

Timothy K. Sanner	Judge of the Circuit Court
Leeta Louk	Clerk of the Circuit Court
Claiborne H. Stokes, Jr	Judge of the General District Court
Deborah Tinsley	Judge of the Juvenile & Domestic Relations Court
Clarissa Berry	Commonwealth's Attorney
Brian Daniel	Commissioner of the Revenue
Stephanie Murray	Treasurer
Erik Weaver	Sheriff
Matthew Eberhardt	Superintendent of Schools
Elizabeth Patterson	Clerk of the School Board
Valerie Ward	Director of Social Services
Jack Hobbs	County Administrator

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and 85 Omnibus 2017. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-12 and 106-124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information: (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the County of Madison, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Madison, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Madison, Virginia's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Madison, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018.

Financial Highlights

Government-wide Financial Statements

Total net position for Madison County's governmental activities as of June 30, 2018 was \$25.608 million, which represents an increase of \$328,000 from the previous year. This increase was due to an excess of revenues over expenses of \$979,000 offset by a prior period adjustment for a change in accounting for postemployment benefits other than pensions in the amount of \$651,000.

Unrestricted cash and cash equivalents were \$13.610 million as of June 30, 2018, which represents an increase of \$1.450 million from the previous year.

Fund Financial Statements

For the fiscal year ended June 30, 2018, the governmental funds reflected a combined fund balance of \$14.964 million, which included an increase of \$913,000 from balance at the end of the previous fiscal year, all of which was derived from the General Fund.

The overall increase in the general fund balance included increases of approximately \$3 million in assigned funds for capital projects, and \$481,000 in assigned funds for a CSA stabilization reserve, and a decrease in unassigned fund balance of \$2.586 million at the end of fiscal 2018.

The County's General Fund was approximately \$2.166 million favorable to final amended budget for fiscal 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Madison's basic financial statements, which are comprised of three sections: 1) government-wide financial statements. 2) fund financial statements, and 3) notes to 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* (Exhibits 1 and 2) 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* (Exhibit 1) presents information on all of the County's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The *statement of activities* (Exhibit 2) presents how the government's net position changed during the 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 in this statement are reported for some items that will result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave.)

Overview of the Financial Statements: (Continued)

Government-wide Financial Statements: (Continued)

The statement of activities is focused on the gross and net cost of various government functions that are supported by general tax and other revenue. This statement presents expenses before revenues, emphasizing that in governments, revenues are generated for the express purpose of providing services.

In the government-wide financial statements, the County's activities are divided into two categories:

<u>Governmental activities</u>: The functions of the County are reported here, and include general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants.

<u>Component units</u>: The County has three component units: the Madison County School Board and the Madison County Parks and Recreation Authority, and the Madison County Industrial Development Authority. Only the Madison County School Board has been included in this analysis, due to the material nature of its relationship to the County as a whole. Although legally separate, the discretely presented component units are important because the County is financially accountable for them. A primary government is accountable for an organization if the primary government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funds for its operations. Additional information on the component units can be found in Note 1 of the Notes to Financial Statements section of this report.

Fund Financial Statements

These statements focus in individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and keep track of specific sources of revenue and expenditures for particular purposes. The County has two kinds of funds: governmental funds and fiduciary funds.

<u>Governmental funds</u> are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation of the County's near-term financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.

Overview of the Financial Statements: (Continued)

Fund Financial Statements: (Continued)

- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

At the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$14,964,563.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36.8% of total general fund expenditures, while total general fund balance represents 52.7% of that same amount.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. A reconciliation between the two methods is provided after the governmental fund balance sheet on Exhibit 4 and after the governmental fund statement of revenues, expenditures, and changes in fund balances on Exhibit 6.

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

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund (Exhibit 7) and for the Capital Projects Fund (Exhibit 25) to demonstrate compliance with this budget.

<u>Fiduciary funds</u> are used to account for assets held by the County in a trustee capacity (Trust Fund) or an agent or custodian for individuals, private organizations, other governmental units, or other funds (Agency Fund). The County maintains one fiduciary fund, the Special Welfare Fund, which is an Agency Fund. The Fund is accounted for in a separate statement of changes in assets and liabilities (Exhibit 15). The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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 supplemental information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units School Board. The School Board does not issue separate financial statements.

In addition, required supplementary information is included regarding the County's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

Statement of Net Position

The following table reflects condensed information on the County's Net Position as of June 30, 2018 and 2017.

Summary of Net Position (\$ in thousands)

		Primary G	ove	rnment		Component Unit			
	_	Govern	nme	ental		School			
		Activ	/iti	es		В	d		
	_	2018		2017	-	2018		2017	
Current assets and other assets	\$	22,207	\$	21,079	\$	2,670	\$	2,369	
Capital assets (net)		22,625		23,926		8,501		7,979	
Total Assets	\$	44,832	\$	45,005	\$	11,171	\$	10,348	
Total Deferred Outflows	\$	536	\$	782	\$	2,189	\$	2,608	
	_						_	_	
Long term liabilities	\$	11,578	\$	12,540	\$	19,513	\$	18,159	
Other liabilities	_	2,068		1,884		1,570		1,605	
Total Liabilities	\$	13,646	\$	14,424	\$	21,083	\$	19,764	
Total Deferred Inflows of Resources	\$	6,114	\$	6,082	\$	2,601	\$	1,589	
Net Position:									
Net investment in capital assets	\$	12,107	\$	12,380	\$	8,501	\$	7,915	
Restricted		227		135		55		55	
Unrestricted	_	13,274		12,766		(18,880)		(16,367)	
Total Net Position	\$	25,608	\$	25,281	\$	(10,324)	\$	(8,397)	

Total net position for Madison County's governmental activities as of June 30, 2018 was \$25.608 million, which represents an increase of \$328,000 from the previous year. This increase was due to an excess of revenues over expenses of \$979,000 offset by a prior period adjustment for a change in accounting for postemployment benefits other than pensions in the amount of \$651,000.

Total net position for the Madison County School Board was \$(10.234) million as of June 30, 2018; this amount represents a decrease of approximately \$1.927 million from the previous year. This decrease was primarily due to a reduction in net position of \$3.191 million for a prior period adjustment related to the accounting for post-retirement benefits, which was partially offset by increases in the deferred inflows of resources for OPEB and pension deferrals of \$1.013 million.

Government-wide Financial Analysis: (Continued)

Statement of Activities

The following table presents summary information for the Change in Net Position for the years ended June 30, 2018 and 2017.

Summary of Changes in Net Position (\$ in thousands)

		Primary	Gov	ernment		Component Unit			
	Governmental						cho		
	_	Activities				Boa			
	_	2018		2016		2018		2017	
REVENUES									
Program Revenues:			_		_		_		
Charges for services	\$	908	\$	883	\$	1,015	\$	337	
Operating grants & contributions		4,843		5,511		11,336		10,927	
General revenues:									
General property taxes		15,727		15,245		-		-	
Other local taxes		2,754		2,726		-		-	
Use of money & property		164		132		2		-	
Miscellaneous		350		308		57		799	
Grants & contributions not									
restricted to specific programs		1,710		1,716		-		-	
Contribution from County		-		-		9,785		8,981	
Total revenues	\$	26,456	\$	26,521	\$	22,195	\$	21,044	
<u>EXPENSES</u>									
General government		1,380		1,267		-		-	
Judicial administration		1,250		1,257		-		-	
Public safety		5,857		5,552		-		-	
Public works		936		926		-		-	
Health and welfare		4,684		5,866		-		-	
Education		10,025		9,248		20,929		20,635	
Parks & Rec		435		572		-		-	
Community Development		634		542		-		-	
Interest on long-term debt	_	276		269	_	-		-	
Total expenses	\$	25,477	\$	25,499	\$	20,929	\$	20,635	
Change in net position	\$	979	\$	1,022	\$	1,266	\$	409	
Net position - beginning		25,281		24,259		(8,397)		(8,806)	
Net position - ending	\$	26,260	\$	25,281	\$	(7,131)	\$	(8,397)	

The change in net position for Madison County's governmental activities for fiscal 2018 was approximately \$979,000. This reflects a decrease of \$43,000 from the previous year. The decrease from the previous year is the result of a decrease of approximately \$64,000 in revenues and a decrease of approximately \$19,000 in expenses relative to fiscal 2017.

The decrease in fiscal 2018 revenues for governmental activities was primarily due to an increase of approximately \$483,000 in general property taxes, which was offset by a decrease in operating grants and contributions of approximately \$667,000.

The fiscal 2018 increase in general property taxes was due to both an improving economy and increased efforts at collections. The fiscal 2018 decrease in operating grants was primarily due to a decrease in state and federal funding for mandated expenditures by the Children's Services Act.

Government-wide Financial Analysis: (Continued)

The decrease in fiscal 2018 expenses for governmental activities was primarily due to a decrease in health and welfare expense of approximately \$1.181 million, offset by increases of approximately \$306,000 in public safety and \$776,000 in education expenses.

The decrease in fiscal 2018 health and welfare expense was due to a decrease in foster care expenditures mandated by the Children's Services Act (CSA).

The increase in fiscal 2018 education expenditures was primarily due to increased contributions made by the County to the School Board to fund both operations and capital items.

The increase in fiscal 2018 public safety expenditures was primarily due to an increase in the County's required contribution to the Central Virginia Regional Jail, as well as increased staffing requirements for emergency medical services.

The change in net position for the Madison County School Board for fiscal 2018 was approximately \$1.264 million, which represents an increase of approximately \$854,000 from the previous year. This increase was attributable to an increase in School Board revenues of approximately \$1.149 million, offset by an increase in School Board expenditures of approximately \$295,000.

The increase in revenues for the Madison County School Board for fiscal 2018 was primarily due to an increase of approximately \$804,000 in funding from the County, and increase of approximately \$408,000 in funding from the state and federal governments.

The increase in School Board expenditures was due to increased operating expenditures, which were partially offset by a reduction in expenditures of approximately \$422,000 related to the School Board's pension and OPEB benefits.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2018, the governmental funds reflect a combined fund balance of \$14.964 million, which reflects an increase of approximately \$913,000 from balance at the end of the previous fiscal year, all of which was derived from the General Fund.

The overall increase in the general fund balance included increases of approximately \$3 million in assigned funds for capital projects, and \$481,000 in assigned funds for a CSA stabilization reserve, and a decrease in unassigned fund balance of \$2.586 million at the end of fiscal 2018.

Total revenues in governmental funds for fiscal 2018 were approximately \$26.282 million, reflecting an decrease of approximately \$277,000 from the previous year.

Total expenditures in governmental funds for fiscal 2018 were approximately \$27.523 million, reflecting an increase of approximately \$2.195 million from the previous year.

The change in total revenues in governmental funds between 2018 and 2017 was due to an approximately \$696,000 decrease in state funding, which was partially offset by increases in general property and other taxes. The decrease in state funding was primarily due to decreases in in state and federal funding for mandated expenditures by the Children's Services Act.

The change in total expenditures in governmental funds between fiscal 2018 and 2017 reflects increases in expenditures of approximately \$557,000 in public safety, \$641,000 in education, and a decrease of approximately \$1.208 million in health and welfare.

Debt service expenditures also increased \$2.064 million in fiscal 2018, reflecting the repayment of a \$2 million variable rate demand revenue bond. The County refinanced the bond with a \$2.028 million fixed rate public improvement refunding bond during fiscal 2018.

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

The increase in public safety expenditures in 2018 was primarily due to increased costs related to the Central Virginia Regional Jail and the County's EMS department, as well as capital outlays for information technology for the E911 and Sheriff's departments and additional purchases of public safety vehicles during the year.

The increase in education expenditures for fiscal 2018 was due to increased funding provided by the County to the School Board for both operating and capital expenditures.

The decrease in health and welfare expenditures in 2018 was primarily due to decrease in foster care expenditures mandated by the Children's Services Act (CSA).

General Fund Budgetary Highlights

The following table presents budgeted and actual revenues and expenditures for the General Fund for fiscal 2018:

General Fund
Summary Budgetary Information
Year Ended June 30, 2018
(\$ in thousands)

		(\$ III tilousalius)					
		Original	Amended				
		Budget	Budget	Actual			
Revenues							
Taxes	\$	17,500 \$	17,500 \$	18,306			
Intergovernmental		8,074	7,870	6,553			
Other		1,208	1,243	1,423			
Total		26,782	26,613	26,282			
Expenditures and transfers		(27,400)	(29,890)	(27,523)			
Issuance of long term debt and capital lease	_	<u>-</u>	2,024	2,154			
Change in fund balance	\$	(618) \$	(1,253) \$	913			

General fund budget amendments resulted in an increase of approximately \$2.490 million between the original budget and the final budget.

Significant additional appropriations included the following (rounded to the nearest thousand):

- \$222,000 for prior year encumbrances
- \$358,000 for school capital outlays
- \$1,768,000 for repayment of outstanding debt

At the end of fiscal 2018, the County's General Fund was approximately \$2.166 million favorable to final amended budget. This was primarily due to favorable variances of \$806,000 in tax revenues, \$480,000 in public safety expenditures and \$141,000 in unused contingency reserves.

The favorable variance in fiscal 2018 tax revenues relative to budget was due to an improved economy, and the County's conservative approach toward budgeting local revenues.

The favorable variance in public safety expenditures was primarily due to fiscal management practices, as well as unanticipated savings on certain budgeted capital outlays.

The County also realized a \$1.355 million savings in health and welfare program expenditures. This was mostly offset by decreased funding from the state and federal governments.

Capital Asset and Debt Administration

Capital Assets

The following table reflects condensed information on the County's capital assets as of June 30, 2018 and 2017.

Capital Asset Summary Information

(\$ in thousands)

		Primary	Gov	ernment		Compone	nt Unit	
	_	Governmental				School		
		Activities				Boar	[.] d	
	_	2018		2017		2018	2017	
Land	\$	1,419	\$	1,419	\$	110 \$	110	
Construction in progress				-		46	-	
Buildings and improvements		17,235		17,235		5,992	5,857	
Equipment		3,664		3,135		4,862	4,672	
Jointly owned assets		9,440		10,533		10,621	9,528	
Accumulated depreciation		(9,133)		(8,396)		(13,130)	(12,188)	
	\$	22,625	\$	23,926	\$	8,501 \$	7,979	

The change in capital assets for governmental activities in fiscal 2018 was a decrease of \$1.301 million. This was comprised of reductions for \$1.160 million in depreciation charges, approximately \$900,000 in asset transfers from the County to its component units, and approximately \$14,000 in retirements, and of an increase of approximately \$773,000 for capital additions. Capital additions for governmental activities included \$332,000 for new vehicles for various departments, \$149,000 for a new ambulance, and \$153,000 for the replacement of the E911 computer aided dispatch and Sheriff's records management systems.

Long-term debt

The following table reflects condensed information on the County's outstanding loans and bonded indebtedness as of June 30, 2018 and 2017.

Summary of Outstanding Debt (\$ in thousands)

		Primary Government				
		Governmental				
		Activities				
		2018		2017		
Public Facility Lease Revenue Bond	\$	7,598	\$	8,273		
Variable Rate Demand Revenue Bond		-		2,000		
VACO/VML Public Improvement Refunding Bond		1,938		-		
State literary fund loan	_	930	_	1,240		
	\$	10,466	\$	11,513		

Please see Note 8 to the Financial Statements for more information on the County's long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The Madison County unemployment rate decreased from 3.0% in June 2017 to 2.6% in June 2018. This compares favorably to the 3.3% state and 4.0% national unemployment rates in June 2018.

Madison County's population changed from 13,308 in 2010 to 13,277 in 2017. During that same time frame, the portion of the population that was 65 years old and older increased from 16.3% to 20.2%. Madison County's population is slightly declining and becoming older.

Madison County had no significant capital spending in FY18, but efforts are underway to understand and address the issues of aging infrastructure and improving the capital plant. The FY19 Capital Budget contains \$1,642,000 in net outlays.

Of the County's 209,280 acres (327 square miles), 106,991 (51%) is in farmland and 94,494 acres 45% in forestland. Only about 4% of the County's land mass is used for more intense residential, commercial and industrial purposes. Madison is a rural county.

The Madison County government relies on real estate, personal property and sales taxes for about 79% of locally generated revenue. As typical for rural county with an agribusiness-based economy, these sources are stable.

The County's \$0.68/\$100 real estate and \$3.45/\$100 personal property tax rates have been effective since FY15. This is likely to change in the coming years due to an unchanging tax base, increased operational costs, the need for additional personnel and funding for the capital improvement program that features projects such as replacing the public safety radio system and rehabilitating Madison County Primary School.

For the fiscal year ending June 30, 2019, the total adopted operating budget is \$39,963,798 versus \$39,958,691 in FY18. The FY19 operating budget includes \$76,810 in fund balance monies.

Requests for Information

This financial report is designed to provide a general overview of the County of Madison, 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 Director of Finance, PO Box 705, Madison, Virginia, 22727.



- Basic Financial Statements -

Government-wide Financial Statements



	_	Primary Government		Component Unit	_	Component Unit		Component Unit Madison
ASSETS	_	Governmental Activities		School Board	_	Madison County IDA	. <u>-</u>	County Parks and Recreation Authority
Current Assets:								
Cash and cash equivalents	\$	13,609,519	\$	1,449,641	\$	-	\$	175,404
Restricted cash and cash equivalents		115,000		-		-		-
Receivables (net of allowance for uncollectibles):		6,512,495						
Property taxes Accounts receivable		288,993		594		71,159		-
Inventory		-		23,310		-		-
Prepaid expenses		145,730		33,679		-		-
Due from other governments		1,151,301		409,065		-		-
Due from Component Unit	_	367,891			_	-	_	-
Total Current Assets	\$_	22,190,929	\$_	1,916,289	\$_	71,159	\$	175,404
Noncurrent Assets:								
Net pension asset	\$_	-	\$_	753,576	\$_	-	\$	-
Net OPEB asset	\$_	16,258	. \$_		\$_	-	\$	-
Capital assets: Land and construction in progress	\$	1,419,418	\$	156,291	\$		\$	52,776
Buildings and equipment, net of depreciation	Ф	21,205,593	Ф	8,344,400	Ф	-	Ф	48,009
Total Capital Assets	\$	22,625,011	\$	8,500,691	\$		\$	100,785
·	ф -							
Total Noncurrent Assets	\$_	22,641,269	\$_	9,254,267	\$_	-	\$_	100,785
Total Assets	\$_	44,832,198	\$_	11,170,556	\$_	71,159	\$	276,189
DEFERRED OUTFLOWS OF RESOURCES								
Pension deferrals	\$	497,309	\$	1,959,604	\$	-	\$	-
OPEB deferrals	_	38,713		229,196	_	-	_	-
Total Deferred Outflows of Resources	\$	536,022	\$_	2,188,800	\$_	-	\$	-
Total Assets and Deferred Outflows of Resources	\$_	45,368,220	\$_	13,359,356	\$_	71,159	\$	276,189
LIABILITIES	_							
Current Liabilities:								
Accounts payable	\$	517,069	\$	141,660	\$	71,159	\$	3,879
Amounts held for others		37,905		-		-		-
Deferred grant revenue		45,245		-		-		-
Accrued liabilities		-		1,018,734		-		2,746
Due to Primary Government Accrued interest payable		147,305		367,891		-		-
Current portion of long-term obligations		1,320,525		41,223		_		
Total Current Liabilities	\$	2,068,049	\$		\$	71,159	\$	6,625
Noncurrent Liabilities:								
Noncurrent portion of long-term obligations		11,577,820		19,512,568		_		_
Total Liabilities	\$	13,645,869	\$	21,082,076	\$	71,159	\$	6,625
	Ψ_	13,043,007	- Ψ-	21,002,070	Ψ_	71,107	Ψ_	0,023
DEFERRED INFLOWS OF RESOURCES Deferred revenues - taxes	\$	5,607,078	¢		¢		\$	
OPEB deferrals	ф	56,482	ф	140,628	\$	-	Φ	_
Pension deferrals		450,869		2,460,636		-		_
Total deferred inflows of resources	\$	6,114,429	\$	2,601,264	\$	_	\$	_
	Ψ_	0,114,427	- Ψ <u></u> -	2,001,204	Ψ_	<u>-</u>	Ψ	
NET POSITION Not investment in capital assets	ф	10 107 170	¢	0 500 401	¢		¢	100 705
Net investment in capital assets Restricted	\$	12,107,173 227,087	Þ	8,500,691 54,849	\$	-	\$	100,785
Unrestricted		13,273,662		(18,879,524)		-		168,779
Total Net Position	\$	25,607,922	\$	(10,323,984)	¢ —		\$	269,564
	· -		- :-		. –	71 150	-	
Total Liabilities, Deferred Inflows of Resources and Net Position	\$_	45,368,220	\$_	13,359,356	\$_	71,159	\$	276,189

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

Net (Expense) Revenue and Changes in Net Position

Primary Prim									Net Positi	on	
Functions/Programs					Program Revenu	es	•		Cor	mponent Uni	t
Convernmental activities	Functions/Programs		Expenses	for	Grants and	Grants and		l 		County	County Parks and Recreation
Judicial administration 1,249,955 224,729 438,139 (587,087)	Governmental activities: General government	\$	1 380 936 \$	- \$	205 278 \$	- \$	S (1 175 658)	\$	- 9	S - 9	S -
Public safety Public works 5,857,718 546,276 1,079,992 (4,231,450) .		Ψ	.,,		200/2/0	-	(.,.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		- `	-	-
Public works				•		-	• • •		-	_	-
Education 10,024,701	-					-	,		-	-	-
Parks, recreation, and cultural Community development 434,972	Health and welfare		4,684,211	-	3,112,718	-	(1,571,493))	-	-	-
Community development 633,599 - (633,599	Education		10,024,701	-	-	-	(10,024,701))	-	-	-
Total governmental activities 275,811 - - (275,811) - -				-	-	-	, ,		-	-	-
Total governmental activities 25,478,369 908,233 4,843,204 s (19,726,932) s				-	-	-			-	-	-
COMPONENT UNITS: School Board \$20,929,631 \$ 1,014,918 \$ 11,335,585 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Interest on long-term debt		275,811				(275,811)				
School Board \$ 20,929,631 \$ 1,014,918 \$ 11,335,585 \$ \$ 0 \$ (8,579,128) \$ \$ 0	Total governmental activities	\$	25,478,369 \$	908,233 \$	4,843,204	\$	(19,726,932)	\$_			
Total component units \$ 21,344,603 \$ 1,154,361 \$ 11,335,585 \$ - \$ - \$ (8,579,128) \$ (71,159) \$ (204,370) General revenues: General property taxes \$ 15,727,481 \$ - \$ - \$ - \$ - \$ Local sales and use tax 1,040,502 \$ - \$ - \$ - \$ Consumers' utility taxes 345,329 \$ - \$ - \$ - \$ Motor vehicle licenses 456,558 \$ - \$ - \$ - \$ Restaurant food taxes 463,480 \$ - \$ - \$ - \$ Other local taxes 448,124 \$ - \$ - \$ - \$ Unrestricted revenues from use of money and property 163,658 \$ 1,688 \$ - \$ - \$ Miscellaneous 350,384 \$ 56,684 \$ - \$ 90,776 Grants and contributions not restricted to specific programs 1,709,968 \$ - \$ - \$ - \$ Contribution from County - \$ 9,785,082 \$ 71,159 \$ 175,290 Total general revenues \$ 20,705,484 \$ 9,843,454 \$ 71,159 \$ 266,066 Change in net position \$ 978,552 \$ 1,264,326 \$ - \$ 61,696 Net position - beginning, as restated 24,629,370 \$ (11,588,310) \$ - \$ 207,868	School Board Madison County IDA	\$		1,014,918 \$ -	11,335,585 \$ -	- \$ -	S - -	\$	(8,579,128) ⁵		S - -
General revenues: General property taxes Local sales and use tax Consumers' utility taxes Motor vehicle licenses Restaurant food taxes Other local taxes Unrestricted revenues from use of money and property Miscellaneous Grants and contributions not restricted to specific programs Contribution from County Total general revenues General revenues \$ 15,727,481 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$	Recreation Authority		343,813	139,443					_		(204,370)
General property taxes \$ 15,727,481 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Total component units	\$	21,344,603 \$	1,154,361 \$	11,335,585	\$		\$_	(8,579,128)	(71,159)	(204,370)
Local sales and use tax Consumers' utility taxes Motor vehicle licenses Restaurant food taxes Other local taxes Unrestricted revenues from use of money and property Miscellaneous Grants and contributions not restricted to specific programs Contribution from County Total general revenues Change in net position Net position - beginning, as restated 1,040,502											
Consumers' utility taxes 345,329 - - - Motor vehicle licenses 456,558 - - - Restaurant food taxes 463,480 - - - Other local taxes 448,124 - - - Unrestricted revenues from use of money and property 163,658 1,688 - - Miscellaneous 350,384 56,684 - 90,776 Grants and contributions not restricted to specific programs 1,709,968 - - - Contribution from County - 9,785,082 71,159 175,290 Total general revenues \$ 20,705,484 \$ 9,843,454 \$ 71,159 \$ 266,066 Change in net position \$ 978,552 1,264,326 - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868						\$		\$	- ;	- :	-
Motor vehicle licenses 456,558 - - - Restaurant food taxes 463,480 - - - Other local taxes 448,124 - - - Unrestricted revenues from use of money and property 163,658 1,688 - - Miscellaneous 350,384 56,684 - 90,776 Grants and contributions not restricted to specific programs 1,709,968 - - - - Contribution from County - 9,785,082 71,159 175,290 Total general revenues \$ 20,705,484 \$ 9,843,454 \$ 71,159 \$ 266,066 Change in net position \$ 978,552 1,264,326 - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868									-	-	-
Restaurant food taxes 463,480											
Other local taxes 448,124 - - - Unrestricted revenues from use of money and property 163,658 1,688 - - Miscellaneous 350,384 56,684 - 90,776 Grants and contributions not restricted to specific programs 1,709,968 - - - - Contribution from County - 9,785,082 71,159 175,290 Total general revenues \$ 20,705,484 \$ 9,843,454 \$ 71,159 266,066 Change in net position \$ 978,552 1,264,326 - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868									_	_	-
Miscellaneous 350,384 56,684 - 90,776 Grants and contributions not restricted to specific programs 1,709,968 - 9,785,082 71,159 175,290 Contribution from County - 9,785,082 71,159 175,290 Total general revenues 20,705,484 9,843,454 71,159 266,066 Change in net position 978,552 1,264,326 - \$61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868	Other I	oca	I taxes						-	-	-
Grants and contributions not restricted to specific programs 1,709,968 -	Unrestr	icte	ed revenues fro	m use of mon	ey and property				1,688	-	-
Contribution from County - 9,785,082 71,159 175,290 Total general revenues \$ 20,705,484 \$ 9,843,454 \$ 71,159 \$ 266,066 Change in net position \$ 978,552 \$ 1,264,326 \$ - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868	Miscella	ane	ous				350,384		56,684	-	90,776
Total general revenues 20,705,484 9,843,454 71,159 266,066 Change in net position \$ 978,552 1,264,326 - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868	Grants	and	l contributions i	not restricted	to specific progr	ams	1,709,968		-	-	-
Change in net position \$ 978,552 \$ 1,264,326 \$ - \$ 61,696 Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868	Contrib	utio	on from County						9,785,082	71,159	175,290
Net position - beginning, as restated 24,629,370 (11,588,310) - 207,868	Total	gen	eral revenues			\$	20,705,484	\$	9,843,454	71,159	266,066
Net position - ending \$ 25,607,922 \$ (10,323,984) \$ - \$ 269,564	9			restated		\$		\$			•
	Net posi	tion	- ending			\$	25,607,922	\$	(10,323,984)	- 9	269,564

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

- Basic Financial Statements -

Fund Financial Statements



71. 3dile 30, 2010						
ACCETC		General		Capital Improvement		
ASSETS	-	Fund		Fund	-	Total
Cash and cash equivalents Receivables (Net of allowance for uncollectibles):	\$	13,135,880	\$	473,639	\$	13,609,519
Taxes, including penalties		6,512,495		-		6,512,495
Accounts receivable		288,993		-		288,993
Due from component unit		367,891		-		367,891
Due from other governmental units		1,151,301		-		1,151,301
Prepaid expenditures Restricted assets:		145,730		-		145,730
Cash and cash equivalents		115,000		_		115,000
Total assets	\$		\$	473,639	\$	22,190,929
LIABILITIES	Ť-	21/717/270	= *:		·	22/170/727
	Φ.	F17.0/0	φ.		Φ.	F17.0/0
Accounts payable Amounts held for others	\$	517,069	\$	-	\$	517,069
Deferred grant revenue		37,905 45,245		-		37,905 45,245
Total liabilities	\$		- ₋		\$	600,219
	Φ_	600,219	_ Þ		. _• —	600,219
DEFERRED INFLOWS OF RESOURCES	¢	4 404 147	¢		\$	4 404 147
Unavailable revenue - taxes	\$_	6,626,147	Φ.	<u>-</u>	. [⊅] –	6,626,147
FUND BALANCES						
Nonspendable	\$	145,730	\$	-	\$	145,730
Restricted		227,087		108,195		335,282
Committed		192,019		365,444		557,463
Assigned		3,797,842		-		3,797,842
Unassigned	-	10,128,246				10,128,246
Total fund balances	\$_	14,490,924	\$	473,639	\$	14,964,563
Total liabilities, deferred inflows of resources and fund balances	\$_	21,717,290	\$	473,639		
Detailed explanation of adjustments from fund statements to position: $ \\$	gove	ernment-wide	sta	itement of net		
When capital assets (land, buildings, equipment) that are to be purchased or constructed, the costs of those assets are report funds. However, the statement of net position includes those ca County as a whole.	ed a	s expenditure	s i	n governmental		22,625,011
Interest on long-term obligations is not accrued in governmental						
expenditure when due.						(147,305)
Because the focus of governmental funds is on short-term available to pay for current-period expenditures. Those assets (f by unavailable revenues in the governmental funds and thus are	or e	xample, rece	ival	bles) are offset		
Unavailable revenue - property taxes						1,019,069
Deferred inflows related to measurement of net pension liability	'					(450,869)
Deferred inflows related to measurement of net OPEB liability Net OPEB asset		(56,482) 16,258				
Pesnion and OPEB contributions subsequent to the measurement of be a reduction to the net pension and OPEB liabilities in the nex reported in the funds. Deferred outflows related to pensions.						497,309
Deferred outflows related to OPEB.			38,713			
Long-term liabilities applicable to the County's governmental active current period and accordingly are not reported as fund liabilities. termare reported in the statement of net position.						(12,898,345)
					ф.	<u> </u>
Net position of general government activities					\$_	25,607,922

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

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

Revenues: \$ 15,552,344 \$ 0.\$ 15,552,349 Other local taxes 2,753,993 0.2,753,993 Permits, privilege fees and regulatory licenses 188,292 0.2,753,993 Fines and forfeitures 182,666 0.2,753,993 Revenue from use of money and property 163,658 0.2,753,755 Miscellaneous 537,275 0.2,537,275 Miscellaneous 350,384 0.2,529,270 Intergovernmental: 200,000 0.2,529,270 Federal 1,253,902 0.2,529,270 Total revenues 26,281,784 0.2,529,270 Texpenditures: 200,000 0.2,529,270 Current: 200,000 0.2,529,270 General government administration 1,489,000 0.2,529,270 Judicial administration 918,471 0.2,918,471 Public works 921,347 0.2,918,471 Public works 921,347 0.2,918,471 Health and welfare 4,602,827 0.2,918,472 Education 8,388,750 0.2,918,472 Parks, recreation, and cultural		_	General	Capital Improvement	Total
Other local taxes 2,753,993 2,753,993 188,292 188,296 188,297 188,297 188,297 188,297 188,298 </td <td>Revenues:</td> <td></td> <td></td> <td></td> <td></td>	Revenues:				
Permits, privilege fees and regulatory licenses 188,292 188,292 Fines and forfeitures 182,666 182,665 Revenue from use of money and property 163,658 163,658 Charges for services 357,275 537,275 Miscellaneous 350,384 350,384 Intergovernmental: 2 2 Commonwealth 5,299,270 5,299,270 Federal 1,253,902 1,253,902 Total revenues 26,281,784 \$ \$ 26,281,784 Expenditures: 2 2,821,784 \$ \$ 26,281,784 Current: 3 4,890,902 \$ \$ 1,489,090 \$ \$ 1,489,090 Current: 3 4,892,892 \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ \$ 1,489,090 \$ 1,489,090 \$ 1,489,090 \$ 1,489,090 \$ 1,489,190 \$ 1,489,090 \$ 1,489,090	General property taxes	\$		\$ - \$	
Fines and forfeitures 182,666 182,666 Revenue from use of money and property 163,658 - 163	Other local taxes			-	
Revenue from use of money and property 163,658 - 163,658 Charges for services 537,275 - 537,275 Miscellaneous 350,384 - 350,384 Intergovernmental:				-	
Charges for services 537,275 537,275 Miscellaneous 350,384 350,384 Intergovernmental: 2 Commonwealth 5,299,270 5,299,270 Federal 1,253,902 1,253,902 Total revenues \$26,281,784 \$ \$26,281,784 Expenditures: 2 \$26,281,784 \$ \$26,281,784 Current: Current: S \$30,200				-	
Miscellaneous 350,384 350,384 1014rgovernmental:	Revenue from use of money and property		163,658	-	163,658
Intergovernmental: Commonwealth 5,299,270 5,299,270 Federal 1,253,902 - 1,253,902 Total revenues \$26,281,784 \$ \$ \$ \$ \$ 26,281,784 Expenditures: Current: General government administration \$1,489,090 \$ \$ \$ 1,489,090 Judicial administration 918,471 918,471 Public safety 6,167,216 - 6,167,216 Public works 921,347 - 921,347 Health and welfare 4,692,827 - 4,692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$27,522,730 - \$ 2,7522,730 Excess (deficiency) of revenues over (under) expenditures \$1,240,946 - 269,466 Other Financing Sources (uses): Issuance of long-term debt \$2,028,000 - \$ 2,028,000 Issuance of long-term debt \$2,028,000 - \$ 2,028,000 Issuance of fong-term debt \$2,028,000 - \$	S .		537,275	-	537,275
Commonwealth Federal 5,299,270 - 5,299,270 Federal 1,253,902 - 1,253,902 Total revenues \$ 26,281,784 \$ \$ 26,281,784 Expenditures: Current: General government administration \$ 1,489,090 \$ \$ 1,489,090 Judicial administration 918,471 - 918,471 - 918,471 Public safety 6,167,216 - 6,167,216 - 6,167,216 Public works 921,347 - 921,347 - 921,347 Health and welfare 4,692,827 - 921,347 - 921,347 Health and welfare 4,692,827 - 3,692,827 - 361,649 - 361,649 - 361,649 - 361,649 - 361,453 - 361,45	Miscellaneous		350,384	-	350,384
Total revenues	Intergovernmental:				
Total revenues \$ 26,281,784 \$ \$ 26,281,784 Expenditures: Current: General government administration \$ 1,489,090 \$ \$ 1,489,090 Judicial administration 918,471 \$ 918,471 Public safety 6,167,216 \$ 6,167,216 Public works 921,347 \$ 921,347 Health and welfare 4,692,827 \$ 4,692,827 4,692,827 Education 8,888,750 \$ 8,888,750 8,888,750 Parks, recreation, and cultural 361,640 \$ 361,640 Community development 631,453 \$ 631,453 Nondepartmental 702 \$ 702 Debt service: Principal retirement 3,181,768 \$ 3,181,768 Interest and other fiscal charges 269,466 269,466 Total expenditures \$ 2,7522,730 \$ \$ 2,7522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ \$ \$ 2,028,000 Issuance of long-term debt \$ 2,028,000 \$ \$ \$ 2,028,000 Issuance of capital lease 126,126 \$ \$ 2,154,126	Commonwealth		5,299,270	-	5,299,270
Expenditures: Current: General government administration \$ 1,489,090 \$ \$ \$ 1,489,090 Judicial administration 918,471 \$ 918,471 Public safety 6,167,216 \$ 6,167,216 Public works 921,347 \$ 921,347 Health and welfare 4,692,827 \$ 4,692,827 Education 8,888,750 \$ 8,888,750 Parks, recreation, and cultural 361,640 \$ 361,640 Community development 631,453 \$ 631,453 Nondepartmental 702 \$ 702 Debt service: Principal retirement 3,181,768 \$ 3,181,768 Interest and other fiscal charges \$ 299,466 \$ 269,466 Total expenditures \$ 27,522,730 \$ \$ \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ \$ \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ \$ \$ \$ 2,028,000 Issuance of capital lease 126,126 \$ \$ \$ \$ 2,154,126 Net change in fund balances \$ 913,180 \$ \$ \$ 913,180 Fund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Fund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383 Sund balances at beginning	Federal	_	1,253,902	<u> </u>	1,253,902
Current: General government administration \$ 1,489,090 \$ \$ 1,489,090 Judicial administration 918,471 - \$ 918,471 Public safety 6,167,216 - 6,167,216 Public works 921,347 - \$ 921,347 Health and welfare 4,692,827 - 4692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: - 702 - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (2,228,000) - \$ 2,028,000 Issuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of long-term debt \$ 2,154,126 - \$ 2,028,000 <td< td=""><td>Total revenues</td><td>\$</td><td>26,281,784</td><td>\$\$</td><td>26,281,784</td></td<>	Total revenues	\$	26,281,784	\$\$	26,281,784
General government administration \$ 1,489,090 \$ - \$ 1,489,090 Judicial administration 918,471 - 918,471 Public safety 6,167,216 - 6,167,216 Public works 921,347 - 921,347 Health and welfare 4,692,827 - 4,692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: - 702 - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ 2,028,000 Other Financing Sources (uses): \$ 2,028,000 \$ - \$ 2,028,000 Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - \$ 2,154,126 Total other financing sources (uses) <t< td=""><td>Expenditures:</td><td></td><td></td><td></td><td></td></t<>	Expenditures:				
Judicial administration 918,471 - 918,471 Public safety 6,167,216 - 6,167,216 Public works 921,347 - 921,347 Health and welfare 4,692,827 - 4,692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 2,7522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 <t< td=""><td>Current:</td><td></td><td></td><td></td><td></td></t<>	Current:				
Public safety 6,167,216 - 6,167,216 Public works 921,347 - 921,347 Health and welfare 4,692,827 - 4,692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ 27,522,730 Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of capital lease 126,126 - \$ 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 473,639 14,051,383	General government administration	\$	1,489,090	\$ - \$	1,489,090
Public works 921,347 921,347 Health and welfare 4,692,827 4,692,827 Education 8,888,750 8,888,750 Parks, recreation, and cultural 361,640 361,640 Community development 631,453 631,453 Nondepartmental 702 702 Debt service: 702 3,181,768 Principal retirement 3,181,768 3,181,768 Interest and other fiscal charges 269,466 269,466 Total expenditures 27,522,730 27,522,730 Excess (deficiency) of revenues over (under) expenditures (1,240,946) 2,52,522,730 Other Financing Sources (uses): 126,126 2,028,000 Issuance of long-term debt 2,028,000 2,52,028,000 Issuance of capital lease 126,126 2,154,126 Total other financing sources (uses) 2,154,126 2,154,126 Net change in fund balances 913,180 3,14,051,383 Fund balances at beginning of year 13,577,744 473,639 14,051,383	Judicial administration		918,471	-	918,471
Health and welfare 4,692,827 - 4,692,827 Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: 702 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ 27,522,730 Other Financing Sources (uses): Susuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 473,639 14,051,383	Public safety		6,167,216	-	6,167,216
Education 8,888,750 - 8,888,750 Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: - 702 - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Public works		921,347	-	921,347
Parks, recreation, and cultural 361,640 - 361,640 Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: - 702 - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Health and welfare		4,692,827	-	4,692,827
Community development 631,453 - 631,453 Nondepartmental 702 - 702 Debt service: - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 473,639 \$ 14,051,383	Education		8,888,750	-	8,888,750
Nondepartmental 702 702 Debt service: 702 - 702 Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 473,639 14,051,383	Parks, recreation, and cultural		361,640	-	361,640
Debt service: Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Community development		631,453	-	631,453
Principal retirement 3,181,768 - 3,181,768 Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 - \$ 2,154,126 Net change in fund balances \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 14,051,383	Nondepartmental		702	-	702
Interest and other fiscal charges 269,466 - 269,466 Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Debt service:				
Total expenditures \$ 27,522,730 \$ - \$ 27,522,730 Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 - \$ 913,180 Net change in fund balances \$ 913,180 \$ - \$ 913,180 - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Principal retirement		3,181,768	-	3,181,768
Excess (deficiency) of revenues over (under) expenditures \$ (1,240,946) \$ - \$ (1,240,946) Other Financing Sources (uses): \$ 2,028,000 \$ - \$ 2,028,000 Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Interest and other fiscal charges	_	269,466	-	269,466
Other Financing Sources (uses): \$ 2,028,000 \$ - \$ 2,028,000 Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease \$ 126,126 \$ - \$ 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383	Total expenditures	\$	27,522,730	\$\$	27,522,730
Issuance of long-term debt \$ 2,028,000 \$ - \$ 2,028,000 Issuance of capital lease 126,126	Excess (deficiency) of revenues over (under) expenditures	\$	(1,240,946)	\$\$	(1,240,946)
Issuance of capital lease 126,126 - 126,126 Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Other Financing Sources (uses):				
Total other financing sources (uses) \$ 2,154,126 \$ - \$ 2,154,126 Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year \$ 13,577,744 \$ 473,639 \$ 14,051,383	Issuance of long-term debt	\$	2,028,000	\$ - \$	2,028,000
Net change in fund balances \$ 913,180 \$ - \$ 913,180 Fund balances at beginning of year 13,577,744 \$ 473,639 \$ 14,051,383	Issuance of capital lease		126,126	<u>-</u>	126,126
Fund balances at beginning of year	Total other financing sources (uses)	\$	2,154,126	\$\$	2,154,126
	Net change in fund balances	\$	913,180	\$ - \$	913,180
Fund balances at end of year \$ 14,490,924 \$ 473,639 \$ 14,964,563	Fund balances at beginning of year	_	13,577,744	\$ 473,639 \$	14,051,383
	Fund balances at end of year	\$	14,490,924	\$ 473,639 \$	14,964,563

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

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

Amounts reported for governmental activities in the statement of activities are different because: Net change in fund balances - total governmental funds S 913,180 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 details support this adjustment: Capital outlay S 773,315 Depreciation expense The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (14,535) Transfer of joint tenancy assets from Primary Government to the Component Unit Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes S 175,137 Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) The Issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
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 details support this adjustment: Capital outlay S 773,315 Depreciation expense (1,159,670) The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (14,535) Transfer of joint tenancy assets from Primary Government to the Component Unit Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes Unearned revenue - property taxes Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability (56,482) Increase (decrease) in deferred inflows related to the measurement of the net pension liability (13,958) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
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 details support this adjustment: Capital outlay Depreciation expense (1,159,670) The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (14,535) Transfer of joint tenancy assets from Primary Government to the Component Unit Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes Unearned revenue - property taxes Unearned revenue - property taxes Unearned decrease) in deferred inflows related to the measurement of the net OPEB liability Increase (decrease) in deferred inflows related to the measurement of the net pension liability The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (14,535) Transfer of joint tenancy assets from Primary Government to the Component Unit (899,952) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes Unearned revenue - property taxes Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
donations) is to decrease net position. (14,535) Transfer of joint tenancy assets from Primary Government to the Component Unit (899,952) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes \$ 175,137 Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability (56,482) Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) (45,303) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes \$ 175,137 Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability (56,482) Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) (45,303) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes. Unearned revenue - property taxes \$ 175,137 Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability \$ (56,482) Increase (decrease) in deferred inflows related to the measurement of the net pension liability \$ (163,958) \$ (45,303) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
Unearned revenue - property taxes \$ 175,137 Increase (decrease) in deferred inflows related to the measurement of the net OPEB liability (56,482) Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
OPEB liability Increase (decrease) in deferred inflows related to the measurement of the net pension liability (163,958) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
pension liability (163,958) (45,303) The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term
resources to governmental funds, while the repayment of the principal of long-term
obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:
Issuance of long-term debt \$ (2,154,126)
Principal retired on lease revenue bonds 674,500 Principal retired on variable rate revenue bonds 2,000,000
Principal retired on refunding bonds 89,990
Principal retired on capital lease 107,278
Principal retired on state literary fund loan 310,000 1,027,642
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:
Change in compensated absences \$ (65,310) Change in net OPEB liability/asset 47,851 Change in landfill closure liability 24,294 Change in net pension liability 654,629
Change in deferred outflows related to pensions (284,325) Change in deferred outflows related to OPEB 13,081
Change in accrued interest payable (6,345) 383,875
Change in net position of governmental activities \$ 978,552

Statement of Fiduciary Net Position --Fiduciary Funds At June 30, 2018

ASSETS		Agency Funds
ASSETS		
Cash and cash equivalents	\$	47,124
Total assets	\$	47,124
	:	
LIABILITIES		
Amounts held for others	\$	47,124
	Ψ,	.,,,,,
Total liabilities	\$	47,124

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

Notes to Financial Statements At June 30, 2018

Note 1 - Summary of Significant Accounting Policies:

The County of Madison, Virginia was formed in 1792 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

Government-wide and Fund Financial Statements:

Government-wide Financial Statements:

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

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

Statement of Net Position:

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

Statement of Activities:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Statement of Activities: (Continued)

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

Fund Financial Statements:

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 government over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

<u>Blended Component Units:</u> The County has no blended component units to be included for the fiscal year ended June 30, 2018.

Notes to Financial Statements At June 30, 2018 (Continued)

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

B. <u>Individual Component Unit Disclosures (Continued)</u>

<u>Discretely Presented Component Unit:</u> The School Board operates the County Public School System. Members are currently elected by popular vote. 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 in the County financial statements for the fiscal year ended June 30, 2018.

<u>Discretely Presented Component Unit:</u> The Madison County Parks and Recreation Authority was formed in 1982, by action of the Board of Supervisors. The Authority is a seven member board. Each member is appointed by the Board of Supervisors. The Madison County Parks and Recreation Authority is included in the financial statements of the County due to the nature of its contractual relationship with the County. The Authority provides services which benefit the County. The Authority does not issue separate financial statements and is included as a discrete presentation in the County's financial statements.

<u>Discretely Presented Component Unit</u>: - The Madison County Industrial Development Authority was created by the Board of Supervisors to administer the issuance of economic development revenue bonds. The County appoints all members of Authority's Board of Directors. The primary funding is from the General Fund of the County. The Industrial Development Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

The Madison County School Board has the following funds:

Governmental Funds:

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

<u>School Cafeteria Fund</u> - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.

School Lottery Fund - This fund accounts for and reports the state school lottery revenues.

<u>School Capital Fund</u> - This fund accounts for and reports for the school capital projects. The school capital fund is considered a major fund for financial reporting purposes.

School Textbook Fund - This fund accounts for and reports for the school textbook funds.

Notes to Financial Statements At June 30, 2018 (Continued)

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

C. Other Related Organizations

Excluded from the County's Financial Statements:

Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority: The County, in conjunction with other localities, has created the Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions.

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

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

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

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

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

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.

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

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

1. Governmental Funds:

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

a. General Fund

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

b. Capital Improvement Fund

The Capital Improvement Fund accounts for and reports all financial resources used for the acquisition or construction of major capital facilities. The Capital Improvement Fund is considered a major fund at June 30, 2018.

2. Fiduciary Funds (Trust and Agency Funds):

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's only Agency Fund is the Special Welfare Fund.

Notes to Financial Statements At June 30, 2018 (Continued)

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

E. Budgets and Budgetary Accounting

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

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$300,672 at June 30, 2018 and is comprised solely of property taxes.

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. There are no business-type activities reported for Madison County.

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

Assets	Years
Buildings	40
Building improvements	20 to 40
Vehicles	3 to 5
Office and computer equipment	5
Buses	12

Notes to Financial Statements At June 30, 2018 (Continued)

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

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of 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 it is estimated will be taken as "terminal leave" prior to retirement. The Department of Social Services and the Component Unit School Board pay a portion of unused sick leave upon separation. The County does not have sick leave.

K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld, from the actual debt proceeds received, are reported as debt service expenditures.

L. Use of Estimates

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

M. Fund Balances

Financial Policies

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

The County reports fund balances in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Notes to Financial Statements At June 30, 2018 (Continued)

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

M. Fund Balances (Continued)

Financial Policies (Continued)

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

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

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

<u>Committed fund balance</u> - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

<u>Assigned fund balance</u> - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

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

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

M. Fund Balances (Continued)

Financial Policies (Continued)

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for specific purposes. The following is detail of County's and School Board's Fund Balances:

Category		General Fund	Capital Projects Fund	Component Unit School Board
Nonspendable:				
Prepaid expenditures Inventory	\$	145,730 \$	- -	\$ 33,679 23,310
Total Nonspendable	\$	145,730 \$	-	\$ 56,989
Restricted:	_			
School Lottery Funds	\$	- \$	-	1,896
Debt Service reserve		115,000	-	-
Asset Forfeitures		40,894	-	-
Unspent bond proceeds - school projects		-	108,195	-
Toppings Funds		61,396	-	-
Animal donations		9,797	-	-
School Textbook Funds		-	-	52,953
Total Restricted	\$	227,087 \$	108,195	\$ 54,849
Committed:	=			
Capital Projects	\$	- \$	365,444	\$ 38,641
Encumbrances		159,170	· -	· -
Micro Enterprise		32,849	-	-
School Operations		-	-	2,000
Cafeteria		<u>-</u>	-	269,204
Total Committed	\$	192,019 \$	365,444	\$ 309,845
Assigned:				
Tourism	\$	174,340 \$	-	-
Capital Projects		3,000,000	-	-
CSA Stabilization Reserve		481,065	-	-
School Capital Projects		129,249	-	-
Sheriff		13,188	-	
Total Assigned	\$_	3,797,842 \$	-	\$ <u> </u>
Unassigned	\$	10,128,246 \$	-	\$ (33,679)
Total Fund Balance	\$	14,490,924 \$	473,639	\$ 388,004

Notes to Financial Statements At June 30, 2018 (Continued)

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

N. 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.

O. Net Position Flow Assumption

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

P. Deferred Outflows/Inflows of Resources

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Q. Pensions

For purposes of measuring the net pension asset or 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.

R. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Political Subdivision and Teacher Employee Health Insurance Credit Program

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 2 - Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

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

County's Rated Debt Investments' Values						
		Fair Quality Ratings				
Rated Debt Investments	_	AAAm				
U.S. Government Securities Local Government Investment Pool	\$	68,889 3,554,564				
Total	\$	3,623,453				

Notes to Financial Statements At June 30, 2018 (Continued)

Note 2 - Deposits and Investments: (Continued)

External Investment Pool

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

Interest Rate Risk

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)

Investment Type	 Fair Value	Less than 1 year	Greater than 10 years
U.S. Government Securities	\$ 68,889 \$	- \$	68,889
Local Government Investment Pool	3,554,564	3,554,564	
Total	\$ 3,623,453 \$	3,554,564	\$ 68,889

Note 3 - Due From Other Governmental Units:

		Primary		Component Unit
		Government		School Board
Commonwealth of Virginia:			•	
Local sales tax	\$	188,458	\$	-
Public assistance and welfare administration		49,168		-
State sales tax		-		258,625
Comprehensive services		414,930		-
Communications tax		85,282		-
Shared expenses		107,485		-
Fire program		-		-
Department of Justice		175,975		-
Other state funds		46,394		-
Federal Government:				
School funds		-		150,440
Public safety		11,044		-
Public assistance and welfare administration	_	72,565		
Totals	\$	1,151,301	\$	409,065

Notes to Financial Statements At June 30, 2018 (Continued)

Note 4 - Capital Assets:

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

	_	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Primary Government: Capital assets not being depreciated:					
Land	\$	1,419,418 \$	\$_	- \$	1,419,418
Total capital assets not being depreciated	\$	1,419,418 \$	\$_	- \$	1,419,418
Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	17,234,401 \$ 3,135,231 10,533,128	- \$ 773,315 -	- \$ 244,428 1,093,153	17,234,401 3,664,118 9,439,975
Total capital assets being depreciated	\$ <u></u>	30,902,760 \$	773,315 \$	1,337,581 \$	30,338,494
Less accumulated depreciation: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	(5,370,478) \$ (2,077,041) (948,806)	(490,112) \$ (433,559) (235,999)	- \$ (229,893) (193,201)	(5,860,590) (2,280,707) (991,604)
Total accumulated depreciation	\$	(8,396,325) \$	(1,159,670) \$	(423,094) \$	(9,132,901)
Net capital assets being depreciated	\$	22,506,435 \$	(386,355) \$	914,487 \$	21,205,593
Net capital assets	\$	23,925,853 \$	(386,355) \$	914,487 \$	22,625,011
		Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Component Unit - School Board: Capital assets not being depreciated:					_
Land Construction in progress Tatal conital cosets not being depreciated.	\$	109,803 \$	- \$ 180,048	- \$ 133,560	109,803 46,488
Construction in progress Total capital assets not being depreciated	\$ 	109,803 \$	·	·	
Construction in progress	\$ - \$ -	<u> </u>	180,048	133,560	46,488
Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles)	\$	109,803 \$ 5,857,751 \$ 4,671,546	180,048 \$ 180,048 \$ 134,020 \$ 393,805	133,560 133,560 \$	46,488 156,291 5,991,771 4,861,593
Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	5,857,751 \$ 4,671,546 9,528,085	180,048 \$ 180,048 \$ 134,020 \$ 393,805 1,093,153	133,560 \$ 133,560 \$ - \$ 203,758	46,488 156,291 5,991,771 4,861,593 10,621,238
Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets Total capital assets being depreciated Less accumulated depreciation: Buildings and improvements Jointly owned assets	\$\$ \$\$	109,803 \$ 5,857,751 \$ 4,671,546 9,528,085 20,057,382 \$ (5,759,614) \$ (2,727,422)	180,048 \$ 180,048 \$ 134,020 \$ 393,805 1,093,153 1,620,978 \$ (669,491) \$ (193,201)	133,560 133,560 \$ - \$ 203,758 - \$ 203,758 \$	46,488 156,291 5,991,771 4,861,593 10,621,238 21,474,602 (6,429,105) (2,920,623)
Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets Total capital assets being depreciated Less accumulated depreciation: Buildings and improvements Jointly owned assets Equipment (including vehicles)	\$\$ \$\$	- 109,803 \$ 5,857,751 \$ 4,671,546 9,528,085 20,057,382 \$ (5,759,614) \$ (2,727,422) (3,701,204)	180,048 \$ 180,048 \$ 134,020 \$ 393,805 1,093,153 1,620,978 \$ (669,491) \$ (193,201) (283,028)	133,560 \$ 133,560 \$ - \$ 203,758 \$ - \$ (203,758)	46,488 156,291 5,991,771 4,861,593 10,621,238 21,474,602 (6,429,105) (2,920,623) (3,780,474)

Notes to Financial Statements At June 30, 2018 (Continued)

Note 4 - Capital Assets: (Continued)

The following is a summary of capital assets for the fiscal year ended June 30, 2018: (Continued)

	_	Balance July 1, 2017	_	Additions	Deletions		Balance June 30, 2018
Component Unit - Parks and Recreation Author Capital assets not being depreciated:	ority	7 :					
Construction in progress	\$	42,060	\$_	10,716	\$	\$	52,776
Total capital assets not being depreciated	\$	42,060	\$	10,716	\$	- \$	52,776
Capital assets being depreciated: Buildings and improvements Equipment	\$	28,395 76,554	\$	- 3,577	\$	- - -	28,395 80,131
Total capital assets being depreciated	\$	104,949	\$_	3,577	\$	- \$	108,526
Less accumulated depreciation: Buildings and improvements Equipment	\$	(1,420) (47,535)	\$	(1,599) (9,963)	\$	- \$ <u>-</u>	(3,019) (57,498)
Total accumulated depreciation	\$	(48,955)	\$	(11,562)	\$	- \$	(60,517)
Net capital assets being depreciated	\$	55,994	\$	(7,985)	\$	- \$	48,009
Net capital assets	\$	98,054	\$	2,731	\$	- \$	100,785

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

Primary Government:		
Governmental activities:		
General government administration	\$	42,144
Judicial administration		352,941
Public safety		376,071
Public works		39,850
Health and welfare		36,362
Education		235,999
Parks, recreation and cultural		75,164
Community development		1,139
Total	\$	1,159,670
Component Unit School Board	\$	949,888
Depreciation Expense	\$	952,519
Joint tenancy transfer of accumulated depreciation	_	193,201
Total additions to accumulated depreciation, previous page	\$	1,145,720
Component Unit Parks and Recreation Authority	\$	11,562

Notes to Financial Statements At June 30, 2018 (Continued)

Note 5 - Compensated Absences:

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the County has accrued the liability arising from compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County and School Board had outstanding accrued vacation pay as follows:

Primary Government	\$_	478,020
Component Unit School Board	\$	450,079

Note 6 - Due From/To Primary Government/Component Units:

Fund	_	Due from		Due to
General	\$	367,891	\$	-
School Board		-	_	367,891
Total	\$	367,891	\$	367,891

Note 7 - 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Plan Description: (Continued)

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

RETIREMENT PLAN PROVISIONS						
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN				
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • 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 contributions, investment gains or losses, and any required fees.				

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)								
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN						
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.						
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered						
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP)						
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.	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.	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.						

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service: (Cont.)	Creditable Service: (Cont.)	Creditable Service: (Cont.)
		Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1.

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) 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 (Cont.)	Calculating the Benefit (Cont.) Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation 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.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty amplayoes: The retirement	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Net applicable
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.	duty employees: Same as Plan 1.	superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

Note 7 - Pension Plan: (Continued)

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

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long- term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Exceptions to COLA Effective Dates: Same as Plan 1.	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. Defined Contribution Component: Not applicable.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Pension Plan Data

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	54	37
Inactive members: Vested inactive members	15	11
Non-vested inactive members	27	13
Inactive members active elsewhere in VRS	41	14
Total inactive members	83	38
Active members	95	47
Total covered employees	232	122

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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, 2018 was 8.82% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - 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 County were \$394,774 and \$393,926 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 0.22% 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 Component Unit School Board's nonprofessional employees were \$1,201 and \$4,002 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability/Asset

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expenses, including inflation*

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5%

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 7.0%, net of pension plan investment

expenses, including inflation*

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees: (Continued)

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees: (Continued)

All Others (Non 10 Largest) - Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - 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, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	_	Primary Government Increase (Decrease)							
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)	, <u> </u>	Net Pension Liability (a) - (b)			
Balances at June 30, 2016	\$	16,252,981	\$_	14,971,541	\$	1,281,440			
Changes for the year:									
Service cost	\$	561,082	\$	-	\$	561,082			
Interest		1,111,394		-		1,111,394			
Changes of assumptions		(44,022)		-		(44,022)			
Differences between expected									
and actual experience		140,511		-		140,511			
Contributions - employer		-		390,309		(390,309)			
Contributions - employee		-		219,531		(219,531)			
Net investment income		-		1,825,862		(1,825,862)			
Benefit payments, including refunds									
of employee contributions		(751,849)		(751,849)		-			
Administrative expenses		-		(10,482)		10,482			
Other changes		-	_	(1,626)		1,626			
Net changes	\$	1,017,116	\$	1,671,745	\$	(654,629)			
Balances at June 30, 2017	\$	17,270,097	\$	16,643,286	\$	626,811			

Note 7 - Pension Plan: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

		Component School Board (nonprofessional)							
	_	Total Pension Liability (a)	<u>In</u>	crease (Decrease Plan Fiduciary Net Position (b)	· .	Net Pension Liability (asset) (a) - (b)			
Balances at June 30, 2016	\$	3,260,996	\$_	3,740,118	\$	(479,122)			
Changes for the year:									
Service cost Interest	\$	68,751 220,674	\$	-	\$	68,751 220,674			
Changes of assumptions Differences between expected		(21,588)		-		(21,588)			
and actual experience		(61,562)		-		(61,562)			
Contributions - employer Contributions - employee		-		1,243 37,596		(1,243) (37,596)			
Net investment income Benefit payments, including refunds		-		444,970		(444,970)			
of employee contributions		(217,007)		(217,007)		-			
Administrative expenses Other changes		-		(2,689) (391)		2,689 391			
Net changes	\$	(10,732)	\$	263,722	\$	(274,454)			
Balances at June 30, 2017	\$	3,250,264	\$	4,003,840	\$	(753,576)			

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

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

			Rate	
	_	(6.00%)	(7.00%)	(8.00%)
County Net Pension Liability (Asset)	\$	2,910,227 \$	626,811 \$	(1,258,151)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$	(371,421) \$	(753,576) \$	(1,074,389)

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$184,811 and (\$166,203), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Component Unit School

				Component Unit School			
		Primary Go	vernment	Board (nonprofessional)			
	Deferred Outflows of Resources		Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$	102,535 \$	5 175,327 \$	-	\$ 113,849		
Change in assumptions		-	32,124	-	13,850		
Net difference between projected and actual earnings on pension plan investments		-	243,418	-	55,937		
Employer contributions subsequent to the measurement date	,	394,774		1,201			
Total	\$	497,309 \$	450,869	\$ 1,201	\$ 183,636		

\$394,774 and \$1,201 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 fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	Primary Government	_	Component Unit School Board (nonprofessional)
2019	\$	(234,030)	\$	(136,461)
2020		25,331		(10,618)
2021		17,013		1,345
2022		(156,648)		(37,902)
Thereafter		-		-

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - 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 <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$1,590,403 and \$1,509,261 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$15,518,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .12619% as compared to .12492% at June 30, 2016.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$941,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$	1,098,000
Change in assumptions	226,000		-
Net difference between projected and actual earnings on pension plan investments	-		564,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	142,000		615,000
Employer contributions subsequent to the measurement date	1,590,403		
Total	\$ 1,958,403	\$	2,277,000

\$1,509,403 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2019	\$	(814,000)
2020		(216,000)
2021		(301,000)
2022		(540,000)
Thereafter		(38,000)

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.95%

Investment rate of return 7.0%, net of pension plan investment

expenses, including inflation*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

^{*} 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.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

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

Net Pension Liability

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Long-Term Expected Rate of Return

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 7 - Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Discount Rate

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

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

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

		Rate	
	(6.00%)	 (7.00%)	(8.00%)
School division's proportionate			
share of the VRS Teacher			
Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 23,174,000	\$ 15,518,000	\$ 9,185,000

Pension Plan Fiduciary Net Position

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 8 - Long-Term Obligations:

Primary Government-Long-term Obligations:

<u>Changes in Long-Term Obligations:</u>

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

		Balance at July 1, 2017 as restated	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:						
Public Facility Lease Revenue Bond	\$	8,273,000 \$	- \$	674,500 \$	7,598,500 \$	690,000
Variable Rate Demand Revenue Bond		2,000,000	-	2,000,000	-	-
Public Improvement Refunding Bond		-	2,028,000	89,990	1,938,010	184,020
Landfill closure liability		402,833	7,251	31,545	378,539	31,545
State literary fund loan		1,240,000	-	310,000	930,000	310,000
Capital leases		140,675	126,126	107,278	159,523	57,158
Net OPEB liability:						
Net Health Insurance OPEB liability	\$	419,145 \$	34,309 \$	31,512 \$	421,942 \$	-
Net Group Life Insurance OPEB liability		413,000	19,000	65,000	367,000	-
Total net OPEB liability	\$	832,145 \$	53,309 \$	96,512 \$	788,942 \$	-
Net pension liability		1,281,440	1,825,095	2,479,724	626,811	-
Compensated absences	-	412,710	106,581	41,271	478,020	47,802
Total governmental activities	\$	14,582,803 \$	4,146,362 \$	5,830,820 \$	12,898,345 \$	1,320,525

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

				VACO/VML		VACO/\	/ML		
Year		State Lit	erary	Public Facility Lease		Public Impro	ovement		
Ending		Fund L	.oan	Revenue	Bond	Refunding	Bond	Capital L	.eases
June 30,		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$	310,000 \$	27,900 \$	690,000 \$	163,368 \$	184,020 \$	45,225 \$	57,158 \$	564
2020		310,000	18,600	703,500	148,533	188,440	40,801	24,472	-
2021		310,000	9,300	719,000	133,408	192,980	36,270	25,203	-
2022		-	-	734,500	117,949	197,620	31,630	25,957	-
2023		-	-	750,500	102,157	202,370	26,880	26,733	-
2024		-	-	766,500	86,022	207,230	22,013	-	-
2025		-	-	783,000	69,542	212,220	17,031	-	-
2026		-	-	800,000	52,707	217,320	11,929	-	-
2027		-	-	817,000	35,507	222,540	6,704	-	-
2028		-	-	834,500	17,942	113,270	1,354	-	-
2029		-	-	-	-	-	-	-	-
2030	_		<u> </u>	<u> </u>		<u> </u>			
Total	\$	930,000 \$	55,800 \$	7,598,500 \$	927,135 \$	1,938,010 \$	239,837 \$	159,523 \$	564

Note 8 - Long-Term Obligations: (Continued)

<u>Details of Long-Term Obligations:</u>

		Amount Outstanding		Amounts Due Within One Year
State Literary Fund Loan:				
\$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	\$_	930,000	\$_	310,000
VACO/VML Public Facility Lease Revenue Bond:				
\$10,762,500 loan issued January 25, 2013 due in varying installments through November 2027. Interest is payable annually at 2.15%.	\$_	7,598,500	\$_	690,000
VACO/VML Public Improvement Refunding Bond:				
\$2,028,000 Public Improvement Refunding Bond, Series 2017 issued July 28, 2017, due in various semiannual installments of principal and interest through August 1, 2027. Interest paid semiannually at 2.39%.	\$_	1,938,010	\$_	184,020
Capital Leases:				
\$472,794 lease issued October 21, 2011 due in annual installments of principal and interest of \$81,232 through October 2018. Interest is payable at 2.185%. The assets acquired through the capital lease are \$472,794 for emergency operations equipment and had \$330,956 of accumulated depreciation as of June 30, 2018.	\$	33,397	\$	33,397
\$126,126 lease issued October 20, 2017 due in annual installments of principal and interest of \$27,532 through October 2022. Interest is payable at 2.99%. The assets acquired through the capital lease are \$118,886 for election equipment and had \$7,925 of accumulated				
depreciation as of June 30, 2018.		126,126		23,761
Total Capital Leases	\$	159,523	\$	57,158
Landfill closure liability	\$_	378,539	\$_	31,545
Net OPEB liability	\$_	788,942	\$_	-
Net pension liability	\$_	626,811	\$_	-
Compensated absences	\$_	478,020	\$_	47,802
Total long-term obligations	\$_	12,898,345	\$	1,320,525

Notes to Financial Statements At June 30, 2018 (Continued)

Note 8 - Long-Term Obligations: (Continued)

<u>Discretely Presented Component Unit-School Board Obligations:</u>

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

	_	Balance at July 1, 2017 as restated	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Compensated absences	\$	412,230 \$	79,072 \$	41,223 \$	450,079 \$	41,223
Capital leases		64,061	-	64,061	-	-
Net pension liability		17,507,000	2,726,000	4,715,000	15,518,000	-
Net OPEB liability:						
Net Health Insurance OPEB liability	\$	1,055,020 \$	96,363 \$	61,671 \$	1,089,712 \$	-
Net Group Life Insurance OPEB liability		999,000	36,000	153,000	882,000	-
Net Health Insurance Credit OPEB liability		1,584,000	160,000	130,000	1,614,000	-
Total net OPEB liability	\$	3,638,020 \$	292,363 \$	344,671 \$	3,585,712 \$	-
Total Component Unit	\$	21,621,311 \$	3,097,435 \$	5,164,955 \$	19,553,791 \$	41,223
	_					

Note 9 - Deferred/Unavailable/Unearned Revenue:

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

	Government-wide Statements			alance Sheet
	Governmental Activities			
Primary Government: Deferred/Unavailable property tax revenue: Deferred/Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$	- (1,019,069
2nd half assessments due after June 30th		5,357,227		5,357,227
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.		249,851		249,851
Total governmental activities	\$	5,607,078	\$	6,626,147

Notes to Financial Statements At June 30, 2018 (Continued)

Note 10 - Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and the Uniform Guidance. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 11 - Surety Bonds:

	Amount
Virginia Department of Risk Management - Surety	_
Stephanie Murray, Treasurer	\$ 400,000
Leeta D. Louk, Clerk of the Circuit Court	25,000
Brian Daniel, Commissioner of the Revenue	3,000
Erik Weaver, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Madison County Department of Social Services employee blanket bond	100,000
Virginia Association of Counties Group Self Insurance Risk Pool	
Madison County School Board Public Officials Liability	1,000,000
Madison County Public Officials Liability	250,000
Madison County Crime Coverage	250,000

Note 12 - Risk Management:

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

The County is insured by the Virginia Association of Counties (VACO) for all risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years. Worker's Compensation is also carried through VACO.

Note 13 - Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, which occurred in fiscal year 2005, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$378,539 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from any funds accumulated for this purpose in the General Fund.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 13 - Landfill Closure and Postclosure Care Cost: (Continued)

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

The County plans to meet all federal laws, regulations and tests of financial assurance related to the financing of closure and postclosure care when they become effective.

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan):

County:

Plan Description

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who have at least 10 years of service with Madison County, and is eligible for immediate retirement benefits under VRS, or have at least 10 years of service with Madison County and is eligible for immediate disability retirement benefits under VRS. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. For participating retirees, the retirees pay 100% of the published rates for individual and dependent coverage until age 65. Surviving spouses are not allowed access to the plan.

Plan Membership

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

Total active employees with coverage	\$ 95
Total retirees with coverage	 3
Total	\$ 98

Contributions

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County: (Continued)

Total OPEB Liability

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

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 and June 30, 2018
Salary Increases	Ranging from 3.50% to 4.75% depending on years of service per year for general salary inflations as of June 30, 2017 and June 30, 2018 respectively
Discount Rate	3.58% for accounting and funding disclosures as of June 30, 2017 and 3.87% for June 30, 2018
Investment Rate of Return	3.58% for accounting and funding disclosures as of June 30, 2017 and 3.87% for June 30, 2018

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Total Dataset Mortality Table fully generational using scale BB while mortality rates for disabled retirees were based on a RP-2014 Disabled Mortality Table fully generational using scale BB.

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2017.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County: (Continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	\$	419,145
Changes for the year:	Ψ	117,110
Service cost		18,953
Interest		15,356
Difference between expected and actual experience		-
Changes in assumptions		(13,048)
Benefit payments		(18,464)
Net changes		2,797
Balances at June 30, 2018	\$	421,942

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

		Rate		
1% Decrease		Current Discount		1% Increase
(2.87%)		Rate (3.87%)		(4.87%)
\$ 468,958	\$	421,942	\$	380,423

The following presents the total OPEB liability of the County was calculated using healthcare cost trend rates that are one percentage point lower (4.80% decreasing to 3.20% after 2073) or one percentage point higher (6.80% decreasing to 5.20% after 2073) than the current healthcare cost trend rates:

_			Rates	
_			Healthcare Cost	
	1% Decrease		Trend	1% Increase
	(4.80% decreasing to		(5.80% decreasing to	(6.80% decreasing to
_	3.20% after 2073)	_	4.20% after 2073)	 5.20% after 2073)
\$	364,594	\$	421,942	\$ 491,626

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County: (Continued)

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$32,657. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces		Deferred Inflows of Resources
Changes in assumptions	\$ -	\$	11,396
Total	\$ -	\$	11,396

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

Year Ended June 3	30	
2019	\$	(1,652)
2020		(1,652)
2021		(1,652)
2022		(1,652)
2023		(1,652)
Thereafter		(3,136)

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

School Board:

Plan Description

The School Board Retiree Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has at least seven consecutive years of service immediately preceding retirement, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

Benefits Provided

Postemployment benefits are provided to eligible retirees include Health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. The School Board Extended Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. For participating retirees the School Board pays an amount per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

Plan Membership

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

Total active employees with coverage	\$ 244
Total retirees with coverage	 6
Total	\$ 250

Contributions

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

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 and June 30, 2018		
Salary Increases	Ranging from 3.50% to 4.75% depending on years of service per year for general salary inflations as of June 30, 2017 and June 30, 2018 respectively		
Discount Rate	3.58% for accounting and funding disclosures as of June 30, 2017 and 3.87% for June 30, 2018		
Investment Rate of Return	3.58% for accounting and funding disclosures as of June 30, 2017 and 3.87% for June 30, 2018		

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Total Dataset Mortality Table fully generational using scale BB while mortality rates for disabled retirees were based on a RP-2014 Disabled Mortality Table fully generational using scale BB.

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2017

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
Balances at June 30, 2017	\$ 1,055,020
Changes for the year:	
Service cost	57,167
Interest	39,196
Difference between expected and actual experience	-
Changes in assumptions	(26,737)
Benefit payments	(34,934)
Net changes	34,692
Balances at June 30, 2018	\$ 1,089,712

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	Rate	
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 1,183,961	\$ 1,089,712	\$ 1,001,531

Notes to Financial Statements At June 30, 2018 (Continued)

Note 14 - Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

The following presents the total OPEB liability of the School Board was calculated using healthcare cost trend rates that are one percentage point lower (4.80% decreasing to 3.20% after 2073) or one percentage point higher (6.80% decreasing to 5.20% after 2073) than the current healthcare cost trend rates:

		Rates	
_		Healthcare Cost	
	1% Decrease	Trend	1% Increase
	(4.80% decreasing to 3.20% after 2073)	(5.80% decreasing to 4.20% after 2073)	(6.80% decreasing to 5.20% after 2073)
\$	950,486	\$ 1,089,712	\$ 1,255,398

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$93,254. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	_	Deferred Outflows of Resouces		Deferred Inflows of Resources
Changes in assumptions Total	\$_	<u>-</u>	\$_	23,628

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

Year Ended June 30	
2019	\$ (3,109)
2020	(3,109)
2021	(3,109)
2022	(3,109)
2023	(3,109)
Thereafter	(8,083)

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 15 - Health Insurance Credit (HIC) Program:

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating employers are enrolled automatically upon employment. They include:

• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- <u>At Retirement</u> For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- <u>Disability Retirement</u>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

Health Insurance Credit Program Notes:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members: Vested inactive members	1
Total inactive members	1
Active members	43
Total covered employees	49

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2018 was 0.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$1,683 and \$1,632 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

The County's net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5%

Salary increases, including inflation:

Locality - General employees 3.5%-5.35% Locality - Hazardous Duty employees 3.5%-4.75%

Investment rate of return 7.0%, net of investment expenses,

including inflation*

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

Changes in Net HIC OPEB Liability (Asset)

		Increase (Decrease)				
	_	Total HIC OPEB Liability (a)	_	Plan Fiduciary Net Position (b)	-	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$	45,580	\$.	57,190	\$	(11,610)
Changes for the year:						
Service cost	\$	2,985	\$	-	\$	2,985
Interest		3,183		-		3,183
Assumption changes		(2,242)		-		(2,242)
Contributions - employer		-		1,632		(1,632)
Net investment income		-		6,718		(6,718)
Benefit payments		(234)		(234)		-
Administrative expenses		-		(111)		111
Other changes		-		335		(335)
Net changes	\$	3,692	\$	8,340	\$	(4,648)
Balances at June 30, 2017	\$	49,272	\$	65,530	\$	(16,258)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's			_
Net HIC OPEB Liability (Asset)	(10,672)	(16,258)	(20,967)

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense of \$1,070. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the County's Health Insurance Credit Program from the following sources:

	_	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	- (-
Net difference between projected and actual earnings on HIC OPEB plan investments		-	2,126
Change in assumptions		-	1,960
Employer contributions subsequent to the measurement date	_	1,683	
Total	\$_	1,683	4,086

\$1,683 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	\$ (814)
2020	(814)
2021	(814)
2022	(812)
2023	(282)
Thereafter	(550)

Health Insurance Credit Program Plan Data

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

 Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- <u>At Retirement</u> For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- <u>Disability Retirement</u> For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - o \$4.00 per month, multiplied by twice the amount of service credit, or
 - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$125,687 and \$111,431 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,614,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.1272% as compared to 0.12491% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$135,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

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

	_	Deferred Outflows of Resources	 Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$	-	\$ 3,000
Change in assumptions		-	16,000
Change in proportion		25,000	-
Employer contributions subsequent to the measurement date	_	125,687	
Total	\$_	150,687	\$ 19,000

\$125,687 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2019	\$ 1,000
2020	1,000
2021	1,000
2022	1,000
2023	1,000
Thereafter	1,000

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5%

Salary increases, including inflation:

Teacher employees 3.5%-5.95%

Investment rate of return 7.0%, net of investment expenses,

including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

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

				Rate		
	•	1% Decrease		Current Discount		1% Increase
		(6.00%)		(7.00%)		(8.00%)
School division's proportionate			_		_	
share of the VRS Teacher						
Employee HIC OPEB Plan						
Net HIC OPEB Liability	\$	1,801,000	\$	1,614,000	\$	1,455,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

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

Plan Description

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Plan Description: (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

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

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

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

Benefit Amounts

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

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Notes to Financial Statements At June 30, 2018 (Continued)

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$24,030 and \$23,412 for the years ended June 30, 2018 and June 30, 2017, respectively, for the County; \$4,373 and \$3,965 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (nonprofessional); and \$53,136 and \$52,224 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (professional).

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

At June 30, 2018, the entity reported a liability of \$367,000, \$63,000, and \$819,000 for the County, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02441%, 0.00413%, and 0.05445% as compared to 0.02358%, 0.00407%, and 0.05303% at June 30, 2016 for the County, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$6,000, \$2,000, and \$13,000 for the County, School Board Nonprofessional, and School Board Professional, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

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

		Deferred Outflows of Resources		Deferred Inflows of Resources
Primary Government	_		_	
Differences between expected and actual experience	\$	-	\$	8,000
Net difference between projected and actual earnings on GLI OPEB program investments		-		14,000
Change in assumptions		-		19,000
Changes in proportion		13,000		-
Employer contributions subsequent to the				
measurement date	_	24,030		
Total Primary Government	\$ =	37,030	\$_	41,000
Component Unit School Board (nonprofessional)				
Differences between expected and actual experience	\$	-	\$	2,000
Net difference between projected and actual earnings on GLI OPEB program investments		_		2,000
Change in assumptions		_		3,000
Employer contributions subsequent to the				0,000
measurement date		4,373		-
Total Component Unit School Board (nonprofessional)	\$	4,373	\$	7,000
Component Unit School Board (professional)				
Differences between expected and actual experience	\$	-	\$	18,000
Net difference between projected and actual earnings on GLI OPEB program investments		_		31,000
Change in assumptions		_		42,000
Changes in proportion		21,000		-
Employer contributions subsequent to the		21,000		
measurement date		53,136	_	
Total Component Unit School Board (professional)	\$	74,136	\$	91,000

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

\$24,030, \$4,373 and \$53,136 for the County, School Board Nonprofessional, and School Board Professional, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OEPB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	_	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	\$ (6,000)	\$	(1,000)	\$ (15,000)
2020	(6,000)		(1,000)	(15,000)
2021	(6,000)		(1,000)	(15,000)
2022	(6,000)		(1,000)	(15,000)
2023	(3,000)		(1,000)	(7,000)
Thereafter	(1,000)		(2,000)	(3,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees: (Continued)

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

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees: (Continued)

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

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Notes to Financial Statements At June 30, 2018 (Continued)

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

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

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

			Rate	
	_	1% Decrease	Current Discount	1% Increase
		(6.00%)	 (7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$	475,000	\$ 367,000	\$ 280,000
School Board(nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$	81,000	\$ 63,000	\$ 48,000
School Board(professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$	1,060,000	\$ 819,000	\$ 624,000

Group Life Insurance Program Fiduciary Net Position

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 18 - Litigation:

At June 30, 2018, there were no matters of litigation involving the County or its component unit that would have an adverse material effect on the financial position of the reporting entity.

Note 19 - Fair Value Measurements:

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

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

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

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

			Fair Value Measurements Using				
			Quoted Prices Significant		Significant		_
			in Active		Other		Significant
			Markets or Ob		Observable		Unobservable
			Identical Assets		Inputs		Inputs
Investment	 6/30/2018	_	(Level 1)	_	(Level 2)	_	(Level 3)
U.S. Government Securities	\$ 68,889	\$	68,889	\$		\$.	
	\$ 68,889	\$	68,889	\$		\$	-

Notes to Financial Statements At June 30, 2018 (Continued)

Note 20 - Adoption of Accounting Principles:

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

	G	overnmental Activities	Component Unit School Board
Net Position, beginning of year, as previously reported	\$	25,281,033 \$	(8,397,050)
Implementation of GASB 75:		(275,005)	(774.270)
Health Insurance OPEB		(275,905)	(774,260)
VRS Group Life Insurance OPEB		(389,000)	(944,000)
VRS Health Insurance Credit OPEB		13,242	(1,473,000)
Net Position, beginning of year, as restated	\$	24,629,370 \$	(11,588,310)

Note 21 - Upcoming Pronouncements:

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

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

Notes to Financial Statements At June 30, 2018 (Continued)

Note 21 - Upcoming Pronouncements: (Continued)

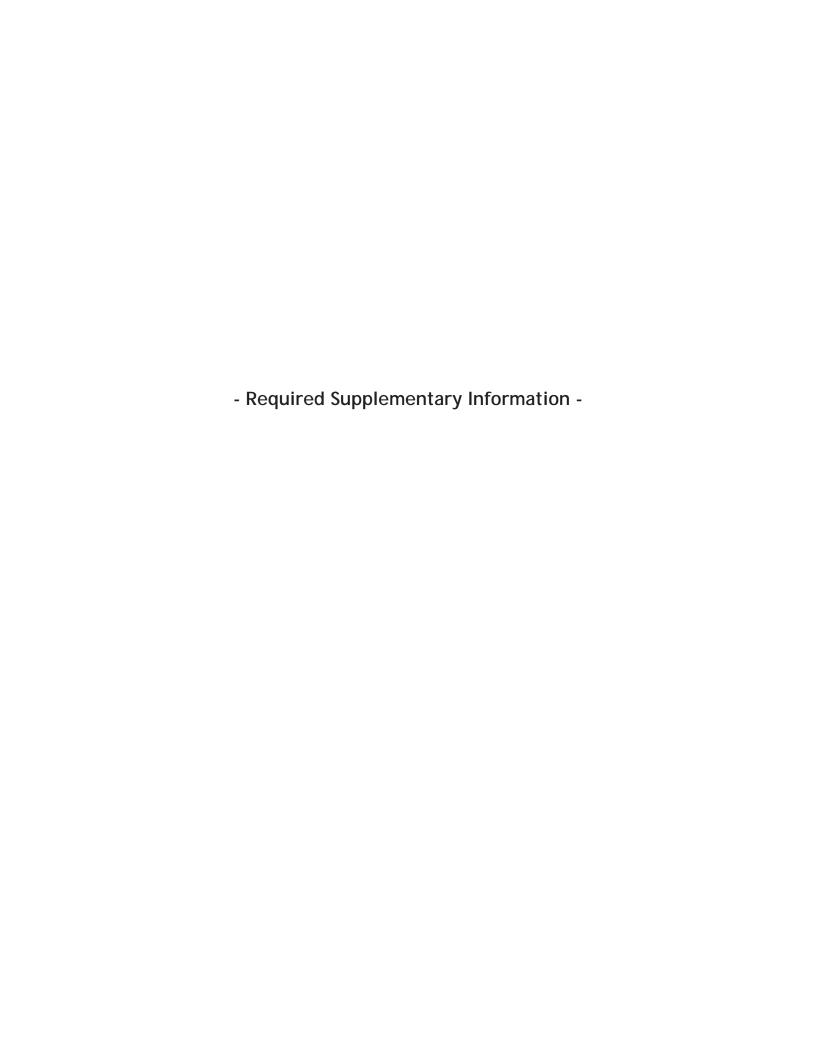
Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment 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.

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

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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





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

	_	Original Budget	Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues:		44.044.050	44.044.050. *	45 550 044 \$	400.004
General property taxes	\$	14,914,050 \$	14,914,050 \$	15,552,344 \$	638,294
Other local taxes		2,585,954	2,585,954	2,753,993	168,039
Permits, privilege fees and regulatory licenses		217,325	221,935	188,292	(33,643)
Fines and forfeitures		199,200	199,200	182,666	(16,534)
Revenue from use of money and property		114,592	114,592	163,658	49,066 47,691
Charges for services Miscellaneous		489,594	489,594	537,275	47,681
		187,620	217,088	350,384	133,296
Intergovernmental: Commonwealth		6,503,430	6,299,080	5,299,270	(999,810)
Federal		1,571,005	1,571,005	1,253,902	(317,103)
	_				
Total revenues	\$_	26,782,770 \$	26,612,498 \$	26,281,784 \$	(330,714)
Expenditures:					
Current:					
General government administration	\$	1,439,414 \$	1,592,207 \$	1,489,090 \$	103,117
Judicial administration		912,998	943,415	918,471	24,944
Public safety		6,006,196	6,647,870	6,167,216	480,654
Public works		1,031,968	1,050,101	921,347	128,754
Health and welfare		6,502,808	6,048,263	4,692,827	1,355,436
Education		8,609,253	8,967,750	8,888,750	79,000
Parks, recreation, and cultural		355,690	361,640	361,640	-
Community development		594,629	680,177	631,453	48,724
Nondepartmental		403,000	146,913	702	146,211
Debt service:					_
Principal retirement		1,281,780	3,181,770	3,181,768	2
Interest and other fiscal charges	_	262,701	269,468	269,466	2
Total expenditures	\$	27,400,437 \$	29,889,574 \$	27,522,730 \$	2,366,844
Excess (deficiency) of revenues over					
(under) expenditures	\$_	(617,667) \$	(3,277,076) \$	(1,240,946) \$	2,036,130
Other Financing Sources (uses):					
Issuance of long-term debt	\$	- \$	2,024,207 \$	2,028,000 \$	3,793
Issuance of capital lease	Ψ	- ψ	2,024,207 ψ	126,126	126,126
·	_		2 024 207 ¢		
Total other financing sources (uses)	\$_	\$	2,024,207 \$	2,154,126 \$	129,919
Net change in fund balances	\$	(617,667) \$	(1,252,869) \$	913,180 \$	2,166,049
Fund balances at beginning of year		618,455	1,240,968	13,577,744	12,336,776
Fund balances at end of year	\$_	788 \$	(11,901) \$	14,490,924 \$	14,502,825

Schedule of Changes in Net Pension Liability and Related Ratios Primary Government

Years Ended June 30, 2015 through June 30, 2018

		2014		2015		2016		2017
Total pension liability	_				_		_	
Service cost	\$	541,330	\$	541,394	\$	516,914	\$	561,082
Interest		977,153		1,037,311		1,078,393		1,111,394
Differences between expected and actual experience		-		(156,191)		(282,251)		140,511
Changes in assumptions		-		-		-		(44,022)
Benefit payments, including refunds of employee contributions	_	(578,303)	_	(739,879)	_	(931,371)	_	(751,849)
Net change in total pension liability	\$	940,180	\$	682,635	\$	381,685	\$	1,017,116
Total pension liability - beginning	_	14,248,481	_	15,188,661	_	15,871,296	_	16,252,981
Total pension liability - ending (a)	\$	15,188,661	\$	15,871,296	\$	16,252,981	\$	17,270,097
Plan fiduciary net position								
Contributions - employer	\$	506,793	\$	471,484	\$	489,952	\$	390,309
Contributions - employee		198,721		201,091		208,419		219,531
Net investment income		1,957,999		663,732		261,173		1,825,862
Benefit payments, including refunds of employee contributions		(578,303)		(739,879)		(931,371)		(751,849)
Administrative expense		(10,342)		(9,028)		(9,269)		(10,482)
Other		103		(137)		(110)		(1,626)
Net change in plan fiduciary net position	\$	2,074,971	\$	587,263	\$	18,794	\$	1,671,745
Plan fiduciary net position - beginning		12,290,513		14,365,484		14,952,747		14,971,541
Plan fiduciary net position - ending (b)	\$	14,365,484	\$	14,952,747	\$	14,971,541	\$	16,643,286
County's net pension liability - ending (a) - (b)	\$	823,177	\$	918,549	\$	1,281,440	\$	626,811
Plan fiduciary net position as a percentage of the total pension liability		94.58%		94.21%		92.12%		96.37%
Covered payroll	\$	3,980,282	\$	4,048,172	\$	4,233,595	\$	4,466,281
County's net pension liability as a percentage of covered payroll		20.68%		22.69%		30.27%		14.03%

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

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

		2014	2015	2016	2017
Total pension liability	_				
Service cost	\$	76,301 \$	74,089 \$	66,822 \$	68,751
Interest		218,017	226,502	227,787	220,674
Differences between expected and actual experience		-	(103,073)	(210,778)	(61,562)
Changes in assumptions		-	-	-	(21,588)
Benefit payments, including refunds of employee contributions		(141,719)	(204,473)	(153,861)	(217,007)
Net change in total pension liability	\$	152,599 \$	(6,955) \$	(70,030) \$	(10,732)
Total pension liability - beginning		3,185,382	3,337,981	3,331,026	3,260,996
Total pension liability - ending (a)	\$	3,337,981 \$	3,331,026 \$	3,260,996 \$	3,250,264
Plan fiduciary net position					
Contributions - employer	\$	41,634 \$	33,962 \$	34,045 \$	1,243
Contributions - employee	4	38,268	35,046	35,144	37,596
Net investment income		515,077	167,887	64,136	444,970
Benefit payments, including refunds of employee contributions		(141,719)	(204,473)	(153,861)	(217,007)
Administrative expense		(2,804)	(2,399)	(2,362)	(2,689)
Other		27	(38)	(27)	(391)
Net change in plan fiduciary net position	\$	450,483 \$	29,985 \$	(22,925) \$	263,722
Plan fiduciary net position - beginning		3,282,575	3,733,058	3,763,043	3,740,118
Plan fiduciary net position - ending (b)	\$	3,733,058 \$	3,763,043 \$	3,740,118 \$	4,003,840
School Division's net pension liability (asset) - ending (a) - (b)	\$	(395,077) \$	(432,017) \$	(479,122) \$	(753,576)
Plan fiduciary net position as a percentage of the total pension liability		111.84%	112.97%	114.69%	123.19%
Covered payroll	\$	765,340 \$	707,545 \$	731,331 \$	763,392
School Division's net pension liability (asset) as a percentage of covered payroll		-51.62%	-61.06%	-65.51%	-98.71%

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

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

	_	2014	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)		0.13142%	0.12919%	0.12492%	0.12619%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$	15,882,000 \$	16,260,000 \$	17,507,000 \$	15,518,000
Employer's Covered Payroll		9,603,425	9,660,903	9,359,189	10,295,095
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll		165.38%	168.31%	187.06%	150.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		70.88%	70.88%	68.28%	72.92%

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.

Date	Contractually Required Contribution (1)	Required) ly	Contribution Deficiency (Excess) (3)	_	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Go	overnment						
2018	\$ 394,774	\$ 394,77	74 \$	-	\$	4,584,440	8.61%
2017	393,926	393,92	26	-		4,466,281	8.82%
2016	493,214	493,21	14	-		4,233,595	11.65%
2015	471,612	471,61	12	-		4,048,172	11.65%
2014	507,088	507,08	38	-		3,980,282	12.74%
2013	504,675	504,67	75	-		3,961,344	12.74%
2012	326,368	326,36	58	-		3,464,625	9.42%
2011	346,452	346,45	52	-		3,677,829	9.42%
2010	295,687	295,68	37	-		3,673,136	8.05%
2009	295,175	295,17	75	-		3,666,775	8.05%
Componen	t Unit School Boa	ırd (nonprofessio	nal)				
2018	\$ 1,201	\$ 1,20		-	\$	841,045	0.14%
2017	4,002	4,00		_		763,392	0.52%
2016	35,470	35,47		-		731,331	4.85%
2015	34,316	34,31		-		707,545	4.85%
2014	41,634	41,63		_		765,340	5.44%
2013	41,830	41,83		_		768,936	5.44%
2012	11,625	11,62		_		653,093	1.78%
2011	11,931	11,93		_		670,285	1.78%
2010	25,776	25,77		_		696,646	3.70%
2009	27,164	27,16		-		734,162	3.70%
Componen	t Unit School Boa	ırd (professional)					
2018	\$ 1,590,403	\$ 1,590,40	3 \$	-	\$	10,210,771	15.58%
2017	1,509,261	1,509,26	51	-		10,295,095	14.66%
2016	1,315,902	1,315,90		-		9,359,189	14.06%
2015	1,400,831	1,400,83	31	-		9,660,903	14.50%

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

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

Notes to Required Supplementary Information Year Ended June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement	Updated to a more current mortality table - RP-
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

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

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

Mortality Rates (pre-retirement, post-retirement	Updated to a more current mortality table - RP-
Retirement Rates	Lowered rates at older ages and changed final
Withdrawal Rates	Adjusted rates to better fit experience at each
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

` ,	
Mortality Rates (pre-retirement, post-retirement	Updated to a more current mortality table - RP-
Retirement Rates	Increased age 50 rates, and lowered rates at
Withdrawal Rates	Adjusted rates to better fit experience at each
Disability Rates	Adjusted rates to better fit experience

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

	2018
Total OPEB liability	
Service cost	\$ 18,953
Interest	15,356
Changes in assumptions	(13,048)
Benefit payments	(18,464)
Net change in total OPEB liability	\$ 2,797
Total OPEB liability - beginning	 419,145
Total OPEB liability - ending	\$ 421,942
Covered payroll	\$ 4,288,858
County's total OPEB liability (asset) as a percentage of	
covered payroll	9.84%

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

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

	 2018
Total OPEB liability	
Service cost	\$ 57,167
Interest	39,196
Changes in assumptions	(26,737)
Differences between expected and actual experience	-
Benefit payments	(34,934)
Net change in total OPEB liability	\$ 34,692
Total OPEB liability - beginning	1,055,020
Total OPEB liability - ending	\$ 1,089,712
Covered payroll	\$ 9,729,827
County's total OPEB liability (asset) as a percentage of covered payroll	11.20%

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

Notes to Required Supplementary Information - County and Component Unit School Board OPEB For the Year Ended June 30, 2018

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.58% per year as of June 30, 2017; 3.87% per year as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.80% in 2018 and gradually declines to 4.20% by the year 2074
Salary Increase Rates	The salary increase rate starts at 5.95% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table fully generational using scale BB. The mortality rates for disabled retirees and calculated using the RP-2014 Disabled Mortality Table fully generational using scale BB.

Schedule of Changes in the County's Net OPEB Liability (Asset) and Related Ratios Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

	2017
Total HIC OPEB Liability	
Service cost	\$ 2,985
Interest	3,183
Changes in assumptions	(2,242)
Benefit payments	(234)
Net change in total HIC OPEB liability	\$ 3,692
Total HIC OPEB Liability - beginning	45,580
Total HIC OPEB Liability - ending (a)	\$ 49,272
Plan fiduciary net position	
Contributions - employer	\$ 1,632
Net investment income	6,718
Benefit payments	(234)
Administrative expense	(111)
Other	335
Net change in plan fiduciary net position	\$ 8,340
Plan fiduciary net position - beginning	57,190
Plan fiduciary net position - ending (b)	\$ 65,530
County's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (16,258)
Plan fiduciary net position as a percentage of the total HIC OPEB liability	133.00%
Covered payroll	\$ 1,812,803
County's net HIC OPEB liability as a percentage of covered payroll	-0.90%

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

Schedule of Employer Contributions Health Insurance Credit Program (HIC) For the Years Ended June 30, 2009 through June 30, 2018

Date	 Contractually Required Contribution (1)	. <u>-</u>	Contributions in Relation to Contractually Required Contribution (2)	 Contribution Deficiency (Excess) (3)	_	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 1,683	\$	1,683	\$ -	\$	1,870,043	0.09%
2017	1,632		1,632	-		1,812,803	0.09%
2016	2,052		2,052	-		1,710,367	0.12%
2015	1,942		1,942	-		1,618,587	0.12%
2014	942		942	-		1,570,676	0.06%
2013	2,377		2,377	-		3,961,344	0.06%
2012	1,732		1,732	-		3,464,625	0.05%
2011	1,839		1,839	-		3,677,829	0.05%
2010	4,775		4,775	-		3,673,136	0.13%
2009	4,758		4,758	-		3,660,153	0.13%

Notes to Required Supplementary Information Health Insurance Credit Program (HIC) For the Year Ended June 30, 2018

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

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

Largest Ten Locality Employers - General Employees

Updated to a more current mortality table - RP-2014
projected to 2020
Lowered retirement rates at older ages and extended final
retirement age from 70 to 75
Adjusted termination rates to better fit experience at each
age and service year
Lowered disability rates
No change
Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

	1 3
3 "	Updated to a more current mortality table - RP-2014
healthy, and disabled)	projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final
	retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each
	age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

					Employer's	
					Proportionate Share	
		Employer's			of the Net HIC OPEB	
	Employer's	Proportionate			Liability (Asset)	Plan Fiduciary
	Proportion of the	Share of the		Employer's	as a Percentage of	Net Position as a
	Net HIC OPEB	Net HIC OPEB		Covered	Covered Payroll	Percentage of Total
Date	Liability (Asset)	Liability (Asset)		Payroll	(3)/(4)	HIC OPEB Liability
(1)	(2)	(3)	_	(4)	(5)	(6)
2017	0.1272% \$	1,614,000	\$	10,038,856	16.08%	7.04%

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

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

			Contributions in			
			Relation to			Contributions
	Contractually		Contractually	Contribution	Employer's	as a % of
	Required		Required	Deficiency	Covered	Covered
	Contribution		Contribution	(Excess)	Payroll	Payroll
Date	(1)	_	(2)	(3)	 (4)	(5)
2018	\$ 125,687	\$	125,687	\$ -	\$ 10,218,425	1.23%
2017	111,431		111,431	-	10,038,856	1.11%
2016	100,960		100,960	-	9,524,521	1.06%
2015	101,806		101,806	-	9,604,352	1.06%
2014	106,683		106,683	-	9,611,082	1.11%
2013	105,543		105,543	-	9,508,337	1.11%
2012	54,435		54,435	-	9,072,582	0.60%
2011	54,332		54,332	-	9,055,312	0.60%
2010	72,932		72,932	-	9,326,028	0.78%
2009	101,674		101,674	-	9,414,232	1.08%

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

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

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

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	 Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Gov 2017	vernment 0.02441% \$	367,000	\$ 4,502,245	8.15%	48.86%
Component 2017	Unit School Board (nonpr 0.00413% \$	ofessional) 63,000	\$ 762,592	8.26%	48.86%
Component 2017	Unit School Board (profes 0.05445% \$	ssional) 819,000	\$ 10,042,981	8.15%	48.86%

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

Schedule of Employer Contributions Group Life Insurance Program For the Years Ended June 30, 2009 through June 30, 2018

Date		Contractually Required Contribution (1)		Contributions in Relation to Contractually Required Contribution (2)		Contribution Deficiency (Excess) (3)		Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Go	vern	ment							
2018	\$	24,030	\$	24,030	\$	_	\$	4,621,166	0.52%
2017	,	23,412	•	23,412	•	_	•	4,502,245	0.52%
2016		20,338		20,338		-		4,237,107	0.48%
2015		19,517		19,517		-		4,066,077	0.48%
2014		19,138		19,138		-		3,987,155	0.48%
2013		19,063		19,063		-		3,971,451	0.48%
2012		9,701		9,701		_		3,464,625	0.28%
2011		10,298		10,298		-		3,677,829	0.28%
2010		7,442		7,442		-		3,673,136	0.20%
2009		9,900		9,900		-		3,666,775	0.27%
				•					
Componen	t Uni	t School Board	(no	nprofessional)					
2018	\$	4,373	\$	4,373	\$	-	\$	841,045	0.52%
2017		3,965		3,965		-		762,592	0.52%
2016		3,510		3,510		-		731,331	0.48%
2015		3,475		3,475		-		724,051	0.48%
2014		3,674		3,674		-		765,340	0.48%
2013		3,691		3,691		-		768,936	0.48%
2012		1,829		1,829		-		653,093	0.28%
2011		1,877		1,877		-		670,285	0.28%
2010		1,422		1,422		-		696,646	0.20%
2009		1,982		1,982		-		734,162	0.27%
Componen	t I Ini	t School Board	(nr	ofessional)					
2018	\$	53,136	(ρι (\$	53,136	\$	_	\$	10,218,425	0.52%
2017	Ψ	52,224	Ψ	52,224	Ψ	_	Ψ	10,042,981	0.52%
2016		45,745		45,745		_		9,530,192	0.48%
2015		46,101		46,101		_		9,604,352	0.48%
2014		46,133		46,133		_		9,611,082	0.48%
2013		46,361		46,361		_		9,658,467	0.48%
2013		25,791		25,791		-		9,211,022	0.28%
2011		25,366		25,366		_		9,059,366	0.28%
2010		18,960		18,960		_		9,341,673	0.20%
2009		25,434		25,434		_		9,419,842	0.27%
2007		20,734		20,704		-		/, 71/, 072	0.21/0

Notes to Required Supplementary Information Group Life Insurance Program For the Year Ended June 30, 2018

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

Notes to Required Supplementary Information Group Life Insurance Program For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

3 . 3	
Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014 projected
retirement healthy, and disabled)	to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age
	and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

- Other Supplementary Information -Combining and Individual Fund Statements and Schedules



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

	_	Budgeted Amounts			Actual		Variance with Final Budget - Positive	
		Original		Final		Amounts		(Negative)
EXPENDITURES								
Education	\$	-	\$	-	\$	-	\$	-
Capital projects	_	-		-	_	-		
Total expenditures	\$	-	\$	-	\$	-	\$	-
Excess (deficiency) of revenues over								
(under) expenditures	\$_	-	\$	-	\$_	-	\$	
OTHER FINANCING SOURCES (USES)								
Transfers in	\$	-	\$	-	\$	-	\$	-
Transfers out	_	-		-		-		
Total other financing sources (uses)	\$_	-	\$	-	\$_	-	\$	
Net change in fund balances	\$	-	\$	-	\$	-	\$	-
Fund balances at beginning of year		-	_	-		473,639		473,639
Fund balances at end of year	\$	-	\$	-	\$	473,639	\$	473,639

Statement of Changes in Assets and Liabilities - Agency Funds Year Ended June 30, 2018

		Balance Beginning of Year	Additions	Deletions		Balance End of Year
Special Welfare Fund: Assets:	_				Ī	
Cash and cash equivalents	\$	70,745	\$ 62,711	\$ 86,332	\$_	47,124
Total assets	\$	70,745	\$ 62,711	\$ 86,332	\$	47,124
Liabilities:						
Amounts held for others	\$	70,745	\$ 62,711	\$ 86,332	\$_	47,124
Total liabilities	\$_	70,745	\$ 62,711	\$ 86,332	\$	47,124

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

ASSETS	_	School Operating Fund		School Cafeteria Fund		School Capital Fund		Nonmajor Funds	- <u>-</u>	Total
Cash and cash equivalents	\$	992,093	\$	300,939	\$	101,760	\$	54,849	\$	1,449,641
Accounts receivable	•	594	Ψ	-	Ψ	-	Ψ	-	Ψ	594
Due from other governmental units		409,065		-		-		-		409,065
Prepaid expenditures Inventory		33,679		23,310		-		-		33,679 23,310
Total assets	\$ <u> </u>	1,435,431	\$	324,249	\$	101,760	\$	54,849	\$	1,916,289
LIABILITIES										
Accounts payable	\$	75,447	\$	3,094	\$	63,119	\$	_	\$	141,660
Accrued liabilities		990,093		28,641		-		-		1,018,734
Due to Primary Government	_	367,891	_	-	_	-		-	_	367,891
Total liabilities	\$_	1,433,431	\$	31,735	\$	63,119	\$_	-	\$	1,528,285
FUND BALANCES	•	00.470	•	00.040	•		•		•	57,000
Nonspendable Restricted	\$	33,679	\$	23,310	\$	-	\$	- 54,849	\$	56,989 54,849
Committed		2,000		269,204		38,641		-		309,845
Unassigned	_	(33,679)	_	-	_	-		-	_	(33,679)
Total fund balances	\$_	2,000	\$	292,514	\$	38,641	\$_	54,849	\$	388,004
Total liabilities and fund balances	\$_	1,435,431	\$	324,249	\$	101,760	\$	54,849		
Detailed explanation of adjustments from fund st When capital assets (land, buildings, equipmer purchased or constructed, the costs of those ass However, the statement of net position includes	nt) that ar sets are rep	e to be used	d in end	government	al a	ectivities are				
as a whole.										
										8,500,691
The net pension asset is not an available resource	e and, there	efore, is not re			nds.					8,500,691 753,576
The net pension asset is not an available resource Deferred inflows related to measurement of net			epoi	rted in the fu						
The net pension asset is not an available resource			epoi	rted in the fu						753,576 (2,460,636)
The net pension asset is not an available resource. Deferred inflows related to measurement of net current-period expenditures. Deferred inflows related to pensions. Deferred inflows related to OPEB. Pesnion and OPEB contributions subsequent to the	pension an	d OPEB liabil	epoi	rted in the fu asset not ava er deferred o	nilab	le to pay for				753,576 (2,460,636)
The net pension asset is not an available resource. Deferred inflows related to measurement of net current-period expenditures. Deferred inflows related to pensions. Deferred inflows related to OPEB. Pesnion and OPEB contributions subsequent to the reduction to the net pension and OPEB liabilities.	pension an	d OPEB liabil	epoi	rted in the fu asset not ava er deferred o	nilab	le to pay for				
The net pension asset is not an available resource. Deferred inflows related to measurement of net current-period expenditures. Deferred inflows related to pensions. Deferred inflows related to OPEB. Pesnion and OPEB contributions subsequent to the reduction to the net pension and OPEB liabilities the funds. Deferred outflows related to pensions. Deferred outflows related to OPEB. Long-term liabilities applicable to the School Bothe current period and accordingly are not reported.	pension and emeasurement in the next period as fund	d OPEB liabil ent date and fiscal year and	epoi ity/ oth nd,	er deferred of therefore, ar	nilab outfle e no	le to pay for bws will be a t reported in d payable in				753,576 (2,460,636) (140,628) 1,959,604
The net pension asset is not an available resource Deferred inflows related to measurement of net current-period expenditures Deferred inflows related to pensions. Deferred inflows related to OPEB. Pesnion and OPEB contributions subsequent to the reduction to the net pension and OPEB liabilities the funds. Deferred outflows related to pensions. Deferred outflows related to OPEB. Long-term liabilities applicable to the School Bo	pension and emeasurement in the next period as fund	d OPEB liabil ent date and fiscal year and	epoi ity/ oth nd,	er deferred of therefore, ar	nilab outfle e no	le to pay for bws will be a t reported in d payable in			_	753,576 (2,460,636) (140,628) 1,959,604

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

	_	School Operating Fund		School Cafeteria Fund	 School Capital Fund	-	Nonmajor Funds		Total
Revenues:									
Revenue from use of money and property	\$	1,660	\$		\$ 11	\$	17	\$	1,688
Charges for services		680,542		334,376	-		-		1,014,918
Miscellaneous		60,087		(3,403)	-		-		56,684
Intergovernmental:									
County contribution to School Board		8,700,633		-	184,497		-		8,885,130
Commonwealth		9,791,583		25,198	-		-		9,816,781
Federal	_	965,015		553,789	 -	-	-	-	1,518,804
Total revenues	\$_	20,199,520	\$	909,960	\$ 184,508	\$	17	\$_	21,294,005
Expenditures:									
Current:									
Education	\$	20,133,343	\$	915,732	\$ -	\$	-	\$	21,049,075
Capital projects		-		-	180,048		-		180,048
Debt service:									
Principal		64,061		-	-		-		64,061
Interest and other fiscal charges	_	2,116		-	 -	-	-	_	2,116
Total expenditures	\$_	20,199,520	\$_	915,732	\$ 180,048	\$	-	\$_	21,295,300
Excess (deficiency) of revenues over									
(under) expenditures	\$_	-	\$	(5,772)	\$ 4,460	\$	17	\$_	(1,295)
Changes in fund balances	\$	-	\$	(5,772)	\$ 4,460	\$	17	\$	(1,295)
Fund balances at beginning of year	_	2,000		298,286	 34,181	•	54,832		389,299
Fund balances at end of year	\$ _	2,000	\$	292,514	\$ 38,641	\$	54,849	\$_	388,004

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Discretely Presented Component Unit - School Board Year Ended June 30, 2018

			Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds		\$	(1,295)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:			
Capital additions Depreciation expense	\$	574,313 (952,519)	(378,206)
Change in deferred inflows related to the measurement of the net pension liability/asset Change in deferred inflows related to the measurement of the net OPEB			(871,886)
liability/asset			(140,628)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:			
Principal retired on capital lease	\$_	64,061	64,061
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
Change in compensated absences		(37,849)	
Change in net pension liability/asset Change in deferred outflows related to pensions		2,263,454 (648,781)	
Change in deferred outflows related to OPEB Change in net OPEB liability		63,196	1 (00 220
	_	52,308	1,692,328
Transfer of joint tenancy assets from Primary Government to the Component Unit			899,952
Change in net position of governmental activities		\$	1,264,326

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

		School Operating Fund									
		Original Budget	Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)				
Revenues:											
Revenue from use of money and property	\$	1,000 \$	•	\$	1,660	\$	660				
Charges for services		729,997	729,997		680,542		(49,455)				
Miscellaneous		56,000	56,000		60,087		4,087				
Intergovernmental:		0 40F /22	0 770 /22		0.700 / 22		(70,000)				
County contribution to School Board Commonwealth		8,605,633 10,017,084	8,779,633 10,086,449		8,700,633 9,791,583		(79,000) (294,866)				
Federal		878,386	878,386		965,015		86,629				
Total revenues	\$	20,288,100 \$		\$	20,199,520	- \$	(331,945)				
Expenditures:				_							
Current:											
Education	\$	20,221,922 \$	20,465,287	\$	20,133,343	\$	331,944				
Capital projects	*	-	-	•		Ť	-				
Debt service:											
Principal		64,062	64,062		64,061		1				
Interest and other fiscal charges		2,116	2,116		2,116						
Total expenditures	\$	20,288,100 \$	20,531,465	\$	20,199,520	\$	331,945				
Excess (deficiency) of revenues											
over (under) expenditures	\$_	- \$		\$_	-	\$_					
Changes in fund balances	\$	- \$	-	\$	-	\$	-				
Fund balances at beginning of year	_	_			2,000		2,000				
Fund balances at end of year	\$	\$		\$	2,000	\$	2,000				

			School (Cafe	eteria Fund			_			School C	apita	al Fund					
_	Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)	_	Original Budget		Budget As Amended	_	Actual		Variance From Amended Budget Positive (Negative)			
\$	_	\$	_	\$	_	\$	-	\$	_	\$	_	\$	11	\$	11			
•	365,000	,	365,000	Ť	334,376	•	(30,624)	•	-	Ť	-	•	-	,	-			
	38,000		38,000		(3,403)		(41,403)		-		-		-		-			
	-		-		-		-		-		184,497		184,497		-			
	20,000		20,000		25,198		5,198		-		-		-		-			
	452,000		452,000		553,789	_	101,789	_	-		-	_	-		-			
\$_	875,000	\$	875,000	\$_	909,960	\$_	34,960	\$_	-	\$_	184,497	\$_	184,508	\$_	11			
\$	875,000	\$	875,000	\$	915,732	\$	(40,732)	\$		\$	_	\$	_	\$	_			
	-		-		-		-		-		184,497		180,048		4,449			
	-		-		-		-		-		-		-		-			
\$	875,000	\$	875,000	\$	915,732	\$	(40,732)	\$	-	\$	184,497	\$	180,048	\$	4,449			
\$	-	\$	-	\$_	(5,772)	\$_	(5,772)	\$	-	\$_	-	\$	4,460	\$_	4,460			
\$	-	\$	-	\$	(5,772)	\$	(5,772)	\$	-	\$	-	\$	4,460	\$	4,460			
_	-		-		298,286	_	298,286	_	-		-	_	34,181		34,181			
\$	_	\$	-	\$	292,514	\$	292,514	\$	-	\$	-	\$	38,641	\$	38,641			

Combining Balance Sheet Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board As of June 30, 2018

	_	School Lottery Fund	School Textbool Fund	< 	Total
ASSETS					
Cash and cash equivalents	\$	1,896	\$ 52,953	3 \$	54,849
Total assets	\$	1,896	\$ 52,953	\$	54,849
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	-	\$ -	- \$	-
Total liabilities	\$	-	\$	- \$	-
Fund balances:					
Restricted	\$	1,896	\$ 52,953	3 \$	54,849
Total fund balances	\$	1,896	\$ 52,953	\$	54,849
Total liabilities and fund balances	\$	1,896	\$ 52,953	3 \$	54,849

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

		School Lottery Fund		School Textbook Fund		Total
REVENUES	-		_			
Revenue from the use of money and property	\$	1	\$	16	\$	17
Total revenues	\$	1	\$	16	\$	17
EXPENDITURES						
Current:						
Education	\$	-	\$	-	\$	-
Total expenditures	\$_	-	\$	-	\$	
Excess (deficiency) of revenues over (under)						
expenditures	\$_	1	\$	16	\$_	17
Net change in fund balances	\$	1	\$	16	\$	17
Fund balances - beginning	_	1,895		52,937	_	54,832
Fund balances - ending	\$	1,896	\$	52,953	\$	54,849

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

		School Lottery Fund								School Textbook Fund								
	_						,	Variance with	1							Variance with		
		Budge	ete	ed				Final Budget								Final Budget		
	_	Amo	unt	ts	_			Positive		Budget	ed	Amounts				Positive		
	_	Original		Final		Actual		(Negative)	_	Original		Final		Actual		(Negative)		
REVENUES																		
Revenue from the use of money																		
and property	\$	-	\$	-	\$	1	\$	1	\$		\$	- \$	<u> </u>	16	\$	16		
Total revenues	\$_	-	\$_	-	\$_	1	\$_	1	\$		\$	- \$		16	\$	16		
EXPENDITURES																		
Current:																		
Education	\$	-	\$	-	\$	-	\$	-	\$	-	\$	- \$	\$	-	\$	-		
Total expenditures	\$	-	\$	-	\$	-	\$	-	\$	-	\$	- \$		-	\$	-		
Excess (deficiency) of revenues																		
over (under) expenditures	\$_	-	\$_	-	\$_	1	\$	1	\$	-	\$	- \$		16	\$	16		
Net change in fund balances	\$	-	\$	-	\$	1	\$	1	\$	-	\$	- \$	5	16	\$	16		
Fund balances - beginning		-		-		1,895		1,895		-		-		52,937		52,937		
Fund balances - ending	\$	-	\$	-	\$	1,896	\$	1,896	\$	-	\$	- \$	<u> </u>	52,953	\$	52,953		

Statement of Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board At June 30, 2018

	Scholarship Private- Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ 91,484
Total assets	\$ 91,484
NET POSITION	
Held in trust for scholarships	\$ 91,484
Total net position	\$ 91,484
Total liabilities and net position	\$ 91,484

Statement of Changes in Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board Year Ended June 30, 2018

		Scholarship Private- Purpose Trust Fund
Additions:		
Interest income	\$	575
Total additions	\$	575
Deductions:		
Scholarships awarded	\$	5,000
Total deductions	\$.	5,000
Change in net position	\$	(4,425)
Net position - beginning of year		95,909
Net position - end of year	\$	91,484

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Net Position
At June 30, 2018

Assets		
Current assets:		
Cash and cash equivalents	\$_	175,404
Noncurrent assets:		
Capital assets (net of depreciation):		
Construction in progress	\$	52,776
Building improvements		25,376
Equipment		22,633
Total capital assets	\$	100,785
Total assets	\$ _	276,189
Liabilities		
Current liabilities:		
Accounts payable	\$	3,879
Accrued expenses	_	2,746
Total liabilities	\$_	6,625
Net Position		
Investment in capital assets	\$	100,785
Unrestricted	· 	168,779
Total net position	\$	269,564

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2018

Operating revenues	
Charges for services	\$ 139,443
Miscellaneous	 90,776
Total operating revenues	\$ 230,219
Operating Expenses	
Personal services	\$ 37,101
Fringe benefits	3,522
Contractual services	86,665
Other charges	204,963
Depreciation	 11,562
Total operating expenses	\$ 343,813
Operating income (loss)	\$ (113,594)
Nonoperating revenues	
Contribution from Madison County	\$ 175,290
Total nonoperating revenues	\$ 175,290
Change in net position	\$ 61,696
Net position, beginning of year	 207,868
Net position, end of year	\$ 269,564

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Cash Flows Year Ended June 30, 2018

Cash flows from operating activities		
Receipts from customers	\$	230,219
Payments to employees		(40,814)
Payments to suppliers		(301,131)
	_	
Net cash provided by (used for) by operating activities	\$	(111,726)
Cash flows from capital and related financing activities		(4.4.000)
Purchases of capital assets	\$	(14,293)
Cash flows from noncapital financing activities		
Contribution from Madison County	\$	175,290
Net increase (decrease) in cash and cash equivalents	\$	49,271
Cash and cash equivalents, beginning of year	_	126,133
Cash and cash equivalents, end of year	\$	175,404
Reconciliation of operating income (loss) to net cash		
provided by (used for) operating activities:		
Operating income (less)	\$	(113,594)
Operating income (loss) Depreciation	Ф	11,562
•		11,302
Change in assets and liabilities:		(0 E02)
Accounts payable		(9,503)
Accrued expenses	_	(191)
Net cash provided by (used for) by operating activities	\$	(111,726)

Discretely Presented Component Unit - Madison County IDA Statement of Net Position At June 30, 2018

Assets Current assets:		
Receivables, net	\$	71,159
	_	
Total assets	\$ _	71,159
Liabilities		
Current liabilities:		
Accounts payable	\$_	71,159
Total liabilities	\$_	71,159
Net Position		
Unrestricted	\$_	-
Total net position	\$_	-

Discretely Presented Component Unit - Madison County IDA Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2018

Operating Expenses	
Economic development grants	\$ 71,159
Total operating expenses	\$ 71,159
Operating income (loss)	\$ (71,159)
Nonoperating revenues	
Contribution from Madison County	\$ 71,159
Total nonoperating revenues	\$ 71,159
Change in net position	\$ -
Net position, beginning of year	
Net position, end of year	\$ -

Discretely Presented Component Unit - Madison County IDA Statement of Cash Flows Year Ended June 30, 2018

Cash flows from operating activities Receipts from customers Payments to employees Payments to suppliers	\$	- - -
Net cash provided by (used for) by operating activities	\$_	-
Cash flows from capital and related financing activities Purchases of capital assets	\$_	-
Cash flows from noncapital financing activities Contribution from Madison County	\$_	
Net increase (decrease) in cash and cash equivalents	\$	-
Cash and cash equivalents, beginning of year	_	
Cash and cash equivalents, end of year	\$	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss) Change in assets and liabilities: Accounts payable	\$	(71,159) 71,159
Net cash provided by (used for) by operating activities	\$	-

- Other Supplementary Information - Supporting Schedules



Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual	,	Variance From Amended Budget Positive (Negative)
Primary Government:								
General Fund:								
Revenue from local sources:								
General property taxes:								
Real property taxes	\$	11,003,000	\$	11,003,000	\$	11,142,153	\$	139,153
Real and personal public service corporation		, ,		, ,		, , , , , , , , , , , , , , , , , , , ,		
property taxes		320,000		320,000		320,214		214
Personal property taxes		2,962,000		2,962,000		3,384,021		422,021
Mobile home taxes		7,300		7,300		8,035		735
Machinery and tools taxes		70,250		70,250		83,453		13,203
Merchants capital taxes		216,500		216,500		244,084		27,584
Penalties		176,000		176,000		204,607		28,607
Interest		100,000		100,000		98,538		(1,462)
Tax collection fee		59,000		59,000		67,239		8,239
Tax concetion rec	_	37,000	-	37,000	-	07,237	-	0,237
Total general property taxes	\$_	14,914,050	\$_	14,914,050	\$_	15,552,344	\$_	638,294
Other local taxes:								
Local sales and use taxes	\$	1,013,054	\$	1,013,054	\$	1,040,502	\$	27,448
Consumers' utility taxes		323,000		323,000		345,329		22,329
Local consumption tax		39,000		39,000		42,063		3,063
Restaurant food taxes		405,000		405,000		463,480		58,480
Transient occupancy taxes		137,500		137,500		145,225		7,725
Gross receipts taxes		20,000		20,000		16,556		(3,444)
Bank stock taxes		83,400		83,400		116,849		33,449
Motor vehicle licenses		430,000		430,000		456,558		26,558
Taxes on recordation and wills		135,000		135,000		127,431		(7,569)
	_				. –	·		
Total other local taxes	\$_	2,585,954	\$_	2,585,954	\$_	2,753,993	\$_	168,039
Permits, privilege fees and regulatory licenses:	_			0.700	_		_	
Animal licenses	\$	8,700	\$	8,700	\$	9,092	\$	392
Building and related permits		186,125		190,735		156,471		(34,264)
Land transfer fees		500		500		479		(21)
Land use application fees	_	22,000		22,000	-	22,250		250
Total permits, privilege fees and regulatory licenses	\$_	217,325	\$_	221,935	\$_	188,292	\$_	(33,643)
Fines and Forfeitures:								
Court fines and forfeitures	\$	199,200	\$_	199,200	\$_	182,666	\$_	(16,534)
Total fines and forfeitures	\$_	199,200	\$_	199,200	\$_	182,666	\$_	(16,534)
Revenue from use of money and property:								
Revenue from use of money	\$	32,000	\$	32,000	\$	98,596	\$	66,596
Revenue from use of property	_	82,592		82,592		65,062	_	(17,530)
Total revenue from use of money and property	\$	114,592	\$_	114,592	\$_	163,658	\$_	49,066

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)						
General Fund: (Continued)						
Revenue from local sources: (continued)						
Charges for services:	•	0.1.1		0.4.4	044	*
Sheriff's fees	\$	344	\$	344 \$		•
Commonwealth attorney fees		1,200		1,200	1,323	123
Courthouse maintenance fees		8,300		8,300	7,184	(1,116)
Courtroom security fees Other charges for services		40,000		40,000	33,212 19,949	(6,788) 5,199
Ambulance transportation fees		14,750 310,000		14,750 310,000	338,035	28,035
Waste collection and disposal charges		115,000		115,000	137,228	22,228
waste confection and disposal charges	_	113,000		113,000	137,220	22,220
Total charges for services	\$_	489,594	\$_	489,594_\$	537,275	\$47,681
Miscellaneous:						
Expenditure refunds	\$	60,000	\$	78,100 \$	175,555	\$ 97,455
CSA		-		-	31,552	31,552
Miscellaneous	_	127,620		138,988	143,277	4,289
Total miscellaneous	\$_	187,620	\$_	217,088 \$	350,384	\$ 133,296
Total revenue from local sources	\$_	18,708,335	\$_	18,742,413 \$	19,728,612	\$ 986,199
Intergovernmental:						
Revenue from the Commonwealth:						
Noncategorical aid:						
Motor vehicle carrier's tax	\$	500	\$	500 \$	506	\$ 6
Rental tax - DMV		1,500		1,500	1,766	266
Mobile home titling taxes		8,000		8,000	25,876	17,876
PPTRA		1,029,053		1,029,053	1,029,053	-
Communication taxes		565,000		565,000	531,071	(33,929)
Recordation tax	_	40,000		40,000	31,480	(8,520)
Total noncategorical aid	\$_	1,644,053	\$_	1,644,053 \$	1,619,752	\$ (24,301)
Categorical aid:						
Shared expenses:						
Commonwealth's attorney	\$	171,241	\$	171,241 \$	170,964	\$ (277)
Sheriff		722,851		722,851	727,889	5,038
Commissioner of the Revenue		78,010		78,010	77,494	(516)
Treasurer		90,416		90,416	90,385	(31)
Registrar/electoral board		37,322		37,322	37,399	77
Clerk of the Circuit Court	_	213,645		213,645	215,534	1,889
Total shared expenses	\$_	1,313,485	\$_	1,313,485 \$	1,319,665	\$6,180

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended		Actual	\	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)								
General Fund: (Continued)								
Intergovernmental: (continued)								
Revenue from the Commonwealth: (continued)								
Other categorical aid:								
Fire programs	\$	41,500	\$	43,725	\$	43,725	\$	-
Litter Control		7,000		7,000		7,077		77
Four for life		14,000		14,802		14,802		-
Domestic Violence		45,000		45,000		45,000		-
Victim witness		13,297		13,297		12,910		(387)
Department of Juvenile Justice		6,385		6,385		5,003		(1,382)
E-911		41,600		41,600		46,184		4,584
PSAP State 911 grant		150,000		150,000		100,424		(49,576)
Comprehensive Services Act		2,350,000		2,045,455		1,270,288		(775,167)
Sheriff - asset forfeiture		-		-		753		753
Public assistance and welfare		848,664		848,664		723,049		(125,615)
Other state grants	_	28,446		125,614		90,638	_	(34,976)
Total other categorical aid	\$_	3,545,892	\$	3,341,542	\$_	2,359,853	\$	(981,689)
Total categorical aid	\$_	4,859,377	\$	4,655,027	\$_	3,679,518	\$	(975,509)
Total revenue from the Commonwealth	\$_	6,503,430	\$	6,299,080	\$_	5,299,270	\$_	(999,810)
Revenue from the Federal Government:								
Payments in lieu of taxes	\$_	85,300	\$	85,300	\$_	90,216	\$	4,916
Categorical aid:								
Public assistance and welfare	\$	1,433,738	\$	1,433,738	\$	1,119,381	\$	(314,357)
Sheriff - asset forfeiture		-		-		500		500
Justice assistance grant		1,226		1,226		-		(1,226)
Victim Witness		39,891		39,891		38,731		(1,160)
Ground Safety Transportation	_	10,850		10,850		5,074	_	(5,776)
Total categorical aid	\$_	1,485,705	\$_	1,485,705	\$_	1,163,686	\$_	(322,019)
Total revenue from the Federal Government	\$_	1,571,005	\$	1,571,005	\$_	1,253,902	\$	(317,103)
Total General Fund	\$	26,782,770	\$	26,612,498	\$_	26,281,784	\$	(330,714)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	\	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit - School Board: School Operating Fund:							
Revenue from local sources:							
Revenue from use of money and property:							
Revenue from use of property	\$	1,000	\$	1,000 \$	1,660	\$	660
	_	<u> </u>		<u> </u>	·	_	
Charges for services:							
Charges for education	\$_	729,997	\$_	729,997 \$	680,542	_\$	(49,455)
Total charges for services	\$_	729,997	\$	729,997 \$	680,542	\$	(49,455)
Miscellaneous:	_			_			
Rebates and refunds	\$	5,000	\$	5,000 \$	349	\$	(4,651)
Miscellaneous	_	51,000		51,000	59,738		8,738
Total miscellaneous	_	56,000		56,000	60,087	_	4,087
Total revenue from local sources	\$	786,997	\$	786,997 \$	742,289	\$	(44,708)
Intergovernmental:	_			_			_
County contribution to School Board	\$_	8,605,633	\$	8,779,633 \$	8,700,633	\$	(79,000)
Revenue from the Commonwealth:							
Categorical aid:							
Share of state sales tax	\$	2,150,687	\$	2,150,687 \$		\$	(118,719)
Basic school aid		4,567,752		4,567,752	4,409,167		(158,585)
Special ed SOQ		599,856		599,856	583,531		(16,325)
Vocational SOQ At risk funds		134,583		134,583	130,920		(3,663) (3,244)
Remedial education		114,111 151,887		114,111 151,887	110,867 147,753		(4,134)
Technology		151,007		154,000	223,365		69,365
Textbook payments		105,532		105,532	102,660		(2,872)
Primary class size		165,304		165,304	160,945		(4,359)
Fringe benefits		930,546		930,546	905,221		(25,325)
Other state funds	_	942,826		1,012,191	985,186		(27,005)
Total categorical aid	\$_	10,017,084	\$	10,086,449 \$	9,791,583	\$	(294,866)
Total revenue from the Commonwealth	\$	10,017,084	\$	10,086,449 \$	9,791,583	\$	(294,866)
Revenue from the federal government:	_			_			_
Categorical aid:							
Title I	\$	323,401	\$	323,401 \$	390,261	\$	66,860
Title III		986		986	3,131		2,145
Title VI - B Special Education		460,577		460,577	407,168		(53,409)
Vocational education		27,493		27,493	30,010		2,517
Preschool Other Grants		-		-	11,570		11,570
Other funds Title II		65,929		- 65,929	10,000 112,875		10,000 46,946
Total categorical aid	\$	878,386	 ф	878,386 \$		- \$	86,629
Total revenue from the federal government	\$_ \$	878,386		878,386 \$			86,629
•	· -						
Total School Operating Fund	\$ <u>_</u>	20,288,100	\$	20,531,465 \$	20,199,520	» —	(331,945)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit School Board: (Special Revenue Funds: School Cafeteria Fund:	(Continued)					
Revenue from local sources:						
Charges for services:						
Cafeteria sales	\$	365,000	\$	365,000 \$	334,376 \$	(30,624)
Total charges for services	\$	365,000	\$	365,000 \$	334,376 \$	(30,624)
Miscellaneous:			_	_		
Miscellaneous	\$	38,000	\$_	38,000 \$	(3,403) \$	(41,403)
Total revenue from local sources	\$_	403,000	\$_	403,000 \$	330,973 \$	(72,027)
Intergovernmental:						
Revenue from the Commonwealth:						
Categorical aid:	Φ.	20.000	Φ.	20,000 ф	0F 100 h	F 100
School food grant	\$_	20,000	\$_	20,000 \$	25,198 \$	5,198
Revenue from the federal government: Categorical aid:						
School food grant	\$	452,000	\$	452,000 \$	553,789 \$	101,789
Total School Cafeteria Fund	\$	875,000	_	875,000 \$	909,960 \$	34,960
School Lottery Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$	-	\$	- \$	1 \$	1
Total revenue from use of money and property	\$	-	\$	- \$	1 \$	1
Total School Lottery Fund	\$	_	\$		1 \$	1
School Capital Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$_ \$_	-	\$_	- \$	11_\$	11
Total revenue from use of money and property	\$	-	\$	- \$	11 \$	11
			_	_		
Intergovernmental:	Φ.		Φ.	104 407 0	104 407 ф	
County contribution to School Board	\$_		_	184,497 \$		
Total School Capital Fund	\$_	-	\$ =	184,497 \$	184,508 \$	11
School Textbook Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$	_	\$	- \$	16 \$	16
Total revenue from use of money and property	\$		¢ -		 16 \$	16
	<u> </u>		<u> </u>			
Total revenue from local sources	\$_	-	-	- \$_	16 \$	16
Total School Textbook Fund	\$ <u></u>	-	\$_	<u> </u>	16 \$	16
Total RevenuesDiscretely Presented Component Unit - School Board		21,163,100	\$ _	21,590,962 \$	21,294,005 \$	(296,957)

Fund, Function, Activities and Elements		Original Budget		Budget As Amended	_	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:							
General Fund:							
General government administration:							
Legislative:							
Board of supervisors	\$	59,769	_\$_	59,769	\$	59,753 \$	16
General and financial administration:							
County administrator	\$	233,120	\$	287,169	\$	241,161 \$	46,008
Legal services		76,717		83,887		65,031	18,856
Independent auditor		51,800		58,907		51,783	7,124
Commissioner of the revenue		239,969		240,718		229,454	11,264
Personal property		10,175		10,175		8,802	1,373
Data processing		85,440		123,086		65,947	57,139
Land use		1,700		1,700		1,312	388
Assessor		67,000		67,000		66,985	15
Finance department		208,407		224,869		205,282	19,587
Treasurer	_	263,635		268,245		257,814	10,431
Total general and financial administration	\$_	1,237,963	\$_	1,365,756	\$	1,193,571 \$	172,185
Board of Elections:							
Electoral board and officials	\$	63,600	\$	88,600	\$	161,474 \$	(72,874)
Registrar	_	78,082	_	78,082		74,292	3,790
Total board of elections	\$_	141,682	\$_	166,682	\$	235,766 \$	(69,084)
Total general government administration	\$	1,439,414	\$_	1,592,207	\$	1,489,090 \$	103,117
Judicial administration:							
Courts:							
Circuit court	\$	29,417	\$	29,417	\$	26,818 \$	2,599
Combined court		11,100		11,100		6,991	4,109
Clerk of the circuit court		302,838		315,296		308,905	6,391
Sheriff - court security		174,215		190,015		185,380	4,635
Magistrates		500		500		466	34
Victim witness program		52,454		53,213		51,641	1,572
Commissioner of accounts	_	720	_	720		720	
Total courts	\$_	571,244	\$_	600,261	\$	580,921 \$	19,340
Commonwealth's attorney:							
Commonwealth's attorney	\$	341,754	\$_	343,154	\$	337,550 \$	5,604
Total judicial administration	\$_	912,998	\$_	943,415	\$	918,471 \$	24,944

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)							
General Fund: (Continued) Public safety:							
Law enforcement and traffic control:							
Sheriff	\$	1,932,181	\$	2,148,151	\$	1,995,207 \$	
Public safety		22,095		22,095		9,602	12,493
E-911 system	_	994,948		1,050,824	_	899,629	151,195
Total law enforcement and traffic control	\$_	2,949,224	\$_	3,221,070	\$_	2,904,438 \$	316,632
Fire and rescue services:							
Volunteer fire department	\$	123,500	\$	126,527	\$	125,725 \$	802
Ambulance and rescue service Emergency medical services		114,000 1,201,386		114,000 1,429,622		114,802 1,419,489	(802) 10,133
EMS Council		7,743		7,743		7,743	10,133
Total fire and rescue services	\$	1,446,629	\$	1,677,892	\$	1,667,759 \$	10,133
Correction and detention:							
Confinement of prisoners	\$	400	\$	400	\$	47 \$	353
Regional jail		986,018		986,018		923,533	62,485
Jefferson area community corrections		7,978		7,978		7,978	-
Juvenile detention Probation office		54,815 20,829		96,183 20,829		95,682 11,471	501 9,358
Total correction and detention	\$	1,070,040	\$	1,111,408	\$	1,038,711 \$	
Inspections:	_						
Building	\$	251,429	\$	284,263	\$	246,806 \$	37,457
Total inspections	\$	251,429	\$	284,263	\$	246,806 \$	37,457
Other protection:	¢	220 /74	Φ.	204.027	¢	25/ 205 ¢	27 722
Animal control and shelter facility Line of Duty Act	\$	229,674 58,700	Ф	294,037 58,700	Ф	256,305 \$ 52,857	37,732 5,843
Medical examiner (coroner)		500		500		340	160
Total other protection	\$	288,874	\$	353,237	\$	309,502 \$	43,735
Total public safety	\$	6,006,196	\$	6,647,870	\$	6,167,216 \$	480,654
Public works:	_				_		
Sanitation and waste removal:							
County landfill	\$_	476,450	\$_	487,750	\$	474,696 \$	13,054
Total sanitation and waste removal	\$	476,450	\$_	487,750	\$	474,696 \$	13,054
Maintenance of general buildings and grounds:							
General properties	\$	555,518	\$_	562,351	\$	446,651 \$	115,700
Total maintenance of general buildings and grounds	\$	555,518	\$_	562,351	\$_	446,651 \$	115,700
Total public works	\$	1,031,968	\$	1,050,101	\$_	921,347 \$	128,754

Fund, Function, Activities and Elements		Original Budget		Budget As Amended	_	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued) General Fund: (Continued) Health and welfare:							
Health:		440 440		440.440		440.440.4	
Supplement of local health department	\$_	140,412	-\$_	140,412	\$	140,412 \$	-
Total health	\$_	140,412	\$_	140,412	\$	140,412 \$	<u>-</u>
Mental health and mental retardation:							
Chapter X board	\$	75,979	\$_	75,979	\$	75,979 \$	
Total mental health and mental retardation	\$	75,979	\$_	75,979	\$	75,979 \$	
Welfare:							
Administration	\$	2,778,429	\$	2,778,429	\$	2,298,028 \$	480,401
Tax relief for the elderly		-		-		50,526	(50,526)
Madison free clinic		2,500		2,500		2,500	
Rapp-Rapidan medical reserve corporation		5,488		5,488		5,488	-
CSA - at risk youth	_	3,500,000		3,045,455	· —	2,119,894	925,561
Total welfare	\$_	6,286,417	\$_	5,831,872	\$	4,476,436 \$	1,355,436
Total health and welfare	\$	6,502,808	\$_	6,048,263	\$	4,692,827 \$	1,355,436
Education:							
Contributions to community colleges	\$	3,620	\$	3,620	\$	3,620 \$	-
Contributions to component unit school board	·	8,605,633		8,964,130	·	8,885,130	79,000
Total education	\$	8,609,253	\$_	8,967,750	\$	8,888,750 \$	79,000
Parks, recreation and cultural:							
Parks and recreation:							
Parks and recreation	\$	52,628	\$	58,578	\$	58,578 \$	-
Recreation authority	_	175,290		175,290		175,290	
Total parks and recreation	\$	227,918	\$_	233,868	\$	233,868 \$	
Cultural enrichment:							
Boys and girls club	\$	2,000	\$	2,000	\$	2,000 \$	_
Senior center		500		500		500	-
Madison county fair		500		500	. <u> </u>	500	
Total cultural enrichment	\$	3,000	\$_	3,000	\$	3,000 \$	-
Library							
Library: County library	\$	124,772	\$	124,772	\$	124,772 \$	-
Total parks, recreation and cultural	\$	355,690		361,640	_	361,640 \$	_
rotar parks, recreation and cultural	Ψ	333,070	Ψ_	301,040	Ψ	JU1,U4U D	

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)							
General Fund: (Continued)							
Community development:							
Planning and community development:							
Planning commission	\$	22,760	\$	26,024	\$	18,665 \$	
Zoning and planning		139,964		139,964		137,522	2,442
Economic development		134,835		144,835		129,505	15,330
Foothills housing		7,000		7,000		7,000	-
Aging together		3,000		3,000		3,000	-
Board of zoning appeals		3,000		3,000		1,834	1,166
Board of building code appeals		400		400		-	400
Governor's opportunity fund		-		71,159		71,159	-
Tourism		50,000		50,000		49,809	191
Planning district commission		21,043		21,043		21,043	-
Geographic information system		20,769		21,894		16,250	5,644
Skyline CAP	-	47,585		47,585		47,585	
Total planning and community development	\$_	450,356	\$_	535,904	\$	503,372 \$	32,532
Environmental management:							
Soil and water conservation district	\$	34,587	\$	34,587	\$	34,587 \$	_
Forestry service	Ψ	5,984	Ψ	5,984	Ψ	5,984	_
Water quality management		1,000		1,000		1,000	-
Water quanty management	-	1,000		1,000		1,000	
Total environmental management	\$_	41,571	\$_	41,571	\$	41,571_\$	
Cooperative extension program:							
VPI extension	\$	101,952	\$	101,952	\$	85,760 \$	16,192
Northern VA 4-H center		750		750		750	-
	_					_	
Total cooperative extension program	\$_	102,702	\$_	102,702	\$	86,510 \$	16,192
Total community development	\$_	594,629	\$_	680,177	\$	631,453 \$	48,724
Nondepartmental:							
Miscellaneous	\$	5,500	\$	5,500	\$	702 \$	4,798
Contingency	•	397,500	*	141,413	*	-	141,413
3	-	·		·			
Total nondepartmental	\$_	403,000	\$_	146,913	\$	702 \$	146,211
Debt service:							
Principal retirement	\$	1,281,780	\$	3,181,770	\$	3,181,768 \$	2
Interest and fiscal charges	-	262,701		269,468		269,466	2
Total debt service	\$_	1,544,481	\$	3,451,238	\$	3,451,234 \$	4
Total General Fund	\$	27,400,437	\$	29,889,574	\$	27,522,730 \$	2,366,844
					= =	 :	

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	V	ariance From Amended Budget Favorable (Unfavor.)
Total ExpendituresPrimary Government	\$_	27,400,437	\$_	29,889,574	\$	27,522,730 \$	S	2,366,844
Discretely Presented Component Unit School Board: School Operating Fund: Education:								
Instruction	\$	14,831,383	\$	14,831,383	\$	14,767,376 \$	5	64,007
Administration, attendance and health		1,102,954		1,102,954		1,086,134		16,820
Pupil transportation services		1,455,630		1,698,995		1,697,302		1,693
Operation and maintenance services		2,185,726		2,185,726		1,972,532		213,194
Technology	_	646,229		646,229		609,999		36,230
Total education	\$_	20,221,922	\$_	20,465,287	\$	20,133,343 \$	<u> </u>	331,944
Debt service:								
Principal retirement	\$	64,062	\$	64,062	\$	64,061 \$	5	1
Interest and fiscal charges	_	2,116		2,116		2,116		
Total debt service	\$	66,178	\$	66,178	\$	66,177 \$	5	1
Total School Operating Fund	\$_	20,288,100	\$	20,531,465	\$	20,199,520 \$	<u> </u>	331,945
Special Revenue Funds: School Cafeteria Fund: Education: School food program	\$	875,000	\$	875,000	\$	915,732 \$	8	(40,732)
School Capital Fund:	=	<u>`</u>		<u> </u>	_	<u> </u>		
Capital Projects:								
School projects	\$_	-	\$_	184,497	\$	180,048 \$	<u> </u>	4,449
Total capital projects	\$_	-	\$_	184,497	\$	180,048 \$	S	4,449
Total School Capital Fund	\$_	-	\$_	184,497	\$	180,048 \$	_	4,449
Total ExpendituresDiscretely Presented Component Unit								
School Board	\$_	21,163,100	\$_	21,590,962	\$_	21,295,300 \$	<u> </u>	295,662



COUNTY OF MADISON, VIRGINIA

Government-Wide Expenses by Function Last Ten Fiscal Years

	General						Parks			
	Government	Judicial			Health		Recreation		Interest	
Fiscal	Adminis-	Adminis-	Public	Public	and		and	Community	on	
Year	tration	tration	Safety	Works	Welfare	Education	Cultural	Development	Debt	Total
2008-09 \$	1,274,260 \$	816,078 \$	4	1,432,619 \$	279,844 \$ 1,432,619 \$ 2,652,806 \$	7,455,744 \$	354,226 \$		206,551 \$	435,164 \$ 206,551 \$ 18,907,292
2009-10	1,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	199,776	19,344,082
2010-11	1,208,692	772,906	4,487,980	1,275,161	2,880,632	8,285,417	364,838	654,796	179,355	20,109,777
2011-12	1,227,155	1,060,673	4,744,000	932,928	3,804,200	7,967,091	382,268	484,057	132,026	20,734,398
2012-13	1,444,310	1,259,543	5,044,642	1,134,355	4,639,198	7,736,750	430,365	483,237	226,396	22,398,796
2013-14	1,191,034	1,207,655	5,486,234	958,957	4,752,444	13,029,097	422,822	511,140	315,760	27,875,143
2014-15	1,385,253	1,133,013	5,199,293	948,947	4,932,052	9,350,811	450,261	588,519	292,905	24,281,054
2015-16	1,361,313	1,153,156	5,300,042	956,205	5,537,755	10,374,212	477,023	524,074	282,647	25,966,427
2016-17	1,266,735	1,257,440	5,551,564	925,800	5,865,685	9,248,253	571,513	541,843	268,648	25,497,481
2017-18	1,380,936	1,249,955	5,857,718	936,466	4,684,211	10,024,701	434,972	633,599	275,811	25,478,369

COUNTY OF MADISON, VIRGINIA

Government-Wide Revenues Last Ten Fiscal Years

	Pr	Program Revenues	ser					es Se	General Revenues	les				
					Local						Grants and	Revenues from the		
Char	Charges	Operating	Capital	General	Sales	Comm-	Consumers'	Motor	Restaurant	Other	Not Restricted	Use of		
Fiscal for	٦٢	Grants and	Grants and	Property	and	unication	Utility	Vehicle	Food	Local	to Specific	Money &	Miscella-	
Year Services		Sontributions	Contributions Contributions	Taxes	Use Tax	Tax (1)	Тах	Licenses	Taxes	Taxes	Programs (1)	Property	neous	Total
2008-09 \$ 700,279 \$	0,279 \$	3,471,398 \$		95,724 \$ 16,597,542 \$	\$ 699,118	\$ 865,209		323,111 \$ 11,395 \$		328,782 \$ 274,476 \$	1,089,378 \$ 150,953 \$ 249,562 \$ 24,769,867	150,953 \$	249,562 \$	24,769,867
2009-10 683	683,771	3,192,291	,	11,966,643	776,952	608,119	304,321	1,410		265,345	1,082,024	174,695	133,961	19,510,011
2010-11 914	914,025	3,433,918	•	12,513,243	763,844	•	347,299	418,414	318,251	282,431	1,763,040	125,474	185,893	21,065,832
2011-12 1,237	1,237,560	4,168,508	6,250	13,623,003	839,405	•	317,594	420,975	335,143	401,744	1,756,719	99,377	268,350	23,474,628
2012-13 948	948,345	4,302,181	•	14,158,939	856,431	•	321,273	423,225	341,365	418,580	1,749,093	112,497	613,492	24,245,421
2013-14 1,062	1,062,962	4,650,409	4,601,477	14,730,276	865,583	•	322,800	425,198	351,835	408,787	1,749,820	120,246	290,046	29,579,439
2014-15 1,015	1,015,066	5,016,167	1	14,880,317	965,923	٠	334,364	436,137	380,853	421,898	1,727,109	106,236	290,340	25,574,410
2015-16 1,030	1,030,798	5,301,202	1	14,881,805	982,248	٠	334,021	447,600	401,303	432,878	1,736,350	115,497	386,279	26,049,981
2016-17 883	883,213	5,510,808	•	15,244,661	1,021,382	•	339,369	446,360	445,670	472,885	1,716,160	131,991	308,067	26,520,566

(1) Starting in FY 2011 Communication Tax is reported as a revenue from the commonwealth instead of a local revenue in accordance with the Auditor of Public Accounts.

15,727,481 1,040,502

4,843,204

908,233

2017-18

1,709,968 163,658 350,384 26,456,921

345,329 456,558 463,480 448,124

COUNTY OF MADISON, VIRGINIA

General Government Revenues by Source (1)

Last Ten Fiscal Years

Total	35,380,219	29,779,162	30,878,988	34,052,784	35,541,333	35,733,183	36,703,658	37,644,775	38,621,519	38,690,659
Inter- governmental (2)	14,926,950 \$	14,020,795	14,368,576	15,606,531	16,559,976	16,795,001	17,107,278	17,568,139	18,154,186	17,888,757
Recovered Costs go	\$		1	1	1		,	1	1	
Miscel- laneous	416,134 \$	214,365	336,102	741,178	909,130	519,461	996'169	1,063,394	1,106,690	407,068
Charges for Services	844,561 \$	818,527	957,404	1,304,487	981,866	968,135	919,345	968,408	827,494	1,552,193
Revenues from the Use of Money & Property	180,985 \$	213,718	168,030	129,874	146,549	152,516	128,613	123,980	132,017	165,346
Fines & Forfeitures		160,201	162,755	152,815	164,756	189,681	218,303	170,894	170,298	182,666
Permits, Privilege Fees & Regulatory Licenses	\$ 213,156 \$	193,601	228,572	164,269	161,826	242,529	176,783	212,473	222,790	188,292
Other Local Taxes	2,415,031 \$	2,276,626	2,130,239	2,314,861	2,360,874	2,374,203	2,539,175	2,598,050	2,725,666	2,753,993
General Property Taxes (3)	16,255,821 \$	11,881,329	12,527,310	13,638,769	14,250,356	14,491,657	14,916,195	14,939,437	15,282,378	15,552,344
Fiscal	2008-09 \$	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18

⁽¹⁾ Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

⁽²⁾ The General Fund contributions to the Component Unit School Board are not included.

⁽³⁾ In 2009, the County changed to semiannual collections for real estate taxes. In the year of change one and a half years of real estate taxes were collected.

COUNTY OF MADISON, VIRGINIA

General Government Expenditures by Function (1) Last Ten Fiscal Years

Total	32,970,796	34,504,649	30,759,140	32,631,943	36,066,667	39,421,332	42,175,516	36,881,685	37,379,721	39,932,900
Debt	800,187 \$ 32,970,796	1,648,163	1,585,967	1,892,410	2,581,873	1,232,766	1,428,288	1,447,093	1,453,435	3,517,411
Capital Projects	3,580,242 \$	4,634,042	239,673	52,249	1,038,856	4,663,682	6,539,841	400,226	38,000	180,048
Non- departmental	141,418 \$	84,874	111,112	90,040	130,309	36,702	5,584	1,116	64,096	702
Community Develop- ment	434,648 \$	382,894	653,101	481,807	481,924	508,977	595, 144	535,745	544,945	631,453
Recreation and Cultural	283,468 \$	302,702	304,055	314,751	360,431	435, 199	420,701	476,491	356,465	361,640
Education(2)	2,637,754 \$ 17,766,916 \$	17,619,776	17,506,718	18,111,745	18,972,672	19,094,380	19,626,160	19,804,268	20,194,751	21,052,695
Health and Welfare		2,549,199	2,899,404	3,795,114	4,454,921	4,731,099	4,950,311	5,582,522	5,900,655	4,692,827
Public Works	1,384,744 \$	1,213,242	1,203,558	1,184,056	1,146,436	999,430	1,025,561	950,854	946,045	921,347
Public Safety	2008-09 \$ 1,066,321 \$ 779,987 \$ 4,095,111 \$ 1,384,744 \$	4,285,339	4,423,250	4,915,378	4,869,780	5,634,475	5,465,454	5,506,166	5,609,963	6,167,216
Judicial Admini- stration	\$ 186'611 \$	751,801	752,503	730,518	763,682	865,373	819,898	848,738	918,656	918,471
General Admini- stration	1,066,321	1,032,617	1,079,799	1,063,875	1,265,783	1,219,249	1,298,574	1,328,466	1,352,710	1,489,090
Fiscal	2008-09 \$	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18

⁽¹⁾ Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

COUNTY OF MADISON, VIRGINIA

Property Tax Levies and Collections Last Ten Fiscal Years

	_	nt	laxes lax Levy	1,067,952 6.07%	1,103,966 8.65%	1,226,886 9.26%	1,137,175 8.48%	1,163,158 8.25%	1,359,533 9.48%	1,457,348 9.98%	1,457,348 9.91%	,454,428 9.71%	,455,940 9.43%
no			to lax Levy la	,1 \$ %61.16	98.88%	100.55% 1,	98.93% 1,	98.93% 1,	98.52% 1,	1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1	99.15% 1,	99.55% 1,	98.35% 1,
	lotal	lax	collections	17,093,918	12,626,453	13,325,973	13,271,970	13,947,715	14,134,052	14,554,240	14,579,883	14,907,397	15,181,960
Delinquent	(E) +	lax (2)	collections	977,283 \$	863,163	993,265	949,858	902,588	931,044	702,747	1,175,209	1,013,226	962,988
3	Percent	of Levy	Collected	91.63% \$	92.12%	93.05%	91.85%	92.52%	92.03%	94.88%	91.15%	92.79%	92.11%
3	current	lax (1) (3)	Collections	16,116,635 \$	11,763,290	12,332,708	12,322,112	13,045,127	13,203,008	13,851,493	13,404,674	13,894,171	14,218,972
		l otal (1)	lax Levy	2008-09 \$ 17,587,904 \$	12,769,838	13,253,517	13,415,513	14,099,257	14,346,454	14,599,617	14,705,489	14,974,584	15,436,200
	i	Fiscal	Year	2008-09 \$	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18

⁽¹⁾ Exclusive of penalties and interest.

(3) Includes Commonwealth of Virginia Personal Property Tax Relief Act funds.

⁽²⁾ Does not include land redemptions.

Assessed Value of Taxable Property (1)

Last Ten Fiscal Years

				Machinery			
Fiscal	Real	Personal	Mobile	and	Merchants'	Public	
Year	Estate (2)	Property	Homes	Tools	Capital	Service	Total
2008-09	\$ 2,931,263,050 \$	147,441,726\$	1,323,762 \$ 6,014,590 \$	6,014,590 \$	27,220,872 \$	37,295,445 \$	3,150,559,445
2009-10	1,962,094,200	122,898,091	1,331,600	4,930,033	26,865,146	41,188,982	2,159,308,052
2010-11	1,968,205,900	119,915,146	1,356,400	4,490,180	20,612,489	42,548,911	2,157,129,026
2011-12	1,978,255,150	115,602,303	1,351,300	4,386,450	24,618,756	47,248,097	2,171,462,056
2012-13	1,785,742,800	116,902,835	1,367,700	3,801,840	22,921,593	46,116,154	1,976,852,922
2013-14	1,591,460,450	117,824,549	1,104,500	3,844,827	20,776,576	44,805,961	1,779,816,863
2014-15	1,605,038,450	118,207,845	1,142,200	4,144,481	24,428,195	48,828,075	1,801,789,246
2015-16	1,620,377,400	114,334,699	1,160,600	4,071,363	24,036,071	47,366,304	1,811,346,437
2016-17	1,635,149,750	118,763,510	1,192,500	4,469,521	26,384,953	45,692,315	1,831,652,549
2017-18	1,677,006,075	125,966,256	1,224,400	4,997,202	28, 532, 503	47,090,233	1,884,816,669

Taxes in semiannual installments.

^{(1) 100%} fair market value. (2) FY 09 includes 2008 and 1st half of 2009 assessment. FY 09 was the first year the County collected Real Estate

Property Tax Rates (1) Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital (2)
2008-09 \$	0.44 \$	2.14 \$	0.44 \$	1.47 \$	0.86
2009-10	0.44	2.9	0.44	1.47	0.86
2010-11	0.44/0.50		0.44	1.47	0.86
2011-12	0.50/0.53	2.95/2.80	0.50	1.62	0.86
2012-13	0.53/0.67	3.45/2.80	0.53	1.67	0.86
2013-14	0.67/0.68	3.45	0.67	1.67	98.0
2014-15	0.68	3.45	0.68	1.67	98.0
2015-16	0.68	3.45	0.68	1.67	98.0
2016-17	0.68	3.45	0.68	1.67	98.0
2017-18	0.68	3.45	0.68	1.67	98.0

(1) Per \$100 of assessed value.

(2) Levied at 20% of fair market value through FY 05 -- at 100% in FY 06.

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

Net Bonded Debt per Capita	209	618	483	361	966	916	086	946	872	793
Ratio of Net General Obligation Debt to Assessed Value	0.0024	0.0036	0.0030	0.0022	0.0067	0.0072	0.0072	6900'0	0.0063	0.0056
Net Bonded Debt	7,599,998	7,743,068	6,428,248	4,810,000	13,242,500	12,881,500	12,939,000	12,483,000	11,513,000	10,466,510
Gross Bonded Debt (3)	\$ 866'665'	7,743,068	6,428,248	4,810,000	13,242,500	12,881,500	12,939,000	12,483,000	11,513,000	10,466,510
Assessed Value (2)	3,150,559,445 \$	2,159,308,052	2,157,129,026	2,171,462,056	1,976,852,922	1,779,816,863	1,801,789,246	1,811,346,437	1,831,652,549	1,884,816,669
Population (1)	12,520 \$	12,520	13,308	13,308	13,308	13,200	13,200	13,200	13,200	13,200
Fiscal Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18

⁽¹⁾ Bureau of the Census.

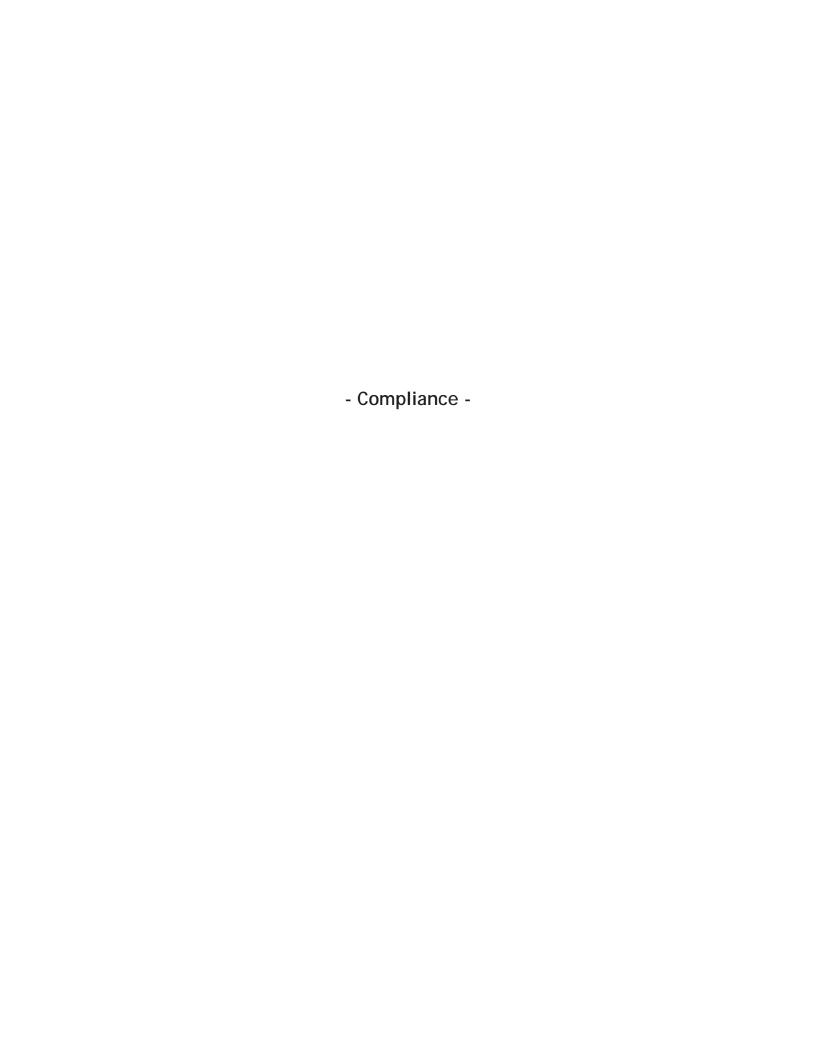
⁽²⁾ From Table 6.

⁽³⁾ Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes compensated absences and landfill closure liability.

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years

					Total	Ratio of Debt Service
				Total	General	to General
Fiscal				Debt	Governmental	Governmental
Year		Principal	Interest	Service	Expenditures (1)	Expenditures
00 0000	÷	FO 1041	216 146	\$ 707 000	707 070 66	0.7 %
5000-07	9	9 1 + 0 ' + 0 0	210,140	* 101 '000 *	32,710,170	2.43%
2009-10		1,451,006	197,157	1,648,163	34,504,649	4.78%
2010-11		1,390,719	195,248	1,585,967	30,759,140	5.16%
2011-12		1,698,131	144,328	1,842,459	32,631,943	2.65%
2012-13		2,448,163	133,710	2,581,873	36,066,667	7.16%
2013-14		1,008,153	274,563	1,282,716	39,421,332	3.25%
2014-15		1,119,911	308,377	1,428,288	42,175,516	3.39%
2015-16		1,147,420	299,673	1,447,093	36,881,685	3.92%
2016-17		1,165,198	288,237	1,453,435	37,379,721	3.89%
2017-18		3,245,829	271,582	3,517,411	39,932,900	8.81%

(1) Includes primary government and discretely presented component unit.





ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of the Board of Supervisors County of Madison, 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 Madison, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Madison, Virginia's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

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

Moving Theorem 4.1.

Author Compliance 1.1.

**Author Compliance 2.1.*

**Author Compliance 2.1.*

**Author Compliance 2.1.*

**Author Compliance 2.1.*

**Author Compliance 3.1.*

Charlottesville, Virginia December 27, 2018

Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Madison, 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 Madison, Virginia's major federal programs for the year ended June 30, 2018. County of Madison, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Madison, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Madison, 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 Madison, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Madison, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of County of Madison, 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 Madison, 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 Madison, 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.

Charlottesville, Virginia December 27, 2018

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Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
Primary Government: Department of Justice				
Pass Through Payments:				
Department of Criminal Justice Services:				
Asset Forfeitures	16.000	N/A	\$	500
Crime Victim Assistance	16.575	N/A	_	38,731
Total Department of Justice			\$	39,231
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	FSC1858376 & SC1757414	\$	5,074
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950109/0950110	\$	8,106
Temporary Assistance for Needy Families	93.558	0400109/0400110		103,763
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110		163
Low-Income Home Energy Assistance	93.568	0600409/0600410		15,623
Child Care Mandatory and Matching Funds of the Child				
Care and Development Fund	93.596	0760109/0760110		17,169
Chafee Education and Training Vouchers Program	93.599	9160110		9,261
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110		362
Foster Care - Title IV-E	93.658	1100109/1100110		285,358
Adoption Assistance	93.659	1120109/1120110		152,555
Social Services Block Grant	93.667	1000109/1000110		168,545
Chafee Foster Care Independence Program	93.674	9150108/9150109/91501110		6,477
Children's Health Insurance Program	93.767	0540109/0540110		7,228
Medical Assistance Program	93.778	1200109/1200110	_	174,314
Total Department of Health and Human Services			\$	948,924

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued) Department of Agriculture: Pass Through Payments: Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Total Expenditures of Federal Awards-Primary Government	10.561	0010111/0010112/0040111/0040112	\$ 170,457 \$ 1,163,686
Component Unit School Board:			
Department of Agriculture: Pass Through Payments: Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 60,883
Department of Education: National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	367,895 428,778
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941/2014IN109941	124,334
Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.559	2013IN109941/2014IN109941	677
Total Department of Agriculture/Child Nutrition Cluster			\$ 553,789
Department of Education: Pass Through Payments: Department of Education:	04.010	C040A1000A//C0404100A/	¢ 200 2/4
Title 1 Grants to Local Educational Agencies Supporting Effective Instruction State Grant English Language Acquisition State Grants	84.010 84.367 84.365	S010A120046/S010130046 S367A120044/S367A13044 N/A	\$ 390,261 112,875 3,131
Special Education - Grants to States (Special Education Cluster) Special Education - Preschool Grants (Special Education Cluster) Special Education Cluster Total	84.027 84.173	H027A120107/H027A130107 H173A120112/H173A130112	407,168 11,570 418,738
Student Support and Academic Enrichment Program Career and Technical Education Basic Grants to States	84.424 84.048	S424A170048 V048A120046/V048A130046	10,000 30,010
Total Department of Education			\$ 965,015
Total Expenditures of Federal Awards-Component Unit School Board			\$ 1,518,804
Total Expenditures of Federal Awards-Reporting Entity			\$ 2,682,490

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MADISON, VIRGINIA

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Madison, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Madison, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Madison, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - De Minimis Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Loan Balances

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

Note 7 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$_	1,253,902
Total primary government	\$_	1,253,902
Component Unit School Board:		
School Operating Fund	\$	965,015
School Cafeteria Fund	_	553,789
Total component unit school board	\$	1,518,804
Total federal expenditures per basic financial		
statements	\$_	2,772,706
Payments in lieu of taxes	\$_	(90,216)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	2,682,490

COUNTY OF MADISON, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

Type of auditors' report issued on compliance

for major programs: Unmodified

Any audit findings disclosed that are required to be reported

in accordance with 2 CFR Section 200.516(a)?

Identification of major programs:

<u>CFDA #</u> <u>Name of Federal Program or Cluster</u>

84.027/84.073 Special Education Cluster 93.658 Foster Care - Title IV-E

Dollar threshold used to distinguish between Type A and Type B

programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.