

COUNTY OF GLOUCESTER, VIRGINIA
LAND OF THE LIFE WORTH LIVING



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDING
JUNE 30, 2019

INTRODUCTORY SECTION

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COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Prepared By:

Gloucester County
Department of Finance

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COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Ashley C. Chriscoe, Chair
Phillip N. Bazzani, Vice-Chair

Kevin M. Smith
Christopher A. Hutson

Michael R. Winebarger

Andrew James, Jr.
Robert J. Orth

County School Board

Robin Rice, Chair
Anita F. Parker, Vice-Chair

Brenda Mack
George R. Burak

Darren Post

Troy M. Anderson
Elisa A. Nelson

Board of Social Services

Mark Dutton, Chair
Corky Hogge, Vice-Chair

Aaron Conner
Dan Warren

Phyllis Dixon
BOS Representative Michael R. Winebarger

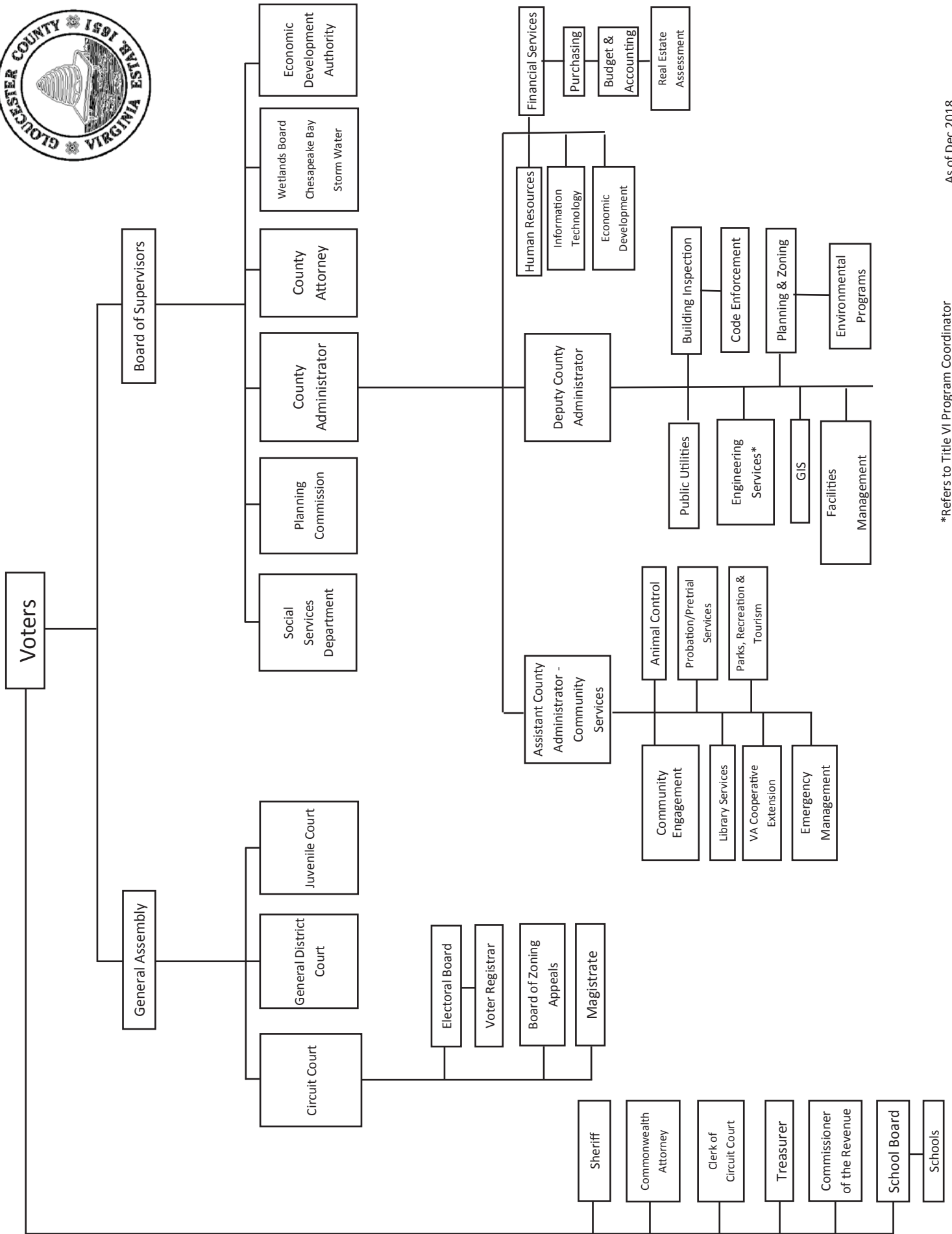
Harrison Dixon
Doug Vaughan

Other Officials

County AdministratorJ. Brent Fedors
Judge of the Circuit CourtHonorable Jeffrey W. Shaw
Clerk of the Circuit Court.....Margaret Walker
Interim Commonwealth's Attorney.....Megan Zwisohn
Commissioner of the Revenue.....Kevin A. Wilson
TreasurerTara L. Thomas
Judge of the Juvenile and Domestic Relations CourtHonorable Cressondra B. Conyers
Judge of the General District Court.....Honorable Stephanie E. Merritt
Sheriff.....D. W. Warren
Superintendent of Schools.....Walter R. Clemons, Ph.D.
Director of Department of Social ServicesLisa Kersey
County AttorneyEdwin N. Wilmot

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Gloucester County Organizational Chart



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Government Finance Officers Association

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

Presented to

**County of Gloucester
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Gloucester County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This award was the 23rd consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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County of Gloucester
County Administrator
6467 Main Street
P. O. Box 329
Gloucester, Virginia 23061



(804)693-4042

November 14, 2019

To the Honorable Members of the Board of Supervisors and Citizens of Gloucester County:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Gloucester County, Virginia for the fiscal year ended June 30, 2019 in conformity with the U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the U.S. by a firm of licensed certified public accountants as required by the Code of Virginia. This report is intended to provide informative and relevant financial data for the residents and business owners in the County, Board of Supervisors, investors, creditors, and any other interested readers. All are encouraged to contact the Gloucester County Department of Financial Services with any comments or questions concerning this financial report.

Robinson, Farmer, Cox Associates, Certified Public Accountants, conducted the audit of the County's financial statements for the fiscal year ended June 30, 2019, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2019, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the overall financial statement presentation. The audit was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on the County's internal controls over compliance as required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These reports are available in the Compliance Section of this report.

The Department of Financial Services has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with County management.

To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance

that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported to present fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

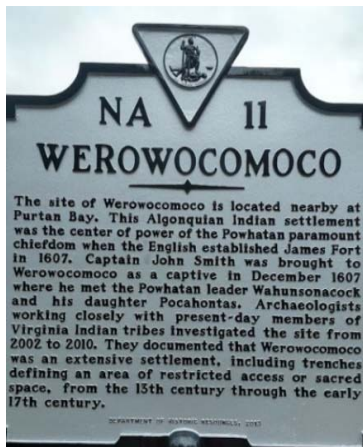
GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to provide a profile of the County and summary information about its economic condition. It is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of Gloucester County

The County was created in 1651 and covers 225 square miles of land area and 32 square miles of water area. The population per the 2010 census was 36,858. The County is empowered to levy a property tax on both real estate and personal property located within its boundaries.



The County is the site of Werowocomoco, capital of the Native American Powhatan Confederacy (a union of 30 tribes under a paramount chief). In June 2016, the National Park Service purchased the 264-acre historical site on the York River for development as a park. The site, which consists primarily of forest and farmland, has been determined to be the place where Captain John Smith was taken after his capture by Native Americans and where he met Chief Powhatan and his daughter Pocahontas.



Initial findings suggest the extensive settlement was occupied as early as 1200 CE and functioned as a spiritual and political center for the Algonquian Indians. When complete, the park will be part of the Captain John Smith Chesapeake National Historic Trail. Currently the park is not open to the public; however the National Park Service has awarded grant funds to the County for permanent display signage in the courthouse Visitor's Center.

Gloucester County is located in the Middle Peninsula of Virginia and is the fourth largest land area in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA), which is the nation's 31st largest MSA. Gloucester County shares a distinction with Chesterfield, Franklin, and Surry Counties in that they are the only four counties in the Commonwealth located within two planning districts. Gloucester County is part of the Hampton Roads Planning District and the Middle Peninsula Planning District.

The County of Gloucester has a traditional County Administrator form of government with an elected Board of Supervisors (Board), which establishes policies for the administration of the County. The Board consists of seven members representing the five magisterial districts in the County and two members elected at-large. The Chairman of the Board of Supervisors is elected from within the Board and generally serves for a term of one year in addition to being a District Supervisor. The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, carries out the policies established by the Board, and oversees the daily administration of the County.

The County provides a full range of general governmental administration services for its citizens and businesses, including the offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of Revenue, Treasurer, Registrar, and the departments of Human Resources, Information

Technology, GIS, and Financial Services consisting of Real Estate Assessment, Budget, Accounting and Central Purchasing which also provides shared accounting and purchasing support for the Gloucester County Public School (GCPS) system. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

Judicial Administration is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Victim and Witness Assistance, Court Services, Group Home Commission, and Commonwealth's Attorney.

The Public Safety operations of the County include the Law Enforcement (Sheriff's Office and Jail), the departments of Emergency Management, Building Inspections, Animal Control, Environmental Services, and Stormwater Programs, with financial support to Probation and Pretrial, the Regional Radio (911) system, and the County's two Volunteer Fire and Rescue Squads.



Public Works consists of Engineering Services and Facilities Management. Engineering Services administers capital projects for the County and oversees the solid waste management services provided for the County. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and associated infrastructure located within the County. Facilities Management maintains and cares for our physical infrastructure (buildings and grounds), and also manages the Mosquito Control unit.

Health and Welfare not only includes the Community Services Board which provides mental health, intellectual disability, and substance abuse services, but also the Department of Social Services which administers the Virginia Public Assistance and the Children's Services Act Funds by determining eligibility for these public assistance programs, which are mandated by Federal and State law.

Parks, Recreation, and Cultural provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, including the County's signature event – the Daffodil Festival, and other activities for County residents in addition to the daily operation and maintenance of the County's seven parks. The Gloucester County Public Libraries provide library services through two branch libraries, the bookmobile, and an e-branch which provides remote access to the library collection through the library's web site.



Community Development consists of the departments of Planning and Zoning, Economic Development, Clean Community, Extension Services, and Tourism to include the County's Historic Museum. The Planning and Zoning Department is responsible for the Comprehensive Plan, Zoning ordinances, demographics, and the acceptance, review, and disposition of all land use and subdivision applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

Education provides support to the County's public school system administered by the Gloucester County School Board (School Board). GCPS encompasses public education (kindergarten through grade 12) in eight schools - five elementary schools, two middle schools, and one high school - and virtual on-line programs.



In addition, the County's Education function covers Community Engagement and Cable Services providing various citizen outreach programs and also shared communication service support for the GCPS system. The County's contribution to Rappahannock Community College can also be found under this function.



In addition, the County operates and maintains a water and sewer utility system, which services both residents and businesses in various geographically dispersed areas of the County. The County provides utility service to approximately 4600 water accounts and 1500 wastewater accounts.

In accordance with the requirements of GASB, the financial reporting entity consists of the primary government (the County), as well as its component units, which are legally separate organizations for which the County is financially accountable, and the governing body has significant financial influence. Discretely presented component units qualifying for inclusion in this report are the Gloucester County School Board and the Gloucester County Economic Development Authority. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government. The School Board oversees the County's schools and administers its own appropriations within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations, and issues debt to finance school capital projects. Additional information on these two legally separate entities can be found in Note 1 of the notes to basic financial statements.

The annual budget serves as the foundation for communicating the County's major financial operating objectives and for allocating resources to achieve them. The annual budget development process, initiated in the summer, is a complex undertaking involving the entire government. Starting in late summer, all departments and agencies of the County are required to submit their 5 Year capital improvement project and operating requests for consideration of the County Administrator. The Department of Financial Services provides initial projections for the major revenue classes. The County Administrator uses these requests and projections as a starting point for developing a proposed balanced budget for presentation to the Board typically in March. The Board is required to hold public hearings to obtain citizen comments on the proposed budget and generally adopts a final budget no later than May 1. The County's appropriated budget is prepared by fund (e.g. General Fund), function (e.g. Public Safety), and department (e.g. Sheriff's Office). The budget appropriation resolution, adopted by the Board, places legal restrictions on expenditures at the fund and function level.

Once the budget is approved, there is significant focus on controlling expenditures and monitoring revenues. The County maintains an encumbrance accounting system as one method of maintaining budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions of the annual appropriated budget. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the function level within each fund except the school operating fund, which is at the fund level. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department and agency directors and the Department of Financial Services. Encumbered amounts lapse at fiscal year-end; however, outstanding encumbrances for multi-year initiatives are generally re-appropriated as part of the following fiscal year's budget.

The Financial Services Department reviews all departmental transfer requests to ensure sufficient appropriations are available. The County Administrator is given authority to redistribute appropriations within and among the funds under the control of the Board as may be necessary to meet the needs and interests of Gloucester County; however, any revisions increasing the total appropriations of the approved County budget must be approved by the Board. Budget to actual comparisons are provided in this report for each governmental and enterprise fund for which an annual budget has been adopted.

Local Economy

Calendar year 2019 was to be a reassessment year for the County. However, the County Assessor took an opportunity to work closer to home and the Board took appropriate action to postpone the reassessment one year. Despite the delay, Gloucester continues to experience solid local growth, driven largely by economic development - new single and multi-family home construction and new business startups have strengthened local revenue sources. Looking ahead, the County's forecast looks for further measured growth in real property values in response to solid underlying market influences.

Gloucester County is committed to enhancing economic opportunities and providing a business-friendly environment. The County continued to see increases in economic activity and diversity of contributors during the fiscal year. The Department of Economic Development assists County businesses in expanding their existing operations and helps attract new businesses to the area. Economic Development reported 21 new and/or expanding business starts for the fiscal year. Economic Development successes in recent years reflect a strengthening local economy, the County's continued ability to attract new and expanding businesses, and achievements towards the County's strategic goals outlined under Major Initiatives. Furthermore, the department of Planning, Zoning, and Environmental Services is undertaking a comprehensive review, recommending updates and improvements to the Zoning Ordinance in alignment with the County's strategic goals and commitments to business development. The last comprehensive update of the Zoning Ordinance was done more than 20 years ago.

Not only does Gloucester County attract great entrepreneurial spirit, but also those who strive to achieve the highest excellence in business and service. Gloucester County was awarded an "Opportunity Zone" designation by Governor Ralph Northam. The County was one of 212 localities that received this recognition. This is an economic and community development tax incentive program that provides an avenue for investors to support distressed communities and address areas of the Commonwealth that have experienced uneven economic growth and recovery.



The County continued to receive submittals of new and expansions to existing major residential subdivisions and commercial developments in this fiscal year. Some of these developments include:

Riverside Walter Reed Hospital – various improvements including lab, office, and parking improvements with a two-story expansion is under construction.

Fiddlers Crossing – 110-unit multifamily residential development is fully permitted and under active development in the Courthouse Village.

The Villages – zoning approved for approximately 900 acre Planned Unit Development (PUD) with 1,142 residential units proposed.



Coleman's Crossing - mixed-use development of 89 residential townhouses and 14,000 sq. ft. of proposed commercial shopping center is under construction.

Riverbend Apartments - (formerly known as Carriage Point) is an approved 218-unit apartment complex; construction is underway.

Ryan's Run - plans approved for development of a residential subdivision consisting of 11 proposed single-family homes.

ABC Building Supply – 1,400 sq. ft. of office space and 17,250 sq. ft. of warehouse space on Crab Thicket Road completed in October 2018. (Complete renovation of an existing building)

Machicomoco State Park (formerly known as Middle Peninsula State Park – Timberneck Unit) – 645-acre State Park; Development plans were approved for land disturbance only in April 2019.

Main Street Landing – 126-lot Planned Unit Development (PUD) on 59 acres near the intersection of Main Street (17 Business, South) and US Route 17, North in the Courthouse Village. Development plans were approved in June 2019, and earth- moving is underway.

Strata Solar – 200+ acre, utility-scale (20 MW) solar power plant (located just north of the Courthouse Village on Route 14) became operational in December 2018.

Verizon Wireless – Two (2) new 199' cell towers approved in FY19.

Zoll Vineyard – Development plans for this 11.5-acre farm/winery on Route 198 were approved in December 2018. Vines are in the ground.

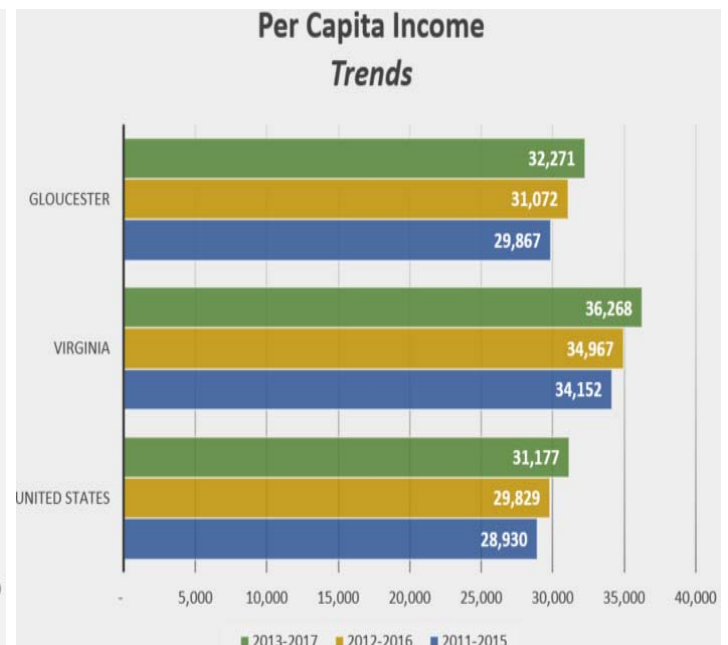
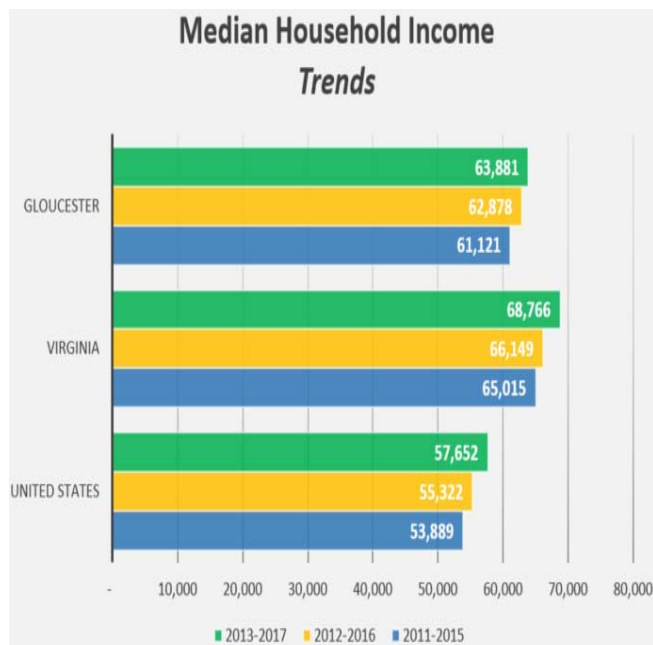
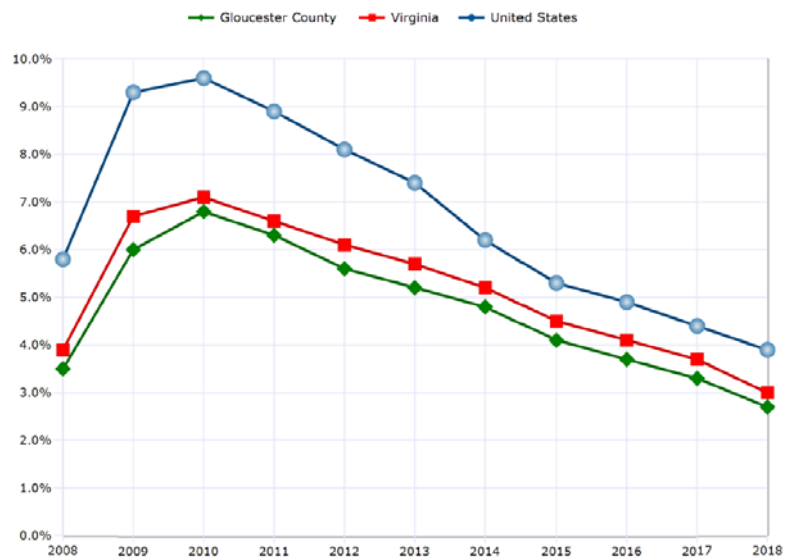
Maintaining and improving the quality of life for residents and business owners requires a commitment to long-term strategies for economic development. Gloucester County has demonstrated that commitment as positive trends continue to prevail in all areas of Gloucester County's economy, including real estate values, job growth, employment, median household and per capita income levels, as well as local sales tax collections.

The largest civilian employment sectors in Gloucester County with a thousand employees or more are Retail Trade, Health Care and Social Assistance, Local Government, and Accommodation and Food Services (Source: Virginia Employment Commission). Though the civilian labor force has remained relatively stable, the region and the County are heavily dependent on defense and military related expenditures; therefore, federal budget uncertainty and any related decisions at the Federal level can impact the overall regional economy.

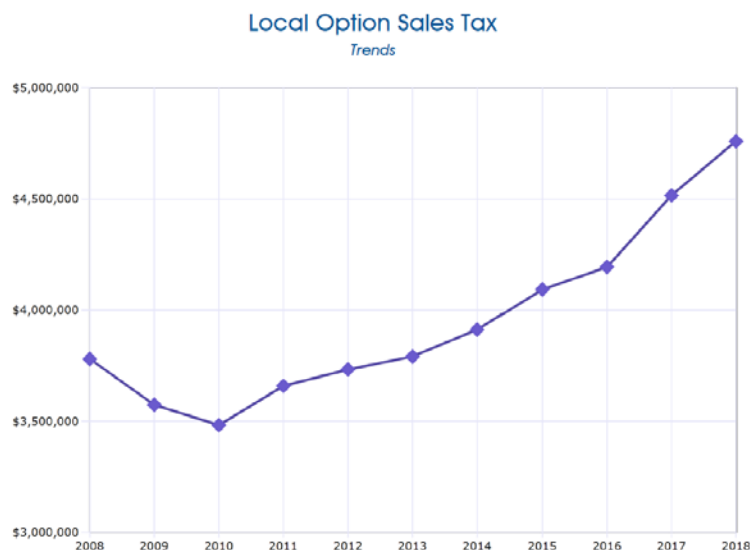
As of calendar year 2018, the Gloucester unemployment rate has continued its downward path to 2.7%, a .6% decrease from 2017 and follows the same trend and comparing favorably with Virginia at 3.0% (3.7% in 2017) and the United States at 3.9% (4.4% in 2017). In fact, the positive trajectory has continued through 2019 with Gloucester unemployment rate at 2.6% as of June 2019. (Source: Virginia Employment Commission)

As the following charts illustrate, based on the most recent estimates available, Gloucester County has enjoyed increasing median household and per capita income levels over the past three cycles that have been consistently higher than the national average and trending similarly with the Commonwealth (Source: U.S. Census Bureau).

Unemployment Rates
Trends



Considering solid economic development results coupled with positively trending income levels, it is no surprise to see Gloucester County experiencing significant growth in local sales tax collection, progressing well past pre-Great Recession levels of 2007 as seen in the following chart.



Long Term Financial Planning

The County has long recognized the need for formulating detailed public plans for its long-term financial health. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. The County's primary long-term financial plan is the Five-Year Capital Improvement Plan (CIP) which is guided by the County's Comprehensive Plan, updated and adopted in February 2016.

The development and evaluation process for the FY2020-FY2024 CIP continued to provide opportunities for direct input from the County's citizens. Any information received was distributed to those departmental leaders responsible for the initial evaluation and/or creation, of related CIP project requests, and/or incorporation into annual operating budget requests. The CIP requests were reviewed, compiled, and presented to the Planning Commission in October. The Planning Commission was not only asked to review project requests for conformity with the Comprehensive Plan as per the Code of Virginia 15.2-2239, but also asked to act as citizen representation by providing a thorough review of submitted CIP project requests; evaluating eligibility, justification, and alignment with community needs; and prioritizing the recommended projects, based on the approved criteria ratings, for consideration by the County Administrator. The County Administrator, as part of his proposed budget to the Board, develops the recommended capital budget and 5 year plan; balancing the competing needs for capital investment with available funding options within the County's current debt and fund balance policies. The result represented a balance between finite resources and an ever-increasing number of competing priorities. This balance was achieved using the priorities and objectives established by the Board consistent with the County's Strategic Priorities Plan and Comprehensive Plan.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at a maximum 10% of governmental fund expenditures. As of FYE 2019, actual results are less than 5%. Gloucester County's last bond rating was AA due to the County's sound financial management, low debt burden, and maintenance of appropriate fund balance reserves.

Relevant Financial Policies

The primary objective of sound financial management policies and guidelines is for the Board of Supervisors to create the framework for making financial decisions. The County Administrator is responsible for the daily administration of the Board's policies and general County operations. The County

Administrator may designate other County officials to assist in the administration of these policies. These financial management policies are a statement of the guidelines and goals that influence and guide the financial management practices of the County of Gloucester. For a complete listing of the County's Financial Guidelines, please see the County's Adopted Annual Budget and Capital Improvement Plan document at <http://gloucesterva.info/1015/Budgets-Financial-Reports>.

The County believes that sound financial management principles always require that sufficient funds be retained by the County to provide a stable financial base. To retain this stable financial base, towards the end of FY2017 the Board approved adjustment the Unassigned General Fund Balance policy levels to be within 14% and 16% of budgeted governmental fund expenditures less any capital projects funded with bond proceeds. Over the past seven fiscal years, the County maintained an actual Unassigned General Fund Balance level between 15% and 20%. These levels have been sufficient to fund the cash flow needs of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances.

Using regular financial reports at public meetings, the County recognizes the need to monitor revenue estimates to identify any potential shortfalls and trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing card policies and procedures.

Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Policies and procedures are being developed or revised periodically to provide better clarification, more detail of practice, and to strengthen documentation of management processes. A complete listing of these policies is posted on the County's website at <http://gloucesterva.info/769/Board-Policies>.

Major Initiatives

As stated in the County's Strategic Priorities Plan, the Board's Vision for 2035 is that "...Gloucester will benefit from steady and consistent economic growth enabled by a robust infrastructure, business-friendly government and a top-notch public education system. Gloucester's citizens will enjoy a wealth of recreational activities, shop locally at numerous and varied markets and stores, and have access to county-based, world-class health care. Gloucester will offer all the amenities of modern life, while continuing to surround its citizens with the tranquility of rural and waterfront living."

Having a vision and a set of strategic goals provide County leaders with an improved framework to enhance their ability to prioritize and allocate resources with focus on results. The County's strategic goals are to:

- Be a destination of choice for entrepreneurs looking for a qualified and stable workforce, affordable real estate, and a relaxed and fulfilling lifestyle;
- Provide the opportunity for all of its citizens to have a quality education;
- Have efficient and strategically placed roads, water, sewer, broadband, and natural gas that supports desired business growth and a high quality of life;
- Ensure that the needs of its citizens – children, adults, and the elderly – are met through a combination of government, commercial, and volunteer programs;
- Maintain the County's essential character as a rural county while offering diverse housing opportunities that include a range of multi-family and single-family homes that meet the needs of singles and families of all ages and incomes;
- Maintain uniqueness among its peers because of the abundance and diversity of its natural resources, including clean protected waterways, forested landscapes, wildlife, and the longest coastline in the Commonwealth; and
- Implement the leanest form of government to minimize impediments to economic development and take advantage of collaborative processes, shared services, and other cost-effective measures for the maximum benefit of its citizens.

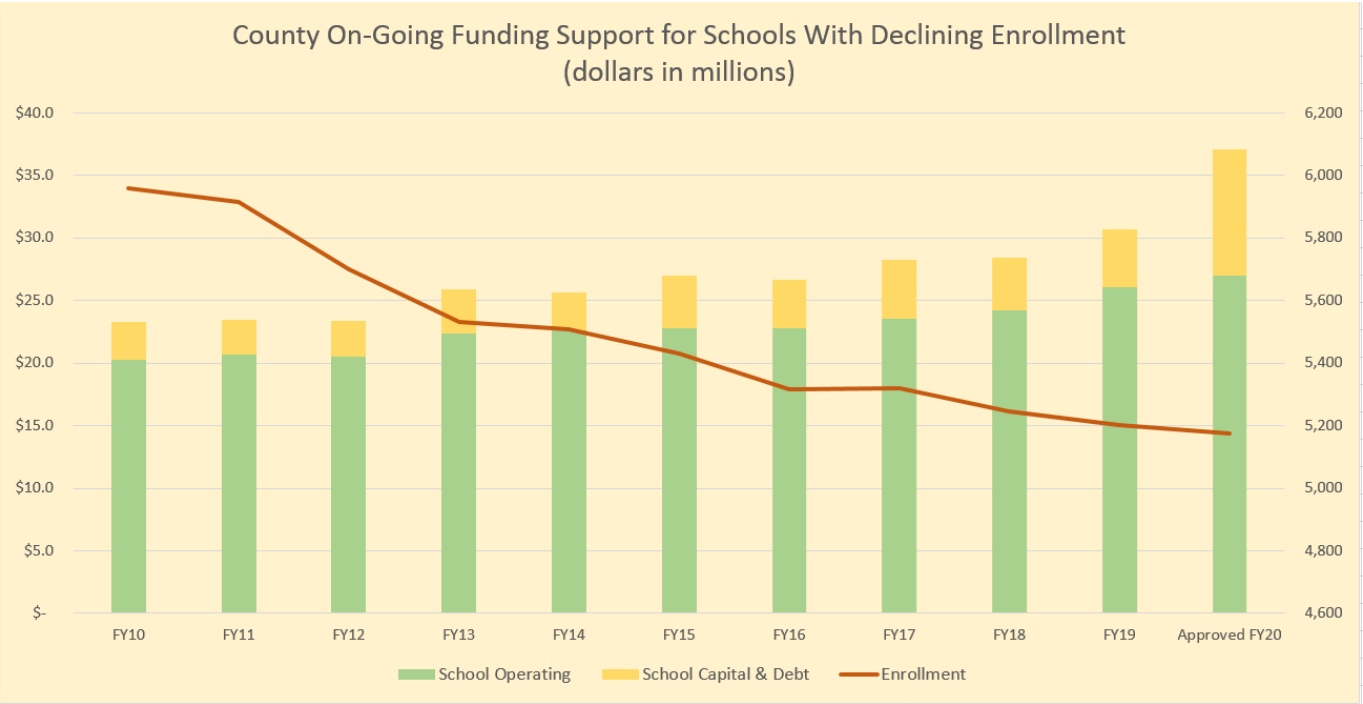
Though many initiatives were started and continued throughout the fiscal year and into the next, the major ones, outlined below, represent the results achieved towards these goals by the County staff.

Several County facilities improvement projects began including: expansion of the Social Services building to meet mandated requirements as well as the needs of our citizens; accessibility improvements to the County’s buildings, parks, and historic areas; and replacement of the 911 Call Handling Equipment.

Starting in 2008, the Federal Emergency Management Agency (FEMA) awarded a series of grants totaling approximately \$15 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation. As of FY2019, the program has supported increased resiliency of nearly 100 homes and properties in the County. During FY2019, the County was awarded several more FEMA grants which are expected to support elevations of approximately 18 more homes.

One of the most important services that the County provides to its citizens is public education and a quality education system continues to be one of the County’s top priorities. During FY2019, the County continued its support for large capital maintenance items within the school system, including HVAC, lighting, playground equipment and school bus replacements, among other priorities. This effort was in direct response to pent-up demand since the Great Recession and supported by the solid recovery over the past several years. Planning continues for significant upcoming investments in various school construction projects. Total requests for the five-year CIP (FY21-FY25) exceeded \$100M of which approximately \$50M was for GCPS. The major cost driver of the GCPS requests relates to Gloucester High School (GHS) major renovations of the current facility. The original structure, built in 1974, has undergone various expansions and miscellaneous renovations. Another cost driver is the School Transportation & Maintenance Facility. Current facilities are undersized for the increased number and diversity of the vehicles to be maintained. The future development of GHS and the Transportation Facility will require major investment and debt management by the County in the coming fiscal years.

Though enrollment has been on a slow decline since FY2010, the County continues to provide increasing support to the school system. Each successive fiscal year, the County budget provides for the highest per-pupil spending in the history of the school division.



Awards and Acknowledgements

Gloucester County received a number of awards and was recognized by a variety of organizations. Among these awards and recognitions are:

Central Purchasing

Gloucester Purchasing Agent, Bill Lindsey, CPPS/CPM received the Virginia Association of Government Purchasing's (VAGP) most prestigious award - The T. Gordon Sandridge Lifetime Achievement Award. The award was presented to Mr. Lindsey for his high ethical and moral standards and lifetime contributions and service to public procurement. Mr. Lindsey has been actively involved with the VAGP since 1974, having served on the Board of Directors as President in 2013 and dedicated time to the Legislative and Finance Committees. Honored by the VAGP in 2015 with the Distinguished Service Award, Lindsey also serves as a council member for the National Institute for Public Procurement. As a highly regarded and respected procurement professional, Lindsey has authored numerous professional opinions and informational articles on procurement practices and procedures and been called on to represent procurement legislation in the General Assembly of Virginia. A lifelong public servant, Lindsey has been employed in the procurement profession for over 44 years and has served as Gloucester County's Purchasing Agent for over 10 years. He announced his retirement effective January 1, 2020. He will be truly missed.



Sheriff's Office

The Gloucester County Sheriff's Office received a 2018 Virginia Association of Counties Achievement Award for the department's Traffic Safety Initiative, reducing traffic fatalities from an average of 8.8 per year to 4.8 per year or by 50%. Jason Schnurr, an investigator with the Sheriff's Office, graduated from the prestigious Virginia Forensic Science Academy. The academy provides high-level training to qualified crime scene search officers. Law enforcement personnel learn to properly recognize, document, collect, and preserve – for laboratory examination – items of physical evidence found at crime scenes.



Finance

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the twenty-third consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and it will also be submitted to the GFOA for consideration.

The GFOA also awarded the Distinguished Budget Presentation Award to Gloucester County for its FY2019 Approved Budget Book. This was the fourth year that the County achieved this prestigious award. In order to receive this award, a governmental entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.



This award is valid for a period of one year only. We believe that our current Approved Budget Book document continues to conform to program requirements and it has also been submitted to the GFOA to determine eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Treasurer's Office, School Board, Social Services Board, and the various County Departments. We would like to express our appreciation to all the various team members who assisted and contributed to the preparation of this report, in particular, the outstanding efforts and diligence of our Accounting and Budget Manager, Ms. Andrea Cooper, and our Financial Services Department who completed the effort following Ms. Cooper's departure. Credit also must be given to the Board of Supervisors for their unfailing support of the highest standards of professionalism in the management of County finances.

Respectfully submitted,

J. Brent Fedors
County Administrator

Stephanie M. Tinsley, CPA, CPFO, CGFM
Chief Financial Officer

FINANCIAL SECTION

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Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors
County of Gloucester
Gloucester, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 25 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-15, 118, and 119-144 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 County of Gloucester, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of County of Gloucester, 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 Gloucester, 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 Gloucester, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 25, 2019

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County of Gloucester, Virginia Management's Discussion and Analysis

This section of the County of Gloucester's (County's) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's basic financial statements, which follow this section.

Financial Highlights

- The Primary Government ended the most recent year with a positive net position of \$56.4 million, an increase of \$.5 million from FY 2018. The Component Units closed the year with a deficit balance of \$23.2 million, a decrease of \$2.6 million from FY 2018.
- At June 30, 2019, the unrestricted net position of the Primary Government is \$19.3 million, which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2019, the County's governmental funds reported combined ending fund balances of \$24.6 million, no increase over the prior year. Approximately 1.2 percent of this amount, or \$.3 million, is restricted or non-spendable.
- At June 30, 2019, the General Fund's unassigned fund balance was \$20.9 million. Adjusted unassigned fund balance per the County's revised Fund Balance Policy is \$16.6 million (\$20.9 million less the budgeted use of unassigned fund balance for FY20), or approximately 15.9% of expected governmental fund expenditures less any capital projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$5.9 million from the prior year's balance of \$58.9 million to \$53.0 million at June 30, 2019 due primarily to principal payments on existing debt (bonds and capital leases) and retirement of the Literary Loan debt.

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being 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 may be changing. However, other non-financial factors will need to be considered, such as changes in the County's property tax base and the condition of the County's infrastructure.

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

In the Statement of Net Position and the Statement of Activities, the County is divided into the following:

- Governmental activities – The County's basic municipal services are reported here, including: general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation, and cultural; and community development; and education. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- Business-type activities – The County charges fees to customers to help cover all or most of the cost of services it provides. This category includes the County's public utilities, which provides water and sewer services.
- Component Units – The County includes two separate legal entities in its report – the Gloucester County School Board and the Gloucester Economic Development Authority. Although legally separate, the County is financially accountable for the School Board and the Economic Development Authority component units and provides operating and capital funding for these activities.

Fund Financial Statements

The fund financial statements provide more information about the County's most significant funds – not the County as a whole. Funds are accounting units that the County uses to keep track of specific sources of fund and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – Most of the County's basic services are reported in governmental funds. These funds focus on the inflows and outflows of cash and other financial assets that can readily be converted into cash and the balances left at year-end that are available for spending. As such, the governmental funds statements provide a short-term view of the County's financial resources. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and County Capital Improvements Fund, all of which are considered to be major funds. The School Construction Fund is not reported this year as it was not used and had no assets or liabilities. Data from the other two County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

- Proprietary funds – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The County uses enterprise funds (one type of proprietary fund), which are used to report the same functions presented as business-type activities in the government-wide financial statements, to account for its public utilities. The fund financial statements provide more detail and additional information, such as cash flows.

The basic proprietary fund financial statements can be found at Exhibits 7 through 9 of this report.

- Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund statement can be found at Exhibit 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning with Exhibit 11 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56.4 million at the close of the most recent year. A large portion of the County's net position (\$37 million, approximately 65.7% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and businesses; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position of \$19.3 million or 34.3% of the County's total net position may be used to meet the County's ongoing obligations to citizens and creditors.

The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statement:

Summary of Net Position As of June 30, 2019 and 2018 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2019	2018	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 54,437	\$ 52,974	\$ 4,344	\$ 5,771	\$ 58,782	\$ 58,745	\$ 9,661	\$ 10,121	
Capital assets	51,949	55,921	26,597	27,567	78,546	83,488	47,956	48,168	
Total assets	\$ 106,386	\$ 108,895	\$ 30,942	\$ 33,338	\$ 137,328	\$ 142,233	\$ 57,616	\$ 58,289	
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186	
Pension related items	1,371	1,410	86	81	1,457	1,490	6,649	6,807	
OPEB related items	618	181	9	6	627	187	1,187	1,043	
Deferred charges on refunding	126	139	143	203	269	342	-	-	
Total deferred outflows	\$ 2,115	\$ 1,731	\$ 239	\$ 289	\$ 2,353	\$ 2,020	\$ 7,836	\$ 8,036	
Long-term debt outstanding	\$ 42,004	\$ 45,087	\$ 7,166	\$ 8,061	\$ 49,170	\$ 53,147	\$ 72,499	\$ 65,192	
Other liabilities	10,580	9,761	1,000	2,975	11,580	12,736	8,485	19,100	
Total liabilities	\$ 52,584	\$ 54,848	\$ 8,166	\$ 11,036	\$ 60,750	\$ 65,883	\$ 80,985	\$ 84,291	
Deferred revenue - property taxes	\$ 20,733	\$ 20,196	\$ -	\$ -	\$ 20,733	\$ 20,196	\$ -	\$ -	
Pension related items	1,144	1,713	79	97	1,223	1,810	7,082	7,337	
OPEB related items	538	397	9	8	547	405	554	413	
Total deferred inflows	22,415	22,306	88	105	22,503	22,412	7,636	7,750	
Net position									
Net investment in capital assets	\$ 17,743	\$ 18,431	\$ 19,338	\$ 17,704	\$ 37,082	\$ 36,135	\$ 36,766	\$ 36,020	
Restricted	-	-	0	1,834	-	1,834	-	-	
Unrestricted (deficit)	15,759	15,040	3,587	2,948	19,347	17,989	(59,934)	(61,737)	
Total net position	\$ 33,503	\$ 33,472	\$ 22,926	\$ 22,486	\$ 56,429	\$ 55,958	\$ (23,168)	\$ (25,717)	

The Primary Government ended the most recent year with a positive net position of \$56.4 million, an increase of \$.5 million from FY 2018. The restricted net position reduction relates to the liquidation of the debt service reserve fund (DSRF) for final payment of the Utilities revenue bonds. This was offset by the increases in net investment in capital assets and the unrestricted portions by about \$500K. The Component Units closed the year with a deficit balance of \$23.1 million, a decrease of \$2.5 million from FY 2018.

In the case of the Component Units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2019 of \$23.2 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014 and then grew by \$10 million as of June 30, 2018 with the implementation of GASB 75.

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund governmental operations. The following table shows the revenue and expenses of government-wide activities:

Summary of Changes in Net Position Years Ended June 30, 2019 and 2018 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2019	2018	2019	2018	2019	2018	2019	2018	
Revenues:									
Program revenue:									
Charges for services	\$ 1,676	\$ 1,648	\$ 4,513	\$ 4,568	\$ 6,189	\$ 6,216	\$ 2,729	\$ 2,698	
Operating grants and contributions	8,856	8,487	-	-	8,856	8,487	34,831	33,391	
Capital grants and contributions	409	1,150	-	-	409	1,150	-	-	
General revenues:									
Property taxes	41,229	40,205	41	40	41,270	40,245	-	-	
Other taxes	11,114	10,565	-	-	11,114	10,565	-	-	
Unrestricted revenues	485	356	83	78	567	434	32	15	
Miscellaneous	396	322	-	-	396	322	125	153	
Grants and contributions	4,310	4,424	-	779	4,310	5,203	-	-	
Payment from County	-	-	-	-	-	-	27,738	25,818	
Total revenue	\$ 68,475	\$ 67,156	\$ 4,636	\$ 5,465	\$ 73,111	\$ 72,621	\$ 65,455	\$ 62,075	
Expenses:									
General government	\$ 6,404	\$ 6,274	\$ -	\$ -	\$ 6,404	\$ 6,274	\$ -	\$ -	
Judicial administration	2,146	2,023	-	-	2,146	2,023	-	-	
Public safety	16,297	15,005	-	-	16,297	15,005	-	-	
Public works	2,355	2,147	-	-	2,355	2,147	-	-	
Health and welfare	6,131	5,516	-	-	6,131	5,516	-	-	
Parks, recreation, and cultural	2,444	2,438	-	-	2,444	2,438	-	-	
Community development	1,509	2,569	-	-	1,509	2,569	1,528	1,580	
Interest on long-term debt	1,290	1,375	-	-	1,290	1,375	-	-	
Education	29,868	27,761	-	-	29,868	27,761	61,378	57,760	
Public Utilities	-	-	4,197	3,543	4,197	3,543	-	-	
Total expenses	\$ 68,443	\$ 65,108	\$ 4,197	\$ 3,543	\$ 72,640	\$ 68,651	\$ 62,906	\$ 59,340	
Change in net position, before transfers	\$ 31	\$ 2,048	\$ 440	\$ 1,922	\$ 471	\$ 3,970	\$ 2,549	\$ 2,735	
Transfers	-	(431)	-	431	-	-	-	-	
Change in net position	31	1,617	440	2,353	471	3,970	2,549	2,735	
Net position, beginning	33,472	31,854	22,486	20,133	55,958	51,988	(25,717)	(28,452)	
Net position, ending	\$ 33,503	\$ 33,472	\$ 22,926	\$ 22,486	\$ 56,428	\$ 55,958	\$ (23,168)	\$ (25,717)	

Governmental Activities

Overall revenues for the County's Governmental Activities were \$68.4 million for FY 2019, an increase of \$1.3 million from the prior year. Property tax revenues, the County's largest revenue source consists of both Real Estate and Personal Property, increased by \$1.0 million. It reflects the accrual of the last half of calendar year 2018 and the first half of calendar year 2019. The County's assessed real property tax base for calendar year 2019 saw an increase of approximately \$48.5 million primarily due to economic development, including commercial construction, which resulted in an increase in collections of over \$300K or 1.1%. Personal Property also saw an increase of over \$350K as continued evidence of continued expansion of the economy and growth in consumer confidence. No changes were made to tax rates for FY 2019 and current year collection rates remained stable. Other evidence of continued improvements in the economic climate include the following:

- o Business, Professional, and Occupational License 11.7%
 - o Transient Occupancy/Lodging Tax 10.4%
 - o Local Sales Tax 5.2%
 - o Local Meals Tax 4.5%
- Unrestricted revenues from use of money and property also increased substantially in FY2019 due to increased earnings rates on deposits and investments. Interest earnings for FY 2019 were \$127K more than FY 2018, or 35.8%.

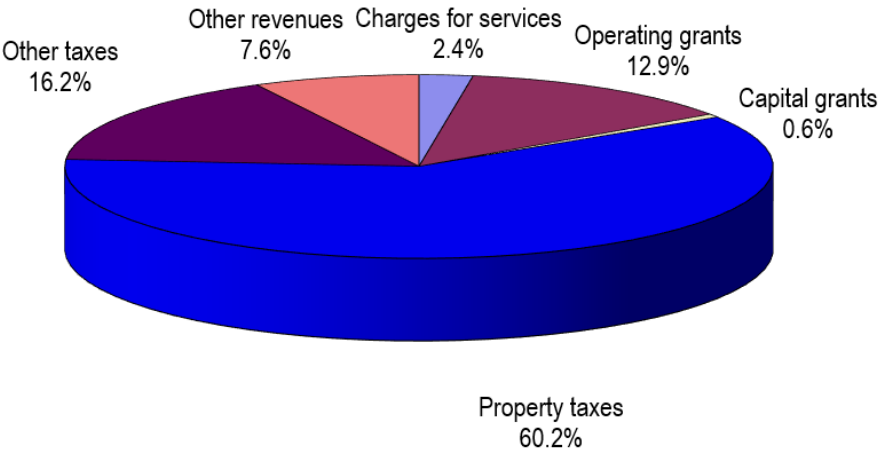
Miscellaneous revenue includes items that are infrequent, unexpected, and/or not able to be classified in one of the other revenue categories and, as such, is subject to variances, possibly large, from year to year.

For the fiscal year ended June 30, 2019, expenses relating to Governmental Activities were \$3.3 million more than the prior year. The main cost driver increase was associated with the compensation deficit fix the Board of Supervisors approved with FY 2019 budget. It included both County, at approximately \$1.5 million, and Schools with an increase in local transfer contribution of \$1.7 million. The compensation improvements made tremendous strides in developing a more competitive compensation package to retain and recruit quality employees. With no rate increase incurred, the compensation deficit fix was largely funded by growth in revenue projections and the reduction in debt service of approximately \$1.3 million and the elimination of the local transfer to the Utility Fund of over \$400K.

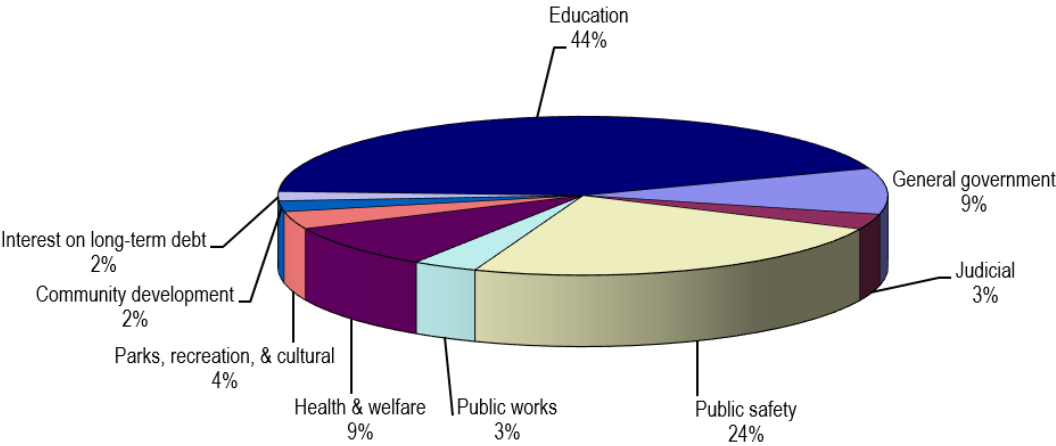
The County continued its process of accelerating expenditures into the current fiscal year when increased revenues warrant doing so. The County also continued exercising prudent budget management strategies to reduce expenses to include delaying filling vacancies, delaying capital and other major facility maintenance and replacement needs, and examining program and service efficiencies particularly through departmental reorganization taking advantage of synergistic opportunities. Public Education and Public Safety continue to dominate our local government spending as these continue to be the two areas of the County's highest priorities and commitments.

The following graphs illustrate revenues by source for Governmental Activities, as well as illustrating expenses for each of the functional areas of Governmental Activities:

Governmental Activities Revenue Sources for Fiscal Year 2019



Governmental Activities Total Expenses by Function for Fiscal Year 2019



Business-type Activities

Business-type Activities increased the County's net position by \$0.4 million for fiscal year 2019 from the beginning balance of \$22.5 million. Similar to the changes in net assets attributable to Governmental Activities, changes in Business-type Activity net assets also result from the difference between revenues and expenses. Unlike Governmental Activities, which primarily rely on general tax revenue to finance operations, Business-type Activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,900 customers in the County. Like all Business-type Activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- Capital improvements have been completed on the Water Treatment plant increasing Net investment in capital assets by \$1.7 million. In addition, the final payment on the Series 2012 bonds was paid with the restricted net position or the debt service reserve fund (DSRF).
- Efforts to make the fund self-supporting have concluded and the fund became self-supporting in FY 2019. The County transferred from the General Fund to the Utility Fund was eliminated.
- Utilities service revenue in the current year decreased by \$800K over that of the preceding year primarily related to the one-time contribution of a sewer pump station valued at \$780K to the County. The reduction in service revenue is attributable to two factors. First, the County received a lot of rainfall in FY 2019. In years where there is increased rainfall, service revenues are reduced due to reduced demand for water for irrigation. Second, the County has many aging water meters. As meters age, they begin to report a reduced consumption of water. The County is in the midst of a multi-year project to repair and replace aged meters, beginning with commercial meters that have a larger flow rate.
- Utilities expenses increased by \$650K in FY 2019, or 18.5% which is primarily attributable to implementation of the compensation deficit fix offset by vacancy and outsourcing savings.

Financial Analysis of Governmental Funds

The County and School Board use fund accounting in accordance with GASB standards to ensure and demonstrate finance-related legal requirements.

Governmental fund balance

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financial requirements. In particular, committed, assigned, and unassigned fund balances serve as a useful measure of a government's net resources that may be leveraged for spending at the end of the fiscal year. At the end of FY 2019, the County's governmental funds reported combined ending fund balances of \$24.6 million, a net decrease of \$100K in comparison with that of the prior year.

Nonspendable and restricted fund balance equates to 1.1% or \$275K of the total governmental fund balance and is comprised of prepaid items, restricted funds related to seized assets, and proffers.

Committed fund balance equates to 12.7% or \$3.1 million of the total governmental fund balance. This is comprised of committed funds that can only be used for specific purposes already imposed by a formal action of the County Board of Supervisors. \$2.4 million or 78.1% of the total committed fund balance is from the general fund. The remaining committed fund balance of \$685K is appropriated for ongoing capital projects.

The assigned fund balance of \$260K, 1.1% of the total governmental fund balance, applies to funds that are intended for specific purposes designated and proposed by the County Administrator.

Additional information on fund balances can be found in Note 1(R) in the Notes to Financial Statements section of this report.

General Fund

The General Fund is the major governmental fund of the County. At the end of the current year, the general fund balance was \$23.8 million, or 96.7% of the total fund balance. General Fund unassigned fund balance was \$20.9 million. The Board of Supervisors revised the County's Fund Balance policy in June 2017 to keep an unassigned general fund balance level of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds. Adjusted unassigned fund balance per revised Fund Balance Policy is \$16.6 million (\$20.9 million less budgeted use of unassigned fund balance for FY 2020). The unassigned fund balance in the General Fund was approximately 15.9% using this policy criterion.

General Fund Budgetary Highlights

At the end of FY 2019, General Fund additional budget appropriations resulted in an increase of \$870K between originally adopted FY 2019 budget appropriations for expenditures and transfers out and the final budget. The increase resulted primarily from re-appropriations of FY 2018 budget commitments for completion of ongoing projects in FY 2019.

General Fund revenues exceeded final budget projections in FY 2019 by \$1.1 million, the majority of which is attributable to higher than anticipated general property and other local tax collections. This variance can continue to be attributed to the continued economic expansion climate. Total General Fund expenditures for FY 2019 were less than the final budget by \$1.3 million. Major contributing factors include: unexpended local transfer to Schools/Education of over \$300K; restricted and/or committed amounts such as asset forfeiture, donations, tourism, cable services, and FMRR of approximately \$500K; and unexpended assigned funds or County Administrator's contingency of \$183K.

Additional information on the County's statement of revenues, expenditures and changes in fund balance, budget and actual can be found in the Required Supplementary Information section of this report.

Capital Improvements Fund

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund or School Construction Fund. The County Capital Improvements Fund has a fund balance of \$822K, which is essentially committed for future capital projects.

Capital Assets and Capital Projects

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$78.5 million (net of accumulated depreciation). This represents a decrease of \$5.0 million from fiscal year 2018. This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The County does not own its roads; therefore, roads are not included in the capital assets.

Major capital expenditure events during the fiscal year included the following:

- Improvements at several County facilities including parks to improve ADA accessibility
- Upgrades and replacements to the E911 Call Handling Equipment
- Restoration of the Edgehill Service Station
- Replacement Sheriff's patrol units, School buses, and County fleet vehicles
- Lighting and HVAC replacements in School buildings
- Improvements at the Water Treatment Plant
- Ongoing sewer replacement projects

Funding for capital projects has been severely scaled back. Only those capital projects where it did not make economic sense to delay a project to a future year or where funding was already in place have moved forward.

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

Capital Assets As of June 30, 2019 and 2018 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2019	2018	2019	2018	2019	2018	2019	2018	
Land	\$ 6,467	\$ 6,467	\$ 3,690	\$ 3,690	\$ 10,158	\$ 10,119	\$ 2,158	\$ 2,289	
Construction in progress	748	427	64	352	812	2,140	-	20	
Buildings	10,001	10,473	21,402	22,096	31,404	31,397	13,550	13,587	
Improvements other than buildings	2,807	3,020	-	-	2,807	3,049	-	-	
Equipment	4,698	6,044	1,441	1,428	6,139	9,095	2,492	2,455	
Jointly owned assets	27,228	29,491	-	-	27,228	31,399	29,755	29,816	
Total	\$ 51,949	\$ 55,921	\$ 26,597	\$ 27,567	\$ 78,546	\$ 83,488	\$ 47,956	\$ 48,168	

Additional information on the County's capital assets can be found in Note 6 in the notes to the financial statements section of this report.

Long-term Debt

At June 30, 2019, the County's Primary Government had total outstanding debt of \$53.0 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2019 and 2018 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Bonds Payable:								
General obligation bonds	\$ 28,373	\$ 30,742	\$ -	\$ -	\$ 28,373	\$ 30,742	\$ -	\$ -
Revenue bonds	-	-	7,402	10,066	7,402	10,066	11,190	12,148
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	-	220	-	-	0	220	-	-
Capital leases	5,958	6,528	-	-	5,958	6,528	-	-
Derivative instrument liability	-	-	-	-	-	-	-	186
OPEB liability	5,402	4,992	192	170	5,594	5,162	17,241	16,776
Net pension liability	3,445	4,067	208	240	3,653	4,307	43,526	46,860
Compensated absences	1,943	1,767	86	79	2,029	1,846	1,621	1,553
Total	\$ 45,121	\$ 48,317	\$ 7,889	\$ 10,554	\$ 53,010	\$ 58,871	\$ 73,578	\$ 77,522

The Total Primary Government long-term debt decreased by \$5.9 million from the prior year's balance due mainly to scheduled debt repayment. Increases in Total Primary Government OPEB liability due to GASB 75 adoption were offset by decreases in net pension liability. The Component Unit long-term debt decreased by \$4.0 million primarily due to the School Board's decrease in net pension liability and the continued debt repayments held by the Economic Development Authority (EDA).

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3%. In addition, the County's Debt Obligation Policy limits the net County debt per capita to \$1,700, and general obligation debt service and capital lease payments will not exceed 10% of general government expenditures. As of the end of FY 2019, the County's net debt as a percentage of assessed value was less than .80%, the net debt per capita ratio was under \$1,000, and the debt payments percentage was less than 5.0%.

Additional information on the County's long-term debt can be found in Note 8 in the notes to the financial statements section of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

Throughout the calendar year 2018, the County's unemployment rate continued to show steady improvement over the prior year. The unemployment rate for Gloucester County was 2.7%, which is pre-recession level and the lowest reported rate in the last 10 years (*Source: Virginia Employment Commission*). Positive trends also continue in the areas of real estate assessments and local sales tax collections due to the continued growth of our local economy.

The Board of Supervisors considered many factors when developing the fiscal year 2020 General Fund budget and the FY2020-FY2024 Five Year Capital Improvement Project (CIP) Plan - particularly the impacts of state and national economic conditions. The national economy continues to improve with job growth, wages and household incomes trending positively. However, uncertainty lingers on how long the economy will continue to grow and at what level. Changes initiated by the Federal administration including changes in federal government priorities could have both positive and negative impacts on the Commonwealth and on the Hampton Roads region. Decreases in federal spending and shifting of funds among competing agencies could impact future state budgets. As in the past, the Commonwealth could pass these cuts on to the localities, reducing further what little budget flexibility we have.

Guidance provided by the Board specific to FY 2020 Operating Budget and 5 Year CIP development was similar that of the prior year: produce a financial plan that incorporated little or no real estate tax increase; does not reduce service levels; and does not eliminate programs. In addition, the BOS requested development of "excursion options" that afforded the ability to contemplate elimination of any proposed real estate tax increase; improving compensation of employees, their top priority; funding unmet needs; and trading off between service/program impacts.

The FY 2020 General Fund approved budget is \$70.3 million, which is comprised of \$33.1 million in operating expenditures and approximately \$35.6 million in transfers to other funds. Of this transfer amount, \$32.1 million supports our School Division's operating budget, capital projects, and debt service. Also programmed into the FY2020 budget is approximately \$5.7 million in School projects to be funded with debt. The projects include the initial A&E design for renovations of the Gloucester High School, School's Transportation Facility, new Achilles Elementary School bus loop, and new athletic fields at the Page Middle School. For FY 2020, the real estate tax rate remained at \$0.695 and personal property tax rates remained at \$2.95. The County was able to leverage economic growth and lean operations to fund most of the compensation deficit correction for both County and School employees without raising taxes.

The FY 2020 School Operating Budget was approved at \$61.8 million, which is a \$2.1 million increase over the adopted FY 2019 School Operating Budget. The County's contribution to the School Operation Budget increased by \$1.1 million, which accounts for roughly 50% of the overall budget increase. Additional information regarding the Fiscal Year 2020 Adopted Budget can be found on the County's Finance Department website at <http://gloucesterva.info/Finance/BudgetsandFinancialReports>.

Economic conditions, trends, and revenue collections continue to be closely monitored. Key factors that are expected to impact future budgets include the upcoming reassessment, declining revenue sources, projected increases in health insurance premiums, citizens' demands for maintaining and/or increasing service levels, needed funding for facility maintenance and capital improvements and replacing reductions in state educational funding.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, County of Gloucester, 6467 Main Street, Gloucester, VA 23061.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF GLOUCESTER, VIRGINIA

Exhibit 1

Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 9,257,181	\$ 301,240	\$ 9,558,421	\$ 201,409	\$ 275,926
Investments	17,139,625	3,036,853	20,176,478	696,935	645,855
Receivables (net of allowance for uncollectibles):					
Taxes receivable	25,301,275	1,257	25,302,532	-	-
Accounts receivable	547,726	466,524	1,014,250	181,941	-
Due from other governmental units	2,091,645	-	2,091,645	6,425,175	-
Inventories	-	106,794	106,794	33,495	1,083,044
Net pension asset	-	-	-	103,529	-
Prepaid items	99,784	-	99,784	13,350	-
Restricted assets:					
Cash and cash equivalents (in custody of others)	-	431,657	431,657	-	-
Capital assets (net of accumulated depreciation):					
Land	6,467,388	3,690,276	10,157,664	1,476,061	682,138
Buildings and system	37,229,212	21,402,107	58,631,319	34,587,226	8,718,167
Improvements other than buildings	2,807,063	-	2,807,063	-	-
Machinery and equipment	4,697,750	1,440,820	6,138,570	2,492,127	-
Construction in progress	747,782	63,990	811,772	-	-
Total assets	\$ 106,386,431	\$ 30,941,518	\$ 137,327,949	\$ 46,211,248	\$ 11,405,130
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,370,908	\$ 86,364	\$ 1,457,272	\$ 6,649,047	\$ -
OPEB related items	618,333	8,935	627,268	1,186,898	-
Deferred charges on refunding	125,520	143,269	268,789	-	-
Total deferred outflows of resources	\$ 2,114,761	\$ 238,568	\$ 2,353,329	\$ 7,835,945	\$ -
LIABILITIES					
Accounts payable	\$ 707,789	\$ 110,327	\$ 818,116	\$ 1,670,249	\$ 47,074
Accrued liabilities	1,071,214	27,074	1,098,288	5,689,676	-
Accrued interest payable	494,154	12,954	507,108	-	-
Due to other governmental units	5,126,708	-	5,126,708	-	-
Unearned revenue	62,847	-	62,847	-	-
Deposits held in escrow	-	126,840	126,840	-	-
Long-term liabilities:					
Due within one year	3,117,239	722,600	3,839,839	162,058	916,399
Due in more than one year	42,003,783	7,166,308	49,170,091	62,225,754	10,273,619
Total liabilities	\$ 52,583,734	\$ 8,166,103	\$ 60,749,837	\$ 69,747,737	\$ 11,237,092
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 20,733,227	\$ -	\$ 20,733,227	\$ -	\$ -
Pension related items	1,144,045	78,810	1,222,855	7,081,795	-
OPEB related items	537,533	9,249	546,782	553,749	-
Total deferred inflow of resources	\$ 22,414,805	\$ 88,059	\$ 22,502,864	\$ 7,635,544	\$ -
NET POSITION					
Net investment in capital assets	\$ 17,743,311	\$ 19,338,462	\$ 37,081,773	\$ 38,555,414	\$ (1,789,713)
Restricted:					
Unrestricted (deficit)	15,759,342	3,587,462	19,346,804	(61,891,502)	1,957,751
Total net position	\$ 33,502,653	\$ 22,925,924	\$ 56,428,577	\$ (23,336,088)	\$ 168,038

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

COUNTY OF GLOUCESTER, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,404,365	\$ -	\$ 329,169	\$ -
Judicial administration	2,146,477	215,232	1,177,934	-
Public safety	16,296,649	505,564	3,059,462	-
Public works	2,354,901	571,491	-	-
Health and welfare	6,130,510	-	3,887,074	-
Education	29,868,409	570	-	-
Parks, recreation, and cultural	2,443,912	383,437	151,198	-
Community development	1,508,533	-	9,212	408,508
Interest on long-term debt	1,289,739	-	241,457	-
Total governmental activities	\$ 68,443,495	\$ 1,676,294	\$ 8,855,506	\$ 408,508
Business-type activities:				
Public utilities	\$ 4,196,717	\$ 4,512,752	\$ -	\$ -
Total business-type activities	\$ 4,196,717	\$ 4,512,752	\$ -	\$ -
Total primary government	\$ 72,640,212	\$ 6,189,046	\$ 8,855,506	\$ 408,508
COMPONENT UNITS:				
School Board	\$ 61,377,858	\$ 1,085,204	\$ 34,831,330	\$ -
Economic Development Authority	1,527,859	1,643,556	-	-
Total component units	\$ 62,905,717	\$ 2,728,760	\$ 34,831,330	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility tax				
Business license taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (6,075,196)	\$ -	\$ (6,075,196)			
(753,311)	-	(753,311)			
(12,731,623)	-	(12,731,623)			
(1,783,410)	-	(1,783,410)			
(2,243,436)	-	(2,243,436)			
(29,867,839)	-	(29,867,839)			
(1,909,277)	-	(1,909,277)			
(1,090,813)	-	(1,090,813)			
(1,048,282)	-	(1,048,282)			
<u>\$ (57,503,187)</u>	<u>\$ -</u>	<u>\$ (57,503,187)</u>			
\$ -	\$ 316,035	\$ 316,035			
\$ -	\$ 316,035	\$ 316,035			
<u>\$ (57,503,187)</u>	<u>\$ 316,035</u>	<u>\$ (57,187,152)</u>			
\$ -	\$ -	\$ -	\$ (25,461,324)	\$ -	
-	-	-	-	115,697	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,461,324)</u>	<u>\$ 115,697</u>	
\$ 41,229,104	\$ 40,651	\$ 41,269,755	\$ -	\$ -	
4,868,752	-	4,868,752	-	-	
740,458	-	740,458	-	-	
1,931,649	-	1,931,649	-	-	
2,377,951	-	2,377,951	-	-	
1,195,686	-	1,195,686	-	-	
484,500	82,997	567,497	18,387	13,771	
396,215	-	396,215	124,651	-	
4,309,992	-	4,309,992	-	-	
-	-	-	27,737,716	-	
<u>\$ 57,534,307</u>	<u>\$ 123,648</u>	<u>\$ 57,657,955</u>	<u>\$ 27,880,754</u>	<u>\$ 13,771</u>	
\$ 31,120	\$ 439,683	\$ 470,803	\$ 2,419,430	\$ 129,468	
33,471,533	22,486,241	55,957,774	(25,755,518)	38,570	
<u>\$ 33,502,653</u>	<u>\$ 22,925,924</u>	<u>\$ 56,428,577</u>	<u>\$ (23,336,088)</u>	<u>\$ 168,038</u>	

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FUND FINANCIAL STATEMENTS

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Balance Sheet

Governmental Funds

June 30, 2019

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 9,257,181	\$ -	\$ -	\$ -	\$ 9,257,181
Investments	17,011,746	-	127,879	-	17,139,625
Receivables (net of allowance for uncollectibles):					
Taxes receivable	25,301,275	-	-	-	25,301,275
Accounts receivable	547,516	-	-	210	547,726
Due from other funds	420,286	-	624,927	-	1,045,213
Due from other governmental units	1,502,949	140,236	116,583	331,877	2,091,645
Prepaid items	99,784	-	-	-	99,784
Total assets	<u>\$ 54,140,737</u>	<u>\$ 140,236</u>	<u>\$ 869,389</u>	<u>\$ 332,087</u>	<u>\$ 55,482,449</u>
LIABILITIES					
Accounts payable	\$ 608,914	\$ -	\$ 46,838	\$ 52,037	\$ 707,789
Accrued liabilities	1,071,214	-	-	-	1,071,214
Due to other governmental units	5,126,708	-	-	-	5,126,708
Due to other funds	624,927	140,236	-	280,050	1,045,213
Unearned revenue	62,847	-	-	-	62,847
Total liabilities	<u>\$ 7,494,610</u>	<u>\$ 140,236</u>	<u>\$ 46,838</u>	<u>\$ 332,087</u>	<u>\$ 8,013,771</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 22,862,972	\$ -	\$ -	\$ -	\$ 22,862,972
Total deferred inflows of resources	<u>\$ 22,862,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,862,972</u>
Fund balances:					
Nonspendable	\$ 99,784	\$ -	\$ -	\$ -	\$ 99,784
Restricted	38,307	-	137,100	-	175,407
Committed	2,440,816	-	685,451	-	3,126,267
Assigned	260,000	-	-	-	260,000
Unassigned	20,944,248	-	-	-	20,944,248
Total fund balances	<u>\$ 23,783,155</u>	<u>\$ -</u>	<u>\$ 822,551</u>	<u>\$ -</u>	<u>\$ 24,605,706</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,140,737</u>	<u>\$ 140,236</u>	<u>\$ 869,389</u>	<u>\$ 332,087</u>	<u>\$ 55,482,449</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	24,605,706
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	97,246,473	
Accumulated depreciation		<u>(45,297,278)</u>	51,949,195
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	2,129,745	2,129,745
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Deferred charge on refunding	\$	125,520	
OPEB related items		618,333	
Pension related items		<u>1,370,908</u>	2,114,761
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds and loans payable	\$	(32,817,783)	
Less: Issuance premium (to be amortized over life of debt)		(1,145,558)	
Accrued Interest payable		(494,154)	
Net OPEB liability		(5,401,921)	
Net pension liability		(3,444,618)	
Capital leases		(368,063)	
Compensated absences		<u>(1,943,079)</u>	(45,615,176)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(1,144,045)	
OPEB related items		<u>(537,533)</u>	<u>(1,681,578)</u>
Net position of governmental activities			\$ <u><u>33,502,653</u></u>

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

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 41,213,749	\$ -	\$ -	\$ -	\$ 41,213,749
Other local taxes	11,114,496	-	-	-	11,114,496
Permits, privilege fees, and regulatory licenses	459,062	-	-	-	459,062
Fines and forfeitures	97,257	-	-	-	97,257
Revenue from the use of money and property	481,474	-	3,026	-	484,500
Charges for services	1,119,975	-	-	-	1,119,975
Miscellaneous	297,976	31,348	59,355	7,536	396,215
Recovered costs	222,897	-	-	-	222,897
Intergovernmental:					
Commonwealth	8,843,108	-	150,000	1,741,027	10,734,135
Federal	320,697	241,457	258,508	2,019,209	2,839,871
Total revenues	<u>\$ 64,170,691</u>	<u>\$ 272,805</u>	<u>\$ 470,889</u>	<u>\$ 3,767,772</u>	<u>\$ 68,682,157</u>
EXPENDITURES					
Current:					
General government administration	\$ 6,388,524	\$ -	\$ -	\$ -	\$ 6,388,524
Judicial administration	2,067,608	-	-	-	2,067,608
Public safety	14,944,726	-	-	-	14,944,726
Public works	2,343,097	-	-	-	2,343,097
Health and welfare	812,747	-	-	5,446,826	6,259,573
Education	26,337,674	-	-	-	26,337,674
Parks, recreation, and cultural	2,416,749	-	-	-	2,416,749
Community development	1,108,132	-	-	-	1,108,132
Nondepartmental	290,585	-	-	-	290,585
Capital projects	-	-	2,111,755	-	2,111,755
Debt service:					
Principal retirement	-	3,053,318	-	-	3,053,318
Interest and other fiscal charges	-	1,434,647	-	-	1,434,647
Total expenditures	<u>\$ 56,709,842</u>	<u>\$ 4,487,965</u>	<u>\$ 2,111,755</u>	<u>\$ 5,446,826</u>	<u>\$ 68,756,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,460,849</u>	<u>\$ (4,215,160)</u>	<u>\$ (1,640,866)</u>	<u>\$ (1,679,054)</u>	<u>\$ (74,231)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 4,215,160	\$ 1,638,119	\$ 1,679,054	\$ 7,532,333
Transfers out	(7,532,333)	-	-	-	(7,532,333)
Total other financing sources (uses)	<u>\$ (7,532,333)</u>	<u>\$ 4,215,160</u>	<u>\$ 1,638,119</u>	<u>\$ 1,679,054</u>	<u>\$ -</u>
Net change in fund balances	\$ (71,484)	\$ -	\$ (2,747)	\$ -	\$ (74,231)
Fund balances - beginning	23,854,639	-	825,298	-	24,679,937
Fund balances - ending	<u>\$ 23,783,155</u>	<u>\$ -</u>	<u>\$ 822,551</u>	<u>\$ -</u>	<u>\$ 24,605,706</u>

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

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

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

Net change in fund balances - total governmental funds	\$	(74,231)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded the capital outlays in the current period.

Capital asset additions	\$	1,428,237	
Depreciation expense		(3,814,197)	
Jointly owned asset allocation of assets		(2,310,051)	
Jointly owned asset depreciation		<u>738,223</u>	(3,957,788)

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

Property taxes	\$	15,355	15,355
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets	\$	(14,264)	(14,264)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	\$	3,053,318	3,053,318
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$	(175,642)	
OPEB expense		(113,521)	
Pension expense		1,152,985	
Amortization of deferred charges on refunding		(13,785)	
Premium amortization		105,462	
(Increase) decrease in accrued interest payable		<u>53,231</u>	<u>1,008,730</u>

Change in net position of governmental activities	\$	<u><u>31,120</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2019

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 301,240
Investments	3,036,853
Taxes receivable (net of allowance for uncollectibles)	1,257
Accounts receivable	466,524
Inventories	106,794
Total current assets	\$ 3,912,668
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents (in custody of others)	\$ 431,657
Total restricted current assets	\$ 431,657
Capital assets:	
Land	\$ 3,690,276
Utility plant in service	37,726,808
Machinery and equipment	2,282,203
Buildings	6,542,938
Construction in progress	63,990
Accumulated depreciation	(23,709,022)
Total net capital assets	\$ 26,597,193
Total noncurrent assets	\$ 27,028,850
Total assets	\$ 30,941,518
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 143,269
Pension related items	86,364
OPEB related items	8,935
Total deferred outflows of resources	\$ 238,568
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 110,327
Accrued liabilities	27,074
Accrued interest payable	12,954
Compensated absences - current portion	8,600
Deposits held in escrow	126,840
Bonds payable - current portion	714,000
Total current liabilities	\$ 999,795

Statement of Net Position

Proprietary Fund

June 30, 2019

	Enterprise Fund Utilities Fund
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 6,688,000
Net OPEB liability	192,191
Net pension liability	208,457
Compensated absences - net of current portion	77,660
Total noncurrent liabilities	\$ 7,166,308
Total liabilities	\$ 8,166,103
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 78,810
OPEB related items	9,249
Total deferred outflows of resources	\$ 88,059
NET POSITION	
Net investment in capital assets	\$ 19,338,462
Unrestricted	3,587,462
Total net position	\$ 22,925,924

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2019

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,331,966
Sewer revenues	686,453
Other revenues	69,413
Total operating revenues	<u>\$ 4,087,832</u>
OPERATING EXPENSES	
Personnel services	\$ 1,040,342
Fringe benefits	405,195
Contractual services	516,135
Other charges	1,021,044
Depreciation	1,147,853
Total operating expenses	<u>\$ 4,130,569</u>
Operating income (loss)	<u>\$ (42,737)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 416,960
Investment income	82,997
Insurance Recovery	7,960
Taxes	40,651
Interest expense	(66,148)
Total nonoperating revenues (expenses)	<u>\$ 482,420</u>
Income before transfers	<u>\$ 439,683</u>
Total net position - beginning	22,486,241
Total net position - ending	<u><u>\$ 22,925,924</u></u>

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2019

	Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,020,554
Receipts for miscellaneous items	69,963
Payments to suppliers	(1,727,920)
Payments to and for employees	(1,473,339)
Net cash provided by (used for) operating activities	\$ 889,258
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 416,960
Tax revenue	41,195
Net cash provided by (used for) noncapital financing activities	\$ 458,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (178,380)
Principal payments on bonds	(2,486,000)
Insurance recovery	7,960
Interest expense	(208,544)
Net cash provided by (used for) capital and related financing activities	\$ (2,864,964)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 2,472
Sale of investments	551,215
Net cash provided by (used for) investing activities	\$ 553,687
Net increase (decrease) in cash and cash equivalents	\$ (963,864)
Cash and cash equivalents - beginning - including restricted	1,696,761
Cash and cash equivalents - ending - including restricted	\$ 732,897
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (42,737)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 1,147,853
(Increase) decrease in accounts receivable	2,135
(Increase) decrease in deferred outflows of resources	(8,840)
(Increase) decrease in inventories	(10,289)
Increase (decrease) in customer deposits	550
Increase (decrease) in accrued liabilities	8,513
Increase (decrease) in accounts payable	(188,965)
Increase (decrease) in net OPEB liability	22,424
Increase (decrease) in net pension liability	(31,463)
Increase (decrease) in deferred inflows of resources	(17,185)
Increase (decrease) in compensated absences	7,262
Total adjustments	\$ 931,995
Net cash provided by (used for) operating activities	\$ 889,258
Schedule of non-cash investing and financing activities:	
Change in fair value of investments	\$ 77,158

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 124,194
Investments	67,004
Accounts receivable	11,990
Total assets	\$ 203,188
LIABILITIES	
Accounts payable	\$ 90,503
Amounts held for social services clients	20,572
Amounts held for regional program	23,815
Amounts held for others	68,298
Total liabilities	\$ 203,188

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The financial statements of the County of Gloucester, 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.

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The exception to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (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.

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2019.

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board 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, 2019.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Gloucester County Economic Development Authority (EDA) is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Authority does not issue a separate financial report.

C. Other Related Organizations

The Middle Peninsula Juvenile Detention Commission (the Commission) was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a new juvenile detention facility serving the eighteen member jurisdictions of which the Assistant County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o the County of James City at P.O. Box 8784, Williamsburg, VA 23187-8784.

The Middle Peninsula Regional Airport Authority (Airport) was created in 1997 by the Virginia General Assembly for the purpose of owning and operating the airport. The Airport consists of five member jurisdictions. The Airport is fiscally independent of the County, because substantially all of its income comes from State and Federal funds. Separate audited financial statements are available from the Airport at 1000 Airport Road, Mattaponi, VA 23110.

Other Agencies-Certain agencies and commissions service both the County of Gloucester and surrounding localities. Board membership is allocated among the localities and their governing bodies appointments. These agencies include: Colonial Group Home Commission, Hampton Roads Planning District Commission, Middle Peninsula Planning District Commission, Northern Neck Regional Jail, Hampton Roads Economic Development Alliance, Peninsula Council Workforce Development and Hampton Roads Partnership.

Included in the County's Financial Report

None

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds. 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 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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 - are those through which most governmental functions typically are financed. The County reports the following governmental funds:

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. The General Fund is considered a major fund for reporting purposes.

Debt Service Fund - accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund. The County reports the Debt Service Fund as a major fund.

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds - accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Virginia Public Assistance and Comprehensive Services Act.

Internal Service Funds - accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.

Fiduciary Funds - (Trust and Agency Funds) - accounts for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare, Middle Peninsula Regional Special Education, Flexible Benefits and Sheriff/Jail.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's major Enterprise Funds consist of the Utilities Fund, which accounts for the operations of sewage pumping stations and collection systems, and the water distribution system.

E. Cash and Cash Equivalents:

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

F. Investments

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

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

G. Receivables and Payables

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

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 \$596,621 at June 30, 2019 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 30/December 5 (50% each date)	June 30/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Improvements other than buildings	35
Buildings	10-35
Machinery and Equipment	2-15
Infrastructure	25

I. Compensated Absences

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

J. Use of Estimates

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, Teacher HIC, LODA and Medical and Dental Pay-As-You-Go OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

O. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid items in governmental funds are reported as nonspendable fund balance.

Q. Inventory

Inventory in the Utilities Fund consists of expendable supplies held for consumption. Inventory in the Component Unit-School Board Cafeteria Fund consists of the purchased food and supplies held for consumption. Both are valued at cost. The cost is recorded as an expense at the time individual inventory items are consumed. Inventory in the Component Unit-Economic Development Authority consists of land held for resale, which is valued at the lower of cost or market value.

R. Fund Balance

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

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Certain fund balance commitments have been established by the County's written fund balance policy which is periodically updated by the Board of Supervisors. Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors.

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount between 14%-16% of budgeted governmental fund expenditures, less any capital outlay projects funded with bond proceeds. This amount of unassigned fund balance is needed to safeguard the County's fiscal liquidity to execute the approved annual budget.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. Fund Balance (Continued)

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

	General Fund	Major Capital Projects Fund	Major Debt Service Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 99,784	\$ -	\$ -	\$ 99,784
Total Nonspendable	\$ 99,784	\$ -	\$ -	\$ 99,784
Restricted:				
Sheriff's asset forfeiture, federal	\$ 5,323	\$ -	\$ -	\$ 5,323
Sheriff's asset forfeiture, state	28,072	-	-	28,072
Commonwealth Attorney's asset forfeiture, federal	475	-	-	475
Commonwealth Attorney's asset forfeiture, state	4,437	-	-	4,437
Proffers	-	137,100	-	137,100
Total Restricted	\$ 38,307	\$ 137,100	\$ -	\$ 175,407
Committed:				
Mosquito control	\$ 115,087	\$ -	\$ -	\$ 115,087
Tourism projects	377,886	6,700	-	384,586
Daffodil festival	63,729	-	-	63,729
Program donations	28,796	1,144	-	29,940
Subsequent expenditures	-	543,541	-	543,541
Probation and pretrial	47,442	-	-	47,442
Cable services	971,053	-	-	971,053
County capital replacement	836,823	-	-	836,823
Park projects	-	23,118	-	23,118
Older adult capital projects	-	110,948	-	110,948
Total Committed	\$ 2,440,816	\$ 685,451	\$ -	\$ 3,126,267
Assigned:				
County administrator's contingency	\$ 260,000	\$ -	\$ -	\$ 260,000
Total Assigned	\$ 260,000	\$ -	\$ -	\$ 260,000
Unassigned	\$ 20,944,248	\$ -	\$ -	\$ 20,944,248
Total Fund Balances	\$ 23,783,155	\$ 822,551	\$ -	\$ 24,605,706

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. 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. The first 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 second item is related to the financial reporting for the derivative debt incurred by the Component Economic Development Authority. The third item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are required to be 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 function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2019 were held by the County or in the County’s name by the County’s custodial banks.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values				
Rated Debt Investments		Fair Quality Ratings		
		AAAm	AAA	AA-
Primary Government:				
Local Government Investment Pool	\$	20,243,282	\$ -	\$ -
U.S. Government Obligations		431,657	-	-
Total	\$	20,674,939	\$ -	\$ -
Component Unit-School Board:				
Local Government Investment Pool	\$	696,935	\$ -	\$ -
Total	\$	696,935	\$ -	\$ -

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 20,243,282	\$ 20,243,282	\$ -
U.S. Government Obligations	431,657	431,657	-
Total	\$ 20,674,939	\$ 20,674,939	\$ -
Component Unit-School Board:			
Local Government Investment Pool	\$ 696,935	\$ 696,935	\$ -
Total	\$ 696,935	\$ 696,935	\$ -

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

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

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2019, the County has receivables from and amounts due to other governments as follows:

		Component Unit	
	Primary Government	School Board	School Board Internal Service Fund
Amounts due from other governments are as follows:			
Other Local Governments:			
Gloucester County	\$ -	\$ 4,915,072	\$ 211,636
Commonwealth of Virginia:			
Local sales tax	879,753	-	-
Local communication sales tax	173,661	-	-
Local cable television fees	33,248	-	-
Rental vehicle tax	32,934	-	-
Mobile home titling tax	7,822	-	-
CSA funds	77,598	-	-
VPA funds	97,464	-	-
State sales tax	-	713,253	-
Constitutional officer reimbursements	291,267	-	-
Other Grants	25,025	8,048	-
E-911 funds	9,492	-	-
Federal Government:			
School fund grants	-	577,166	-
VPSA QSCB interest subsidy	140,236	-	-
Emergency services	13,644	-	-
FEMA	36,309	-	-
Highway planning and construction funds	73,499	-	-
Highway safety funds	5,805	-	-
VPA funds	156,815	-	-
Victim witness grant	19,482	-	-
Other federal grants	17,591	-	-
Total due from other governments	\$ 2,091,645	\$ 6,213,539	\$ 211,636
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 4,915,072	\$ -	\$ -
Gloucester School Board Self insurance fund	211,636	-	-
Total due to other governments	\$ 5,126,708	\$ -	\$ -

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2019, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 420,286	\$ 624,927
Capital Projects	624,927	-
Debt Service	-	140,236
Virginia Public Assistance	-	254,279
Comprehensive Services Act	-	25,771
Total Governmental Funds	<u>\$ 1,045,213</u>	<u>\$ 1,045,213</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year.

NOTE 6—CAPITAL ASSETS:

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

Primary Government:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,467,388	\$ -	\$ -	\$ 6,467,388
Construction in progress	426,777	321,005	-	747,782
Total capital assets not subject to depreciation	<u>\$ 6,894,165</u>	<u>\$ 321,005</u>	<u>\$ -</u>	<u>\$ 7,215,170</u>
Capital assets subject to depreciation:				
Buildings	\$ 19,814,400	\$ 7,283	\$ -	\$ 19,821,683
Improvements other than buildings	4,133,793	-	-	4,133,793
Machinery and equipment	20,319,687	621,255	243,720	20,697,222
Jointly owned assets - buildings	47,224,226	-	1,845,621	45,378,605
Total capital assets subject to depreciation	<u>\$ 91,492,106</u>	<u>\$ 628,538</u>	<u>\$ 2,089,341</u>	<u>\$ 90,031,303</u>
Accumulated depreciation:				
Buildings	\$ (9,341,516)	\$ (478,739)	\$ -	\$ (9,820,255)
Improvements other than buildings	(1,114,009)	(212,721)	-	(1,326,730)
Machinery and equipment	(14,275,835)	(1,967,357)	(243,720)	(15,999,472)
Jointly owned assets - buildings	(17,733,664)	(1,155,380)	(738,223)	(18,150,821)
Total accumulated depreciation	<u>\$ (42,465,024)</u>	<u>\$ (3,814,197)</u>	<u>\$ (981,943)</u>	<u>\$ (45,297,278)</u>
Total capital assets being depreciated, net	<u>\$ 49,027,082</u>	<u>\$ (3,185,659)</u>	<u>\$ 1,107,398</u>	<u>\$ 44,734,025</u>
Governmental activities capital assets, net	<u>\$ 55,921,247</u>	<u>\$ (2,864,654)</u>	<u>\$ 1,107,398</u>	<u>\$ 51,949,195</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	270,282
Judicial administration		211,208
Public safety		1,898,449
Public works		46,507
Health and welfare		56,400
Education		1,170,185
Parks, recreation and cultural		154,326
Community development		6,840

Total Governmental activities	\$	<u>3,814,197</u>
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A summary of proprietary fund property, plant, and equipment at June 30, 2019 follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,690,276	\$ -	\$ -	\$ 3,690,276
Construction in progress	<u>352,376</u>	<u>4,469</u>	<u>292,855</u>	<u>63,990</u>
Total capital assets not subject to depreciation	\$ <u>4,042,652</u>	\$ <u>4,469</u>	\$ <u>292,855</u>	\$ <u>3,754,266</u>
Capital assets subject to depreciation:				
Plant in service	\$ 37,374,997	\$ 351,811	\$ -	\$ 37,726,808
Machinery and equipment	2,167,248	114,955	-	2,282,203
Buildings	<u>6,542,938</u>	<u>-</u>	<u>-</u>	<u>6,542,938</u>
Total capital assets subject to depreciation	\$ <u>46,085,183</u>	\$ <u>466,766</u>	\$ <u>-</u>	\$ <u>46,551,949</u>
Accumulated depreciation:				
Plant in service	\$ (17,586,608)	\$ (853,705)	\$ -	\$ (18,440,313)
Machinery and equipment	(739,628)	(101,755)	-	(841,383)
Buildings	<u>(4,234,933)</u>	<u>(192,393)</u>	<u>-</u>	<u>(4,427,326)</u>
Total accumulated depreciation	\$ <u>(22,561,169)</u>	\$ <u>(1,147,853)</u>	\$ <u>-</u>	\$ <u>(23,709,022)</u>
Total capital assets being depreciated, net	\$ <u>23,524,014</u>	\$ <u>(681,087)</u>	\$ <u>-</u>	\$ <u>22,842,927</u>
Business-type activities capital assets, net	\$ <u><u>27,566,666</u></u>	\$ <u><u>(676,618)</u></u>	\$ <u><u>292,855</u></u>	\$ <u><u>26,597,193</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Component Unit - School Board:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Construction in progress	20,149	86,024	106,173	-
Total capital assets not subject to depreciation	\$ 1,496,210	\$ 86,024	\$ 106,173	\$ 1,476,061
Capital assets subject to depreciation:				
Buildings	\$ 4,464,872	\$ 1,032,653	\$ -	\$ 5,497,525
Machinery and equipment	11,769,599	603,971	777,359	11,596,211
Jointly owned assets - buildings	47,745,391	-	(1,845,621)	49,591,012
Total capital assets subject to depreciation	\$ 63,979,862	\$ 1,636,624	\$ (1,068,262)	\$ 66,684,748
Accumulated depreciation:				
Buildings	\$ (447,399)	\$ (218,186)	\$ -	\$ (665,585)
Machinery and equipment	(9,314,336)	(567,107)	(777,359)	(9,104,084)
Jointly owned assets - buildings	(17,929,372)	(1,168,131)	738,223	(19,835,726)
Total accumulated depreciation	\$ (27,691,107)	\$ (1,953,424)	\$ (39,136)	\$ (29,605,395)
Total capital assets being depreciated, net	\$ 36,288,755	\$ (316,800)	\$ (1,107,398)	\$ 37,079,353
Governmental activities capital assets, net	\$ 37,784,965	\$ (230,776)	\$ (1,001,225)	\$ 38,555,414

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2019, is that school financed assets in the amount of \$27,227,784 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2019 follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 813,267	\$ -	\$ 131,129	\$ 682,138
Total capital assets not subject to depreciation	\$ 813,267	\$ -	\$ 131,129	\$ 682,138
Capital assets subject to depreciation:				
Buildings	\$ 18,442,262	\$ -	\$ 181,083	\$ 18,261,179
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	\$ 18,449,496	\$ -	\$ 181,083	\$ 18,268,413
Accumulated depreciation:				
Buildings	\$ (8,872,941)	\$ (730,303)	\$ (60,232)	\$ (9,543,012)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (8,880,175)	\$ (730,303)	\$ (60,232)	\$ (9,550,246)
Total capital assets being depreciated, net	\$ 9,569,321	\$ (730,303)	\$ 120,851	\$ 8,718,167
Business-type activities capital assets, net	\$ 10,382,588	\$ (730,303)	\$ 251,980	\$ 9,400,305

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 7,532,333
Debt Service	4,215,160	-
Capital Projects	1,638,119	-
Other Governmental Funds	1,679,054	-
Total Governmental Funds	\$ 7,532,333	\$ 7,532,333
Total-All Funds	\$ 7,532,333	\$ 7,532,333

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2019 is as follows:

	<u>Restated Balance at July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Incurred by County:					
Compensated absences	\$ 1,767,437	\$ 1,780,025	\$ 1,604,383	\$ 1,943,079	\$ 194,308
Net OPEB liabilities	4,991,870	1,120,052	710,001	5,401,921	-
Net pension liability	4,067,452	5,715,876	6,338,710	3,444,618	-
Capital lease	546,278	-	178,215	368,063	182,065
Direct borrowing and placements:					
Lease revenue bond	5,982,000	-	392,000	5,590,000	398,000
Total incurred by County	\$ 17,355,037	\$ 8,615,953	\$ 9,223,309	\$ 16,747,681	\$ 774,373
Incurred by School Board:					
Direct borrowing and placements:					
State Literary Fund Loan	\$ 220,324	\$ -	\$ 220,324	\$ -	\$ -
General obligation bonds	29,490,561	-	2,262,778	27,227,783	2,342,866
Add deferred amounts:					
For issuance premium	1,251,020	-	105,462	1,145,558	-
Total incurred by School Board	\$ 30,961,905	\$ -	\$ 2,588,564	\$ 28,373,341	\$ 2,342,866
Total Governmental Activities	\$ 48,316,942	\$ 8,615,953	\$ 11,811,873	\$ 45,121,022	\$ 3,117,239
Business-type Activities:					
Compensated absences	\$ 78,998	\$ 89,889	\$ 82,627	\$ 86,260	\$ 8,626
Net OPEB liabilities	169,767	40,865	18,441	192,191	-
Net pension liability	239,920	351,780	383,243	208,457	-
Direct borrowing and placements:					
Revenue bonds	9,888,000	-	2,486,000	7,402,000	714,000
Add deferred amounts:					
For issuance premium	177,738	-	177,738	-	-
Total Business-type Activities	\$ 10,554,423	\$ 482,534	\$ 3,148,049	\$ 7,888,908	\$ 722,626

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities			
	Capital Lease		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 182,065	\$ 7,950	\$ 398,000	\$ 146,096
2021	185,998	4,018	413,000	135,107
2022	-	-	423,000	123,779
2023	-	-	432,000	112,194
2024	-	-	441,000	100,365
2025	-	-	459,000	88,170
2026	-	-	471,000	75,568
2027	-	-	483,000	62,642
2028	-	-	498,000	49,349
2029	-	-	508,000	35,718
2030	-	-	523,000	21,748
2031	-	-	541,000	7,331
Total	\$ <u>368,063</u>	\$ <u>11,968</u>	\$ <u>5,590,000</u>	\$ <u>958,067</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Governmental Activities	
	Direct Borrowings and Direct Placements	
	General Obligation	
	Bonds	
	Principal	Interest
2020	\$ 2,342,866	\$ 1,165,801
2021	2,418,219	1,071,132
2022	2,518,853	970,440
2023	2,581,258	878,352
2024	2,661,126	791,492
2025	2,005,284	707,585
2026	2,067,045	631,358
2027	2,129,162	557,061
2028	1,686,650	490,400
2029	1,365,490	436,215
2030	990,490	398,483
2031	1,020,489	357,543
2032	1,022,712	315,313
2033	1,057,713	282,310
2034	1,087,713	247,910
2035	272,713	115,194
Total	\$ <u>27,227,783</u>	\$ <u>9,416,589</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Direct Placements	
	Revenue Bonds	
	Principal	Interest
2020	\$ 714,000	\$ 147,945
2021	708,000	133,014
2022	719,000	118,031
2023	729,000	102,826
2024	749,000	87,308
2025	759,000	71,473
2026	775,000	55,367
2027	699,000	39,889
2028	506,000	27,237
2029	517,000	16,496
2030	527,000	5,533
Total	\$ <u>7,402,000</u>	\$ <u>805,119</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of governmental activities long-term obligations:

	<u>Notes</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Compensated absences (payable from the General Fund)						\$ 1,943,079	\$ 194,308
Net OPEB liabilities (payable from the General Fund)						\$ 5,401,921	\$ -
Net pension liability (payable from the General Fund)						\$ 3,444,618	\$ -
Capital lease with Motorola Solutions, Inc. for communications equipment		2.16%	07/01/16	07/01/20	1,020,726	\$ 368,063	\$ 182,065
Direct borrowings and placements:							
<u>Revenue Bonds:</u>							
Lease Revenue Refunding Bond through Economic Development Authority of Gloucester County	(a)	2.71%	08/12/15	11/01/30	6,725,000	\$ 5,590,000	\$ 398,000
Total long-term obligations incurred by the County						\$ 16,747,681	\$ 774,373
Direct borrowings and placements:							
<u>General Obligation Bonds:</u>							
Qualified School Construction Bonds through Virginia Public School Authority (VPSA)	(b)	4.25%	08/12/15	11/01/30	500,000	\$ 370,000	\$ 40,000
Qualified School Construction Bonds through VPSA	(b)	3.84%	08/12/15	11/01/30	5,999,684	4,999,730	399,979
		3.1%					
VPSA Bond outstanding \$2,650,000 plus unamortized premium of \$95,951.	(b)	5.35%	08/12/15	11/01/30	7,525,000	2,745,951	480,000
		4.225%					
VPSA Bond outstanding \$3,340,000 plus unamortized premium of \$64,809.	(b)	5.10%	08/12/15	11/01/30	6,505,000	3,404,809	355,000
		2.30%					
VPSA Bond outstanding \$12,760,000 plus unamortized premium of \$841,736.	(b)	5.05%	08/12/15	11/01/30	15,845,000	13,601,736	745,000
		4.35%					
VPSA Bond outstanding \$3,108,053 plus unamortized premium of \$143,062.	(b)	5.10%	08/12/15	11/01/30	6,364,713	3,251,115	322,887
Total General Obligation Bonds						\$ 28,373,341	\$ 2,342,866
Total Direct Borrowings and Placements						\$ 28,373,341	\$ 2,342,866
Total long-term obligations incurred by School Board, payable from the General Fund						\$ 28,373,341	\$ 2,342,866
Total outstanding debt - governmental activities						\$ 45,121,022	\$ 3,117,239

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of business-type activities long-term obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year	
Compensated absences (payable from the Enterprise Fund)					\$ 86,260	\$ 8,626	
Net OPEB liabilities (payable from the Enterprise Fund)					\$ 192,191	\$ -	
Net pension liability (payable from the Enterprise Fund)					\$ 208,457	\$ -	
Direct borrowings and placements:							
Revenue Bonds:							
Water and Sewer Revenue Bonds through Pinnacle Public Finance, Inc.	(c)	2.10%	03/30/16	12/01/29	9,427,000	\$ 7,402,000	\$ 714,000
Total Revenue Bonds						\$ 7,402,000	\$ 714,000
Total Direct Borrowings and Placements						\$ 7,402,000	\$ 714,000
Total outstanding debt - business-type activities						\$ 7,888,908	\$ 722,626

Notes:

- (a) Pledged collateral includes the courthouse building and all fixtures and equipment. In the event of default, the lender may declare the entire unpaid principal and interest on the issuance due and payable.
- (b) In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of Virginia, 1950 as amended.
- (c) All Enterprise Fund revenue is pledged to collateralize all revenue bonds as long as they remain outstanding. In the event of default, the lender may declare the entire unpaid principal and interest on the issuance due and payable. Outstanding revenue bonds at June 30, 2019 report remaining principal and interest balances payable of \$7,402,000 and \$805,119, respectively.

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of a new courthouse and radio equipment for judicial administration and public safety. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Radio Equipment	\$ 1,020,726
Less: Accumulated depreciation	(408,290)
	<u>\$ 612,436</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,	Governmental Activities
2020	\$ 190,015
2021	190,016
Total minimum lease payments	\$ 380,031
Less: amount representing interest	(11,968)
Present value of minimum lease payments	<u>\$ 368,063</u>

Component Unit—School Board:

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2019:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 1,553,094	\$ 2,250,988	\$ 2,183,502	\$ 1,620,580	\$ 162,058
Net OPEB liabilities	16,775,654	2,061,441	1,595,863	17,241,232	-
Net pension liability	46,860,000	9,926,000	13,260,000	43,526,000	-
Total incurred by School Board	<u>\$ 65,188,748</u>	<u>\$ 14,238,429</u>	<u>\$ 17,039,365</u>	<u>\$ 62,387,812</u>	<u>\$ 162,058</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2019:

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Direct borrowing and placements:					
Lease Revenue Bond	\$ 11,980,943	\$ 11,416,253	\$ 12,207,178	\$ 11,190,018	\$ 916,399
Note Payable	166,649	-	166,649	-	-
Derivative instrument	185,671	-	185,671	-	-
Total	<u>\$ 12,333,263</u>	<u>\$ 11,416,253</u>	<u>\$ 12,559,498</u>	<u>\$ 11,190,018</u>	<u>\$ 916,399</u>

Details of long-term indebtedness:

	Amount Outstanding
<u>Lease Revenue Bond payable:</u>	
\$11,416,253 taxable Lease Revenue and Refunding Bonds, Series 2019, issued March 1, 2019, due in monthly installments through March 1, 2029, interest at 4.95%. Loan is secured by real estate owned by the Authority at 6000 Industrial Drive, Gloucester, Virginia.	\$ 11,190,018
Total Debt incurred by the Component Unit Economic Development Authority	<u>\$ 11,190,018</u>

Interest rate swap

The Authority refinanced its \$18,500,000 Lease Revenue and Refunding Bond as evidenced by a modification to the Bond and paid the outstanding principal and interest on the old bond. The Authority is liable for an \$11,416,253 taxable and lease revenue and refunding bond issued on March 1, 2019 with a fixed interest rate.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap (Continued)

Annual requirements to amortize the Authority loan obligation and related interest are as follows:

Year Ending June 30,	Lease Revenue Bonds	
	Principal	Interest
2020	\$ 916,399	\$ 533,328
2021	962,804	486,924
2022	1,011,559	438,170
2023	1,062,783	386,948
2024	1,116,600	333,132
2025	1,173,144	276,590
2026	1,232,550	217,186
2027	1,294,965	154,773
2028	1,360,540	89,199
2029	1,058,674	21,835
Total	\$ <u>11,190,018</u>	\$ <u>2,938,085</u>

NOTE 9—LANDFILL POST CLOSURE COSTS:

The County stopped receiving waste at its landfill in September 1993, which was prior to the date mandated by State and Federal laws and regulations, so as to be liable for post-closure monitoring for a period of only ten years. The Department of Environmental Quality has agreed to stop requiring groundwater monitoring for this landfill, but continue to require monitoring for landfill gas. Post-closure monitoring costs for this function are believed to be minimal and will be paid for with general fund revenues.

In 1993, the County contracted with a third party, Waste Management Disposal Services of Virginia, Inc., to collect and dispose of all County solid waste generated after October 1, 1993. As required by this contract, an environmental trust fund was established for the benefit of the County to provide assurance against any environmental problems on the landfill property. No amounts have been recorded in these financial statements for post-closure monitoring of this landfill, because the third party has assumed all post-closure obligations.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10—DEFERRED AND UNAVAILABLE REVENUE:

At June 30, 2019, deferred and unavailable revenue are reported as follows:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 2,129,745
2nd half assessments due in December 2019	20,351,688	20,351,688
Prepaid property taxes due in December 2019 but paid in advance by taxpayers	381,539	381,539
	<u>\$ 20,733,227</u>	<u>\$ 22,862,972</u>

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

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

A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8a) between the state Water Control Board and the Hampton Roads Sanitation District, the cities of Chesapeake, Hampton, Newport News, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg; the counties of Gloucester, Isle of Wight, and York; the James City Service Authority; and the town of Smithfield for the purpose of resolving certain alleged violations of environmental laws and regulations. All parties have agreed to a two-phased approach to address the initiative: the first phase is principally a data collection, evaluation and plan development program and the second phase will implement long-term capacity enhancement and sewer rehabilitation plans.

The County entered into a Financing Lease Agreement and an Amended Cooperation Agreement on September 1, 2016 with the Counties of Northumberland, Richmond, and Westmoreland to become a member of the Northern Neck Regional Jail. As a result of these agreements, the County is committed to pay the Northern Neck Regional Jail \$684,053 for 15 years through 2031.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 12—LITIGATION:

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

NOTE 13—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Association of Counties Group Self-Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units - School Board and Economic Development Authority, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Component Unit School Board utilizes a self-insurance program for employee health insurance. The School Board accounts for this program in an internal service fund. A summary of the claims liability for the current and prior year follows:

Unpaid claims, June 30, 2017	\$ <u>903,862</u>
Incurred claims (including IBNR and changes in estimates)	7,855,597
Claim payments	<u>(8,324,459)</u>
Unpaid claims, June 30, 2018	\$ <u>435,000</u>
Incurred claims (including IBNR and changes in estimates)	9,030,970
Claim payments	<u>(8,775,334)</u>
Unpaid claims, June 30, 2019	\$ <u>690,636</u>

NOTE 14—PENSION PLAN:

Plan Description

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

NOTE 14—PENSION PLAN: (CONTINUED)

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

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

Average Final Compensation and Service Retirement Multiplier

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier (Continued)

compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	196	118
Inactive members:		
Vested inactive members	60	22
Non-vested inactive members	68	52
Inactive members active elsewhere in VRS	150	51
Total inactive members	278	125
Active members	308	169
Total covered employees	782	412

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 9.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,450,980 and \$1,385,499 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 5.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$148,301 and \$175,385 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 63,370,850	\$ 59,063,478	\$ 4,307,372
Changes for the year:			
Service cost	\$ 1,676,568	\$ -	\$ 1,676,568
Interest	4,343,905	-	4,343,905
Differences between expected and actual experience	(275,493)	-	(275,493)
Assumption changes			
Contributions - employer	-	1,383,382	(1,383,382)
Contributions - employee	-	693,369	(693,369)
Net investment income	-	4,363,836	(4,363,836)
Benefit payments, including refunds of employee contributions	(2,630,115)	(2,630,115)	-
Administrative expenses	-	(37,410)	37,410
Other changes	-	(3,900)	3,900
Net changes	\$ 3,114,865	\$ 3,769,162	\$ (654,297)
Balances at June 30, 2018	\$ 66,485,715	\$ 62,832,640	\$ 3,653,075

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 17,709,336	\$ 18,146,129	\$ (436,793)
Changes for the year:			
Service cost	\$ 288,543	\$ -	\$ 288,543
Interest	1,207,530	-	1,207,530
Differences between expected and actual experience	469,105	-	469,105
Assumption changes			
Contributions - employer	-	174,431	(174,431)
Contributions - employee	-	142,021	(142,021)
Net investment income	-	1,328,369	(1,328,369)
Benefit payments, including refunds of employee contributions	(917,821)	(917,821)	-
Administrative expenses	-	(11,736)	11,736
Other changes	-	(1,171)	1,171
Net changes	\$ 1,047,357	\$ 714,093	\$ 333,264
Balances at June 30, 2018	\$ 18,756,693	\$ 18,860,222	\$ (103,529)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 12,291,560	\$ 3,653,075	\$ (3,533,623)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	2,049,105	(103,529)	(1,919,499)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$240,327 and (\$322,418) respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 685,990	\$ 288,680	\$ 291,170
Changes of assumptions	6,292	-	-	8,534
Net difference between projected and actual earnings on pension plan investments	-	536,865	-	152,091
Employer contributions subsequent to the measurement date	1,450,980	-	148,301	-
Total	\$ 1,457,272	\$ 1,222,855	\$ 436,981	\$ 451,795

\$1,450,980 and \$148,301 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 (increase) of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (314,519)	\$ (54,906)
2021	(233,138)	95,129
2022	(618,863)	(187,410)
2023	(50,043)	(15,928)
2024	-	-
Thereafter	-	-

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Pension Plan Data

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

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 related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually employer required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$4,784,066 and \$4,786,776 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$43,526,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .37012% as compared to .38104% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$2,154,000. 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,722,000
Change of assumptions	520,000	-
Net difference between projected and actual earnings on pension plan investments	-	923,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	908,000	1,985,000
Employer contributions subsequent to the measurement date	<u>4,784,066</u>	<u>-</u>
Total	<u>\$ 6,212,066</u>	<u>\$ 6,630,000</u>

\$4,784,066 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (990,000)
2021	(1,242,000)
2022	(2,002,000)
2023	(668,000)
2024	(300,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

Net Pension Liability

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

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

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

The long-term expected rate of return and discount rate information previously described also apply to this plan.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 66,487,000	\$ 43,526,000	\$ 24,521,000

Pension Plan Fiduciary Net Position

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

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,457,272	\$ 1,222,855	\$ 3,653,075	\$ 240,327	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	436,981	451,795	(103,529)	(322,418)
School Board Professional	-	-	-	-	6,212,066	6,630,000	43,526,000	2,154,000
Totals	\$ 1,457,272	\$ 1,222,855	\$ 3,653,075	\$ 240,327	\$ 6,649,047	\$ 7,081,795	\$ 43,422,471	\$ 1,831,582

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L. Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Darrell W. Warren, Jr., Sheriff	30,000
Western Surety	
Carol Dehoux, Clerk of the School Board	10,000
Betty Jane Duncan, Deputy Clerk of the School Board	10,000
Zane S. Barry, Director of Social Services	20,000
NGM Insurance Company	
J. Brent Fedors, County Administrator	5,000
VA CORP Insurance Program - Surety	
All County and Social Services Employees - Blanket Bond	250,000

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$165,852 for the year ended June 30, 2019. In FY 2020, the County decided to accept the second renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 175,228
2021	175,228
2022	175,228
2023	175,228
2024	160,626
Total	\$ <u>861,538</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 16—OPERATING LEASES:

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was \$48,522 for the year ended June 30, 2019. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 49,735
2021	50,978
2022	52,253
2023	53,559
2024	54,898
2025 - 2032	441,112
Total	<u><u>\$ 702,535</u></u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$70,474 for the year ended June 30, 2019. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 71,774
2021	73,209
2022	74,673
2023	76,167
2024	77,690
2025 - 2029	361,440
Total	<u><u>\$ 734,953</u></u>

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, 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 GLI Program from the County were \$84,814 and \$73,647 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$163,470 and \$157,280 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$16,827 and \$15,688 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

At June 30, 2019, the County reported a liability of \$1,131,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$2,397,000 and \$241,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was .07448% as compared to .07668% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was .15783% and .01587%, respectively as compared to .16329% and .01663% respectively at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$2,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of \$18,000. For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$8,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,000	\$ 20,000	\$ 117,000	\$ 43,000	\$ 12,000	\$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	37,000	-	78,000	-	8,000
Change of assumptions	-	47,000	-	100,000	-	10,000
Changes in proportion	-	31,000	68,000	77,000	-	47,000
Employer contributions subsequent to the measurement date	84,814	-	163,470	-	16,827	-
Total	\$ 139,814	\$ 135,000	\$ 348,470	\$ 298,000	\$ 28,827	\$ 69,000

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

\$84,814, \$163,470 and \$16,827, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2020	\$ (23,000)	\$ (34,000)	\$ (14,000)
2021	(23,000)	(34,000)	(14,000)
2022	(23,000)	(34,000)	(14,000)
2023	(12,000)	(12,000)	(11,000)
2024	(3,000)	1,000	(6,000)
Thereafter	4,000	-	2,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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%

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

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

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

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total 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 ended June 30, 2018, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,478,000	\$ 1,131,000	\$ 849,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	3,133,000	2,397,000	1,800,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	315,000	241,000	181,000

GLI Program Fiduciary Net Position

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

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Program Notes

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

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)****NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)*****Employees Covered by Benefit Terms***

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

	Primary Government	Component Unit School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	35	58
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	40	59
Active members	142	169
Total covered employees	182	228

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County and School Board's contractually required employer contribution rate for the year ended June 30, 2019 was .17% and .52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$12,646 and \$12,249 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the School Board to the HIC Program were \$25,669 and \$18,538 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) 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:

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

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

Discount Rate

The discount rate used to measure the total 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 ended June 30, 2018, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 304,458	\$ 280,302	\$ 24,156
Changes for the year:			
Service cost	\$ 9,327	\$ -	\$ 9,327
Interest	20,541	-	20,541
Benefit changes	-	-	-
Differences between expected and actual experience	(13,093)	-	(13,093)
Assumption changes	-	-	-
Contributions - employer	-	12,249	(12,249)
Net investment income	-	19,722	(19,722)
Benefit payments, including refunds of employee contributions	(22,036)	(22,036)	-
Administrative expenses	-	(457)	457
Other changes	-	(1,448)	1,448
Net changes	\$ (5,261)	\$ 8,030	\$ (13,291)
Balances at June 30, 2018	\$ 299,197	\$ 288,332	\$ 10,865

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability (Continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 386,717	\$ 140,388	\$ 246,329
Changes for the year:			
Service cost	\$ 6,008	\$ -	\$ 6,008
Interest	26,070	-	26,070
Benefit changes	-	-	-
Differences between expected and actual experience	10,002	-	10,002
Assumption changes	-	-	-
Contributions - employer	-	18,538	(18,538)
Net investment income	-	9,627	(9,627)
Benefit payments, including refunds of employee contributions	(28,591)	(28,591)	-
Administrative expenses	-	(214)	214
Other changes	-	(747)	747
Net changes	\$ 13,489	\$ (1,387)	\$ 14,876
Balances at June 30, 2018	\$ 400,206	\$ 139,001	\$ 261,205

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Sensitivity of the County and School Board's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Primary Government:			
Net HIC OPEB Liability (Asset)	\$ 41,629	\$ 10,865	\$ (15,511)
Component Unit School Board (nonprofessional):			
Net HIC OPEB Liability	299,902	261,205	227,868

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the County and School Board recognized HIC Program OPEB expense of \$6,474 and \$23,509. At June 30, 2019, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board's HIC Program from the following sources:

	Primary Government		Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,947	\$ 7,823	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	7,264	-	3,485
Changes of assumptions	-	6,571	-	3,264
Employer contributions subsequent to the measurement date	12,646	-	25,669	-
Total	\$ 12,646	\$ 24,782	\$ 33,492	\$ 6,749

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

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

\$12,646 and \$25,669 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ (6,087)	\$ (88)
2021	(6,087)	(88)
2022	(6,088)	1
2023	(3,802)	1,249
2024	(2,501)	-
Thereafter	(217)	-

Health Insurance Credit Program Plan Data

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

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

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

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$375,569 and \$367,996 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$4,697,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)

HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .36994% as compared to .37997% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$381,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 23,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	4,000
Change in assumptions	-	41,000
Change in proportion	88,000	112,000
Employer contributions subsequent to the measurement date	<u>375,569</u>	<u>-</u>
Total	<u>\$ 463,569</u>	<u>\$ 180,000</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

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

\$375,569 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (14,000)
2021	(14,000)
2022	(14,000)
2023	(12,000)
2024	(13,000)
Thereafter	(25,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Net Teacher Employee HIC OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Discount Rate

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

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

The follow presents the school division's proportionate share of the VRS Teacher Employee HIC 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 5,246,000	\$ 4,697,000	\$ 4,230,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Contributions (Continued)

Contributions to the LODA Program from the entity were \$103,924 and \$82,977 for the years ended June 30, 2019 and June 30, 2018, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2019, the entity reported a liability of \$2,442,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was .77901% as compared to .80488% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$181,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 351,000	\$ 1,000
Net difference between projected and actual earnings on LODA OPEB plan investments	-	6,000
Change in assumptions	-	281,000
Change in proportion	-	99,000
Employer contributions subsequent to the measurement date	103,924	-
Total	<u>\$ 454,924</u>	<u>\$ 387,000</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$103,924 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (8,000)
2021	(8,000)
2022	(8,000)
2023	(7,000)
2024	(5,000)
Thereafter	-

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB 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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 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 - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net LODA OPEB Liability

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Net LODA OPEB Liability (Continued)

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 2,798,000	\$ 2,442,000	\$ 2,155,000

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 2,080,000	\$ 2,442,000	\$ 2,892,000

LODA OPEB Fiduciary Net Position

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

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN):

County and School Board

Plan Description

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Gloucester Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Gloucester County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses.

Postemployment benefits that are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the Gloucester County Public School's retiree medical plan. The School Board pays \$4.00 per month per full year of consecutive Gloucester County Public Schools service capped at 30 years of service upon retirement.

Plan Membership

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

	Primary Government	Component Unit School Board
Total active employees with coverage	248	601
Total active employees without coverage	50	1
Total retirees with coverage	6	38
Total	304	640

Contributions

The County nor the School Board pre-funds 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 or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$19,884 and \$321,382.

Total OPEB Liability

The County and School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 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; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate was 2.50% per annum
Discount Rate	3.13% based on the S&P municipal Bond 20 Year High Grade Rate index as of January 31, 2018
Investment Rate of Return	N/A
Healthcare Trend Rate	The healthcare trend rate assumption starts at 8% graded down to 5% over 10 years

Mortality rates for the County were based on the following actuarial assumptions:

Pre-Commencement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year

Post-Commencement: 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; female's setback 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.

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

Mortality rates for the School Board were based on the following actuarial assumptions:

Pre-Commencement: 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-Commencement: 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 setback 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

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of January 31, 2019.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 1,868,481	\$ 9,001,325
Changes for the year:		
Service cost	99,166	648,551
Interest	61,011	292,727
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	(18,411)	(297,576)
Net changes	\$ 141,766	\$ 643,702
Balances at June 30, 2018	\$ 2,010,247	\$ 9,645,027

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	Rate		
	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Primary Government:			
Total OPEB liability	\$ 2,214,072	\$ 2,010,247	\$ 1,822,725
Component Unit School Board:			
Total OPEB liability	10,520,963	9,645,027	8,836,580

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and 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 County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00% decreasing to 4% over 10 years) or one percentage point higher (9.00% decreasing to 6.00% over 10 years) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Primary Government:			
Total OPEB liability	\$ 1,739,646	\$ 2,010,247	\$ 2,332,357
Component Unit School Board:			
Total OPEB liability	8,502,300	9,645,027	11,014,010

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

For the year ended June 30, 2019, the County and the School Board recognized OPEB expense in the amount of \$160,177 and \$741,278. At June 30, 2019, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-	-	-
Employer contributions subsequent to the measurement date	19,884	-	321,382	-
Total	\$ <u>19,884</u>	\$ <u>-</u>	\$ <u>321,382</u>	\$ <u>-</u>

\$19,844 and \$321,382 reported as deferred outflows of resources related to OPEB resulting from the County and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

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

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

NOTE 22—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS:

Primary Government and Component Unit School Board

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 17):								
County	\$ 139,814	\$ 135,000	\$ 1,131,000	\$ 2,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	28,827	69,000	241,000	(8,000)
School Board Professional	-	-	-	-	348,470	298,000	2,397,000	18,000
Health Insurance Credit Program (Note 18)	12,646	24,782	10,865	6,474	24,650	6,749	261,205	23,509
Teacher Health Insurance Credit Program (Note 19)	-	-	-	-	463,569	180,000	4,697,000	381,000
Line of Duty Act Program (Note 20)	454,924	387,000	2,442,000	181,000	-	-	-	-
County Stand-Alone Plan (Note 21)	19,884	-	2,010,247	160,177	-	-	-	-
School Stand-Alone Plan (Note 21)	-	-	-	-	321,382	-	9,645,027	741,278
Totals	\$ 627,268	\$ 546,782	\$ 5,594,112	\$ 349,651	\$ 1,186,898	\$ 553,749	\$ 17,241,232	\$ 1,155,787

NOTE 23—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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (CONTINUED)

NOTE 23—FAIR VALUE MEASUREMENTS: (CONTINUED)

- 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, 2019:

Investment type	Balance June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Government Obligations	\$ 431,657	\$ 431,657	\$ -	\$ -
	\$ 431,657	\$ 431,657	\$ -	\$ -

NOTE 24—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 25—ADOPTION OF ACCOUNTING PRINCIPLES:

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

REQUIRED SUPPLEMENTARY INFORMATION

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General Fund

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 40,870,401	\$ 40,889,045	\$ 41,213,749	\$ 324,704
Other local taxes	10,641,280	10,641,280	11,114,496	473,216
Permits, privilege fees, and regulatory licenses	431,580	431,580	459,062	27,482
Fines and forfeitures	100,200	100,200	97,257	(2,943)
Revenue from the use of money and property	283,450	297,046	481,474	184,428
Charges for services	1,089,642	1,089,642	1,119,975	30,333
Miscellaneous	213,121	199,525	297,976	98,451
Recovered costs	455,950	201,720	222,897	21,177
Intergovernmental:				
Commonwealth	8,890,298	8,893,056	8,843,108	(49,948)
Federal	311,201	363,845	320,697	(43,148)
Total revenues	\$ 63,287,123	\$ 63,106,939	\$ 64,170,691	\$ 1,063,752
EXPENDITURES				
Current:				
General government administration	\$ 6,219,897	\$ 6,481,372	\$ 6,388,524	\$ 92,848
Judicial administration	1,991,586	2,115,779	2,067,608	48,171
Public safety	13,747,174	15,096,706	14,944,726	151,980
Public works	2,205,670	2,373,404	2,343,097	30,307
Health and welfare	827,150	832,150	812,747	19,403
Education	26,732,916	26,647,797	26,337,674	310,123
Parks, recreation, and cultural	2,285,110	2,500,801	2,416,749	84,052
Community development	1,124,935	1,238,000	1,108,132	129,868
Nondepartmental	1,988,391	708,581	290,585	417,996
Total expenditures	\$ 57,122,829	\$ 57,994,590	\$ 56,709,842	\$ 1,284,748
Excess (deficiency) of revenues over (under) expenditures	\$ 6,164,294	\$ 5,112,349	\$ 7,460,849	\$ 2,348,500
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (9,226,257)	\$ (7,647,121)	\$ (7,532,333)	\$ 114,788
Total other financing sources (uses)	\$ (9,226,257)	\$ (7,647,121)	\$ (7,532,333)	\$ 114,788
Net change in fund balances	\$ (3,061,963)	\$ (2,534,772)	\$ (71,484)	\$ 2,463,288
Fund balances - beginning	3,061,963	2,534,772	23,854,639	21,319,867
Fund balances - ending	\$ -	\$ -	\$ 23,783,155	\$ 23,783,155

Note: The budget is adopted on a basis consistent with generally accepted accounting principles.

COUNTY OF GLOUCESTER, VIRGINIA

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

	2018	2017
Total pension liability		
Service cost	\$ 1,676,568	\$ 1,722,474
Interest	4,343,905	4,186,921
Changes of assumptions	-	16,358
Difference between expected and actual experience	(275,493)	(1,128,018)
Benefit payments, including refunds of employee contributions	(2,630,115)	(2,480,079)
Net change in total pension liability	\$ 3,114,865	\$ 2,317,656
Total pension liability - beginning	63,370,850	61,053,194
Total pension liability - ending (a)	\$ 66,485,715	\$ 63,370,850
Plan fiduciary net position		
Contributions - employer	\$ 1,383,382	\$ 1,387,991
Contributions - employee	693,369	744,807
Net investment income	4,363,836	6,477,379
Benefit payments, including refunds of employee contributions	(2,630,115)	(2,480,079)
Administrative expense	(37,410)	(37,007)
Other	(3,900)	(5,772)
Net change in plan fiduciary net position	\$ 3,769,162	\$ 6,087,319
Plan fiduciary net position - beginning	59,063,478	52,976,159
Plan fiduciary net position - ending (b)	\$ 62,832,640	\$ 59,063,478
County's net pension liability - ending (a) - (b)	\$ 3,653,075	\$ 4,307,372
Plan fiduciary net position as a percentage of the total pension liability	94.51%	93.20%
Covered payroll	\$ 14,153,829	\$ 14,117,623
County's net pension liability as a percentage of covered payroll	25.81%	30.51%

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.

Exhibit 12

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,729,707	\$ 1,746,320	\$ 1,706,383
3,978,981	3,729,750	3,522,284
-	-	-
(348,414)	431,689	-
(2,299,345)	(2,395,275)	(2,134,451)
\$ 3,060,929	\$ 3,512,484	\$ 3,094,216
57,992,265	54,479,781	51,385,565
\$ 61,053,194	\$ 57,992,265	\$ 54,479,781
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 1,524,213	\$ 1,533,287	\$ 1,630,763
721,049	693,210	711,429
913,929	2,298,831	6,835,011
(2,299,345)	(2,395,275)	(2,134,451)
(32,083)	(31,171)	(36,335)
(387)	(486)	360
\$ 827,376	\$ 2,098,396	\$ 7,006,777
52,148,783	50,050,387	43,043,610
\$ 52,976,159	\$ 52,148,783	\$ 50,050,387
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 8,077,035	\$ 5,843,482	\$ 4,429,394
86.77%	89.92%	91.87%
\$ 13,744,410	\$ 13,824,211	\$ 13,810,687
58.77%	42.27%	32.07%

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Component Unit School Board (nonprofessional)

For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 288,543	\$ 311,465
Interest	1,207,530	1,227,510
Changes of assumptions	-	(28,612)
Difference between expected and actual experience	469,105	(905,115)
Benefit payments, including refunds of employee contributions	(917,821)	(863,540)
Net change in total pension liability	<u>\$ 1,047,357</u>	<u>\$ (258,292)</u>
Total pension liability - beginning	<u>17,709,336</u>	<u>17,967,628</u>
Total pension liability - ending (a)	<u><u>\$ 18,756,693</u></u>	<u><u>\$ 17,709,336</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 174,431	\$ 177,460
Contributions - employee	142,021	145,681
Net investment income	1,328,369	2,006,570
Benefit payments, including refunds of employee contributions	(917,821)	(863,540)
Administrative expense	(11,736)	(11,875)
Other	(1,171)	(1,773)
Net change in plan fiduciary net position	<u>\$ 714,093</u>	<u>\$ 1,452,523</u>
Plan fiduciary net position - beginning	<u>18,146,129</u>	<u>16,693,606</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 18,860,222</u></u>	<u><u>\$ 18,146,129</u></u>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ (103,529)	 \$ (436,793)
 Plan fiduciary net position as a percentage of the total pension liability	 100.55%	 102.47%
 Covered payroll	 \$ 2,990,016	 \$ 2,985,162
 School Division's net pension liability (asset) as a percentage of covered payroll	 -3.46%	 -14.63%

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.

Exhibit 13

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 426,688	\$ 427,429	\$ 409,024
1,180,310	1,153,160	1,095,611
-	-	-
(120,700)	(462,410)	-
(760,487)	(700,146)	(664,869)
<u>\$ 725,811</u>	<u>\$ 418,033</u>	<u>\$ 839,766</u>
17,241,817	16,823,784	15,984,018
<u><u>\$ 17,967,628</u></u>	<u><u>\$ 17,241,817</u></u>	<u><u>\$ 16,823,784</u></u>

\$ 294,552	\$ 337,412	\$ 369,055
171,445	197,164	201,136
287,673	736,846	2,207,074
(760,487)	(700,146)	(664,869)
(10,449)	(10,111)	(11,877)
(122)	(154)	116
<u>\$ (17,388)</u>	<u>\$ 561,011</u>	<u>\$ 2,100,635</u>
16,710,994	16,149,983	14,049,348
<u><u>\$ 16,693,606</u></u>	<u><u>\$ 16,710,994</u></u>	<u><u>\$ 16,149,983</u></u>

\$ 1,274,022	\$ 530,823	\$ 673,801
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92.91%	96.92%	95.99%
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\$ 3,485,857	\$ 3,973,266	\$ 4,025,922
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36.55%	13.36%	16.74%
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COUNTY OF GLOUCESTER, VIRGINIA**Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018**

	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.37012%	0.38104%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 43,526,000	\$ 46,860,000
Employer's Covered Payroll	29,956,443	30,132,419
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	145.30%	155.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	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.

Exhibit 14

2016			2015		
2014					
0.37070%			0.37696%		
0.38539%					
\$	51,950,000	\$	47,446,000	\$	46,573,000
28,264,289			28,026,897		
28,183,593					
183.80%			169.29%		
165.25%					
68.28%			70.68%		
70.88%					

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2010 through June 30, 2019

		Contributions in Relation to					Contributions
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll		
Date	(1)	(2)	(3)	(4)	(5)		
Primary Government							
2019	\$ 1,450,980	\$ 1,450,980	\$ -	\$ 16,304,689	8.90%		
2018	1,385,499	1,385,499	-	14,153,829	9.79%		
2017	1,410,351	1,410,351	-	14,117,623	9.99%		
2016	1,531,127	1,531,127	-	13,744,410	11.14%		
2015	1,533,287	1,533,287	-	13,824,211	11.09%		
2014	1,631,042	1,631,042	-	13,810,687	11.81%		
2013	1,560,294	1,560,294	-	13,211,634	11.81%		
2012	1,136,083	1,136,083	-	12,189,732	9.32%		
2011	1,144,691	1,144,691	-	12,282,090	9.32%		
2010	999,941	999,941	-	12,514,910	7.99%		
Component Unit School Board (nonprofessional)							
2019	\$ 148,301	\$ 148,301	\$ -	\$ 3,208,603	4.62%		
2018	175,385	175,385	-	2,990,016	5.87%		
2017	184,184	184,184	-	2,985,162	6.17%		
2016	297,344	297,344	-	3,485,857	8.53%		
2015	337,412	337,412	-	3,973,266	8.49%		
2014	369,177	369,177	-	4,025,922	9.17%		
2013	362,215	362,215	-	3,950,003	9.17%		
2012	262,579	262,579	-	3,822,107	6.87%		
2011	266,997	266,997	-	3,886,418	6.87%		
2010	299,100	299,100	-	4,303,592	6.95%		
Component Unit School Board (professional)							
2019	\$ 4,784,066	\$ 4,784,066	\$ -	\$ 31,324,082	15.68%		
2018	4,786,776	4,786,776	-	29,956,443	16.32%		
2017	4,396,122	4,396,122	-	30,132,419	14.66%		
2016	3,973,959	3,973,959	-	28,264,289	14.06%		
2015	4,063,900	4,063,900	-	28,026,897	14.50%		
2014	3,286,207	3,286,207	-	28,183,593	11.66%		
2013	3,283,284	3,283,284	-	28,158,525	11.66%		

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

Schedule is intended to show information for 10 years. Only 7 years of information are available for the professional group of the Component Unit School Board.

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-	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
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
				Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2018	0.07448%	\$ 1,131,000	\$ 14,153,829	7.99%	51.22%
2017	0.07668%	1,154,000	14,117,623	8.17%	48.86%
Component Unit School Board (professional):					
2018	0.15783%	\$ 2,397,000	\$ 29,956,443	8.00%	51.22%
2017	0.16329%	2,458,000	30,132,419	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.01587%	\$ 241,000	\$ 2,990,016	8.06%	51.22%
2017	0.01663%	250,000	2,985,162	8.37%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2016 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2019	\$ 84,814	\$ 84,814	- \$	16,310,336	0.52%
2018	73,647	73,647	-	14,153,829	0.52%
2017	73,548	73,548	-	14,117,623	0.52%
2016	66,124	66,124	-	13,744,410	0.48%
Component Unit School Board (professional):					
2019	\$ 163,470	\$ 163,470	- \$	31,436,508	0.52%
2018	157,280	157,280	-	29,956,443	0.53%
2017	157,819	157,819	-	30,132,419	0.52%
2016	134,853	134,853	-	28,264,289	0.48%
Component Unit School Board (nonprofessional):					
2019	\$ 16,827	\$ 16,827	- \$	3,235,892	0.52%
2018	15,688	15,688	-	2,990,016	0.52%
2017	16,072	16,072	-	2,985,162	0.52%
2016	16,834	16,834	-	3,485,857	0.48%

Schedule is intended to show information for 10 years. Information prior to 2016 is not available. However, additional years will be included as they become available.

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in the County's Net OPEB Liability and Related Ratios

Health Insurance Credit (HIC) Program

Primary Government

For the Measurement Dates of June 30, 2018 and 2017

	2018	2017
Total HIC OPEB Liability		
Service cost	\$ 9,327	\$ 10,108
Interest	20,541	20,191
Changes of benefit terms	-	-
Differences between expected and actual experience	(13,093)	-
Changes in assumptions	-	(9,679)
Benefit payments	(22,036)	(9,197)
Net change in total HIC OPEB liability	\$ (5,261)	\$ 11,423
Total HIC OPEB Liability - beginning	304,458	293,035
Total HIC OPEB Liability - ending (a)	\$ 299,197	\$ 304,458
 Plan fiduciary net position		
Contributions - employer	\$ 12,249	\$ 12,479
Net investment income	19,722	28,877
Benefit payments	(22,036)	(9,197)
Administrative expense	(457)	(472)
Other	(1,448)	1,448
Net change in plan fiduciary net position	\$ 8,030	\$ 33,135
Plan fiduciary net position - beginning	280,302	247,167
Plan fiduciary net position - ending (b)	\$ 288,332	\$ 280,302
 County's net HIC OPEB liability - ending (a) - (b)	\$ 10,865	\$ 24,156
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	96.37%	92.07%
 Covered payroll	\$ 6,446,775	\$ 6,568,163
 County's net HIC OPEB liability as a percentage of covered payroll	0.17%	0.37%

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

	2017	2017
Total HIC OPEB Liability		
Service cost	\$ 6,008	\$ 7,069
Interest	26,070	25,888
Changes of benefit terms	-	-
Differences between expected and actual experience	10,002	-
Changes in assumptions	-	(5,500)
Benefit payments	(28,591)	(21,113)
Net change in total HIC OPEB liability	\$ 13,489	\$ 6,344
Total HIC OPEB Liability - beginning	386,717	380,373
Total HIC OPEB Liability - ending (a)	\$ 400,206	\$ 386,717
Plan fiduciary net position		
Contributions - employer	\$ 18,538	\$ 18,508
Net investment income	9,627	14,450
Benefit payments	(28,591)	(21,113)
Administrative expense	(214)	(227)
Other	(747)	747
Net change in plan fiduciary net position	\$ (1,387)	\$ 12,365
Plan fiduciary net position - beginning	140,388	128,023
Plan fiduciary net position - ending (b)	\$ 139,001	\$ 140,388
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 261,205	\$ 246,329
Plan fiduciary net position as a percentage of the total HIC OPEB liability	34.73%	36.30%
Covered payroll	\$ 2,990,016	\$ 2,985,162
School Board's net HIC OPEB liability as a percentage of covered payroll	8.74%	8.25%

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 (HIC) Program

For the Years Ended June 30, 2018 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
Primary Government:					
2019	\$ 12,646	\$ 12,646	\$ -	\$ 7,438,663	0.17%
2018	12,249	12,249	-	6,446,775	0.19%
Component Unit School Board (nonprofessional):					
2019	\$ 25,669	\$ 25,669	\$ -	\$ 3,208,603	0.80%
2018	18,538	18,538	-	2,990,016	0.62%

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

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date	Employer's	Employer's	Employer's	Employer's	Plan Fiduciary
	Proportion	Proportionate		Proportionate Share	
	of the Net	Share of the	Covered	of the Net HIC OPEB	Net Position
	HIC OPEB	Net HIC OPEB	Payroll	Liability (Asset)	as a Percentage
	Liability (Asset)	Liability (Asset)		as a Percentage of	of Total HIC
(1)	(2)	(3)	(4)	(3)/(4)	OPEB Liability
				(5)	(6)
2018	0.36994% \$	4,697,000 \$	29,956,443	15.68%	8.08%
2017	0.37997%	4,820,000	30,132,419	16.00%	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 Employee Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2016 through June 30, 2019

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2019	\$ 375,569	\$ 375,569	\$ -	\$ 31,297,428	1.20%
2018	367,997	367,997	-	29,956,443	1.23%
2017	332,858	332,858	-	30,132,419	1.10%
2016	299,601	299,601	-	28,264,289	1.06%

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

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

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

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

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

Schedule of Employer's Share of Net LODA OPEB Liability

Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net LODA OPEB Liability (Asset)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	Covered- Employee Payroll *	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
				(3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
2018	0.7790% \$	2,442,000 \$	N/A	N/A	0.60%
2017	0.8049%	2,115,000	N/A	N/A	1.30%

N/A

Covered payroll for the LODA Program is not a relevant measurement as over 75% of covered participants are volunteers rather than employees.

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2016 through June 30, 2019

Date	Contributions in		Contribution	Covered-	Contributions
	Contractually	Relation to			
	Required	Contractually	Deficiency	Employee	as a % of
	Contribution	Required	(Excess)	Payroll *	Covered -
	(1)	(2)	(3)	(4)	Employee
					Payroll
					(5)
2019	\$ 103,924	\$ 103,924	\$ -	N/A	N/A
2018	82,977	82,977	-	N/A	N/A
2017	86,807	86,807	-	N/A	N/A
2016	80,031	80,031	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2019

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

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

General State Employees

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

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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Primary Government

For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 99,166	\$ 94,444
Interest	61,011	56,708
Benefit payments	(18,411)	(17,047)
Net change in total OPEB liability	\$ 141,766	\$ 134,105
Total OPEB liability - beginning	1,868,481	1,734,376
Total OPEB liability - ending	\$ 2,010,247	\$ 1,868,481
 Covered payroll	 \$ 14,183,817	 \$ 13,837,870
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 14.17%	 13.50%

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 648,551	\$ 617,668
Interest	292,727	273,191
Benefit payments	(297,576)	(275,533)
Net change in total OPEB liability	\$ 643,702	\$ 615,326
Total OPEB liability - beginning	9,001,325	8,385,999
Total OPEB liability - ending	<u>\$ 9,645,027</u>	<u>\$ 9,001,325</u>
 Covered payroll	 \$ 25,603,368	 \$ 24,978,896
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 37.67%	 36.04%

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

Notes to Required Supplementary Information - County OPEB
For the Year Ended June 30, 2019

Valuation Date: 6/30/2017
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	3.13% based on the S&P Municipal Bond 20 Year High Grade Rate index as of January 31, 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 8% graded down to 5% over 10 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was

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

Valuation Date: 6/30/2017
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	3.13% based on the S&P Municipal Bond 20 Year High Grade Rate index as of January 31, 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 was 8% to 5% graded down over 10 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the 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 setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL STATEMENT
AND SCHEDULES*

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Debt Service Fund

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	\$ -	\$ 30,000	\$ 31,348	\$ 1,348
Federal	235,031	235,031	241,457	6,426
Total revenues	<u>\$ 235,031</u>	<u>\$ 265,031</u>	<u>\$ 272,805</u>	<u>\$ 7,774</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,053,318	\$ 3,053,318	\$ 3,053,318	\$ -
Interest and other fiscal charges	1,436,447	1,436,447	1,434,647	1,800
Total expenditures	<u>\$ 4,489,765</u>	<u>\$ 4,489,765</u>	<u>\$ 4,487,965</u>	<u>\$ 1,800</u>
Excess (deficiency) of revenues over (under)				
expenditures	<u>\$ (4,254,734)</u>	<u>\$ (4,224,734)</u>	<u>\$ (4,215,160)</u>	<u>\$ 9,574</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 4,254,734</u>	<u>\$ 4,224,734</u>	<u>\$ 4,215,160</u>	<u>\$ (9,574)</u>
Total other financing sources (uses)	<u>\$ 4,254,734</u>	<u>\$ 4,224,734</u>	<u>\$ 4,215,160</u>	<u>\$ (9,574)</u>
Net change in fund balances				
	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Fund

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
			Amounts	Positive
				(Negative)
REVENUES				
Revenue from the use of money and property \$	-	\$ -	\$ 3,026	\$ 3,026
Miscellaneous	100,000	39,556	59,355	19,799
Intergovernmental:				
Commonwealth	150,000	150,000	150,000	-
Federal	100,000	348,013	258,508	(89,505)
Total revenues	\$ 350,000	\$ 537,569	\$ 470,889	\$ (66,680)
EXPENDITURES				
Capital projects	\$ 3,136,491	\$ 2,265,259	\$ 2,111,755	\$ 153,504
Total expenditures	\$ 3,136,491	\$ 2,265,259	\$ 2,111,755	\$ 153,504
Excess (deficiency) of revenues over (under) expenditures	\$ (2,786,491)	\$ (1,727,690)	\$ (1,640,866)	\$ 86,824
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,750,491	\$ 1,710,758	\$ 1,638,119	\$ (72,639)
Total other financing sources (uses)	\$ 2,750,491	\$ 1,710,758	\$ 1,638,119	\$ (72,639)
Net change in fund balances	\$ (36,000)	\$ (16,932)	\$ (2,747)	\$ 14,185
Fund balances - beginning	36,000	16,932	825,298	808,366
Fund balances - ending	\$ -	\$ -	\$ 822,551	\$ 822,551

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ -	\$ 210	\$ 210
Due from other governmental units	254,279	77,598	331,877
Total assets	<u>\$ 254,279</u>	<u>\$ 77,808</u>	<u>\$ 332,087</u>
LIABILITIES			
Accounts payable	\$ -	\$ 52,037	\$ 52,037
Due to other funds	254,279	25,771	280,050
Total liabilities	<u>\$ 254,279</u>	<u>\$ 77,808</u>	<u>\$ 332,087</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 1,368	\$ 6,168	\$ 7,536
Intergovernmental:			
Commonwealth	1,311,164	429,863	1,741,027
Federal	1,987,906	31,303	2,019,209
Total revenues	<u>\$ 3,300,438</u>	<u>\$ 467,334</u>	<u>\$ 3,767,772</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 4,579,861	\$ 866,965	\$ 5,446,826
Total expenditures	<u>\$ 4,579,861</u>	<u>\$ 866,965</u>	<u>\$ 5,446,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,279,423)</u>	<u>\$ (399,631)</u>	<u>\$ (1,679,054)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,279,423	\$ 399,631	\$ 1,679,054
Total other financing sources (uses)	<u>\$ 1,279,423</u>	<u>\$ 399,631</u>	<u>\$ 1,679,054</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,368	\$ 1,368
Intergovernmental:				
Commonwealth	1,477,544	1,522,544	1,311,164	(211,380)
Federal	1,794,441	1,860,872	1,987,906	127,034
Total revenues	<u>\$ 3,271,985</u>	<u>\$ 3,383,416</u>	<u>\$ 3,300,438</u>	<u>\$ (82,978)</u>
EXPENDITURES				
Health and welfare	\$ 4,880,017	\$ 4,691,448	\$ 4,579,861	\$ 111,587
Total expenditures	<u>\$ 4,880,017</u>	<u>\$ 4,691,448</u>	<u>\$ 4,579,861</u>	<u>\$ 111,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,608,032)</u>	<u>\$ (1,308,032)</u>	<u>\$ (1,279,423)</u>	<u>\$ 28,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,608,032	\$ 1,308,032	\$ 1,279,423	\$ (28,609)
Total other financing sources (uses)	<u>\$ 1,608,032</u>	<u>\$ 1,308,032</u>	<u>\$ 1,279,423</u>	<u>\$ (28,609)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 38

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,720	\$ 3,720	\$ 6,168	\$ 2,448
789,280	789,280	429,863	(359,417)
18,000	18,000	31,303	13,303
<u>\$ 811,000</u>	<u>\$ 811,000</u>	<u>\$ 467,334</u>	<u>\$ (343,666)</u>
\$ 1,424,000	\$ 1,214,597	\$ 866,965	\$ 347,632
<u>\$ 1,424,000</u>	<u>\$ 1,214,597</u>	<u>\$ 866,965</u>	<u>\$ 347,632</u>
<u>\$ (613,000)</u>	<u>\$ (403,597)</u>	<u>\$ (399,631)</u>	<u>\$ 3,966</u>
\$ 613,000	\$ 403,597	\$ 399,631	\$ (3,966)
<u>\$ 613,000</u>	<u>\$ 403,597</u>	<u>\$ 399,631</u>	<u>\$ (3,966)</u>
\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Agency Funds				
	Middle Peninsula Regional				
	Special Welfare	Special Education	Flexible Benefits	Sheriff/Jail	Total
ASSETS					
Cash and cash equivalents	\$ 19,426	\$ 36,470	\$ 41,142	\$ 27,156	\$ 124,194
Investments	-	67,004	-	-	67,004
Accounts receivable	1,146	10,844	-	-	11,990
Total assets	<u>\$ 20,572</u>	<u>\$ 114,318</u>	<u>\$ 41,142</u>	<u>\$ 27,156</u>	<u>\$ 203,188</u>
LIABILITIES					
Accounts payable	\$ -	\$ 90,503	\$ -	\$ -	\$ 90,503
Amounts held for social services clients	20,572	-	-	-	20,572
Amounts held for regional program	-	23,815	-	-	23,815
Amounts held for others	-	-	41,142	27,156	68,298
Total liabilities	<u>\$ 20,572</u>	<u>\$ 114,318</u>	<u>\$ 41,142</u>	<u>\$ 27,156</u>	<u>\$ 203,188</u>

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 23,620	\$ 30,653	\$ 34,847	\$ 19,426
Accounts receivable	34	1,112	-	1,146
Total assets	<u>\$ 23,654</u>	<u>\$ 31,765</u>	<u>\$ 34,847</u>	<u>\$ 20,572</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 23,654</u>	<u>\$ 31,765</u>	<u>\$ 34,847</u>	<u>\$ 20,572</u>
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	\$ 52,531	\$ 861,830	\$ 877,891	\$ 36,470
Accounts receivable	-	10,844	-	10,844
Investments	22,649	304,355	260,000	67,004
Total assets	<u>\$ 75,180</u>	<u>\$ 1,177,029</u>	<u>\$ 1,137,891</u>	<u>\$ 114,318</u>
Liabilities:				
Accounts payable	\$ 68,234	\$ 90,503	\$ 68,234	\$ 90,503
Amounts held for regional program	6,946	1,086,526	1,069,657	23,815
Total liabilities	<u>\$ 75,180</u>	<u>\$ 1,177,029</u>	<u>\$ 1,137,891</u>	<u>\$ 114,318</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 38,426</u>	<u>\$ 215,167</u>	<u>\$ 212,451</u>	<u>\$ 41,142</u>
Liabilities:				
Amounts held for others	<u>\$ 38,426</u>	<u>\$ 215,167</u>	<u>\$ 212,451</u>	<u>\$ 41,142</u>
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 22,577</u>	<u>\$ 67,261</u>	<u>\$ 62,682</u>	<u>\$ 27,156</u>
Liabilities:				
Amounts held for others	<u>\$ 22,577</u>	<u>\$ 67,261</u>	<u>\$ 62,682</u>	<u>\$ 27,156</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 137,154	\$ 1,174,911	\$ 1,187,871	\$ 124,194
Investments	22,649	304,355	260,000	67,004
Accounts receivable	34	11,956	-	11,990
Total assets	<u>\$ 159,837</u>	<u>\$ 1,491,222</u>	<u>\$ 1,447,871</u>	<u>\$ 203,188</u>
Liabilities:				
Accounts payable	\$ 68,234	\$ 90,503	\$ 68,234	\$ 90,503
Amounts held for social services clients	23,654	31,765	34,847	20,572
Amounts held for regional program	6,946	1,086,526	1,069,657	23,815
Amounts held for others	61,003	282,428	275,133	68,298
Total liabilities	<u>\$ 159,837</u>	<u>\$ 1,491,222</u>	<u>\$ 1,447,871</u>	<u>\$ 203,188</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2019

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 201,359	\$ 201,409
Investments	-	696,935	696,935
Receivables (net of allowance for uncollectibles):			
Accounts receivable	164,363	11,026	175,389
Due from other governmental units	6,213,539	-	6,213,539
Inventories	-	33,495	33,495
Prepaid items	13,350	-	13,350
Total assets	<u>\$ 6,391,302</u>	<u>\$ 942,815</u>	<u>\$ 7,334,117</u>
LIABILITIES			
Accounts payable	\$ 881,732	\$ 97,881	\$ 979,613
Accrued liabilities	5,509,570	180,106	5,689,676
Total liabilities	<u>\$ 6,391,302</u>	<u>\$ 277,987</u>	<u>\$ 6,669,289</u>
FUND BALANCES			
Nonspendable	\$ 13,350	\$ 33,495	\$ 46,845
Assigned	-	631,333	631,333
Unassigned	(13,350)	-	(13,350)
Total fund balances	<u>\$ -</u>	<u>\$ 664,828</u>	<u>\$ 664,828</u>
Total liabilities and fund balances	<u>\$ 6,391,302</u>	<u>\$ 942,815</u>	<u>\$ 7,334,117</u>

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

Total fund balances per above	\$	664,828
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$	68,160,809	
Accumulated depreciation		(29,605,395)	38,555,414

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

Net pension asset			103,529
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Deferred outflows of resources are not available to pay for current-period expenditures, and, therefore, are not reported in the funds.

Pension related items	\$	6,649,047	
OPEB related items		1,186,898	7,835,945

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

(472,448)

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

Compensated absences	\$	(1,620,580)	
Net OPEB liability		(17,241,232)	
Net pension liability		(43,526,000)	(62,387,812)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(7,081,795)	
OPEB related items		(553,749)	(7,635,544)

Net position of governmental activities	\$		<u>(23,336,088)</u>
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 15,887	\$ 18,387
Charges for services	22,564	1,062,640	1,085,204
Miscellaneous	55,907	68,744	124,651
Recovered costs	183,096	-	183,096
Intergovernmental:			
Local government	25,591,785	-	25,591,785
Commonwealth	30,960,672	41,302	31,001,974
Federal	2,435,212	1,394,144	3,829,356
Total revenues	<u>\$ 59,251,736</u>	<u>\$ 2,582,717</u>	<u>\$ 61,834,453</u>
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,640,559	\$ 2,640,559
Instruction	43,556,449	-	43,556,449
Administration, Attendance, Health	2,390,670	-	2,390,670
Pupil Transportation	4,025,978	-	4,025,978
Operations and Maintenance	6,544,517	-	6,544,517
Technology	2,734,122	-	2,734,122
Total expenditures	<u>\$ 59,251,736</u>	<u>\$ 2,640,559</u>	<u>\$ 61,892,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (57,842)</u>	<u>\$ (57,842)</u>
Net change in fund balances	\$ -	\$ (57,842)	\$ (57,842)
Fund balances - beginning	-	722,670	722,670
Fund balances - ending	<u>\$ -</u>	<u>\$ 664,828</u>	<u>\$ 664,828</u>

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

Net change in fund balances - total governmental funds - per above \$ (57,842)

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.

Capital asset additions	\$ 3,462,096	
Depreciation expense	(2,691,647)	770,449

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	\$ (67,486)	
Pension expense	3,098,055	
OPEB expense	(462,653)	2,567,916

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net position of governmental activities	\$ (861,093)	
	<u>\$ 2,419,430</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

School Operating Fund				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	54,000	54,000	22,564	(31,436)
Miscellaneous	61,000	61,000	55,907	(5,093)
Recovered costs	183,096	183,096	183,096	-
Intergovernmental:				
Local government	26,033,630	25,900,108	25,591,785	(308,323)
Commonwealth	30,744,405	30,969,339	30,960,672	(8,667)
Federal	2,482,026	2,482,026	2,435,212	(46,814)
Total revenues	<u>\$ 59,560,657</u>	<u>\$ 59,652,069</u>	<u>\$ 59,251,736</u>	<u>\$ (400,333)</u>
EXPENDITURES				
Current:				
Instruction	\$ 43,614,610	\$ 43,839,544	\$ 43,556,449	\$ 283,095
Administration, Attendance, Health	2,432,435	2,432,435	2,390,670	41,765
Pupil Transportation	4,080,472	4,080,472	4,025,978	54,494
Operations and Maintenance	6,698,113	6,564,591	6,544,517	20,074
Technology	2,735,027	2,735,027	2,734,122	905
Total expenditures	<u>\$ 59,560,657</u>	<u>\$ 59,652,069</u>	<u>\$ 59,251,736</u>	<u>\$ 400,333</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Cafeteria Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 15,887	\$ 10,887
Charges for services	1,268,300	1,268,300	1,062,640	(205,660)
Miscellaneous	65,300	65,300	68,744	3,444
Intergovernmental:				
Commonwealth	39,492	39,492	41,302	1,810
Federal	1,200,381	1,200,381	1,394,144	193,763
Total revenues	<u>\$ 2,578,473</u>	<u>\$ 2,578,473</u>	<u>\$ 2,582,717</u>	<u>\$ 4,244</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,613,473</u>	<u>\$ 2,613,473</u>	<u>\$ 2,640,559</u>	<u>\$ (27,086)</u>
Total expenditures	<u>\$ 2,613,473</u>	<u>\$ 2,613,473</u>	<u>\$ 2,640,559</u>	<u>\$ (27,086)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ (57,842)</u>	<u>\$ (22,842)</u>
Net change in fund balances	\$ (35,000)	\$ (35,000)	\$ (57,842)	\$ (22,842)
Fund balances - beginning	35,000	35,000	722,670	687,670
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664,828</u>	<u>\$ 664,828</u>

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2019

	Scholarship Private-Purpose Trust
ASSETS	
Cash and cash equivalents	\$ 332,502
Total assets	\$ 332,502
NET POSITION	
Held in trust for scholarships	\$ 332,502

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2019

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 18,760
Total contributions	<u>\$ 18,760</u>
Investment earnings:	
Interest	\$ 3,519
Total investment earnings	<u>\$ 3,519</u>
Total additions	<u>\$ 22,279</u>
DEDUCTIONS	
Scholarships	\$ 21,000
Total deductions	<u>\$ 21,000</u>
Change in net position	\$ 1,279
Net position - beginning	331,223
Net position - ending	<u><u>\$ 332,502</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2019

	Self- Insurance Fund
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 6,552
Due from other governmental units	211,636
Total current assets	<u>\$ 218,188</u>
 Total assets	 <u>\$ 218,188</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 690,636
Total current liabilities	<u>690,636</u>
 Total liabilities	 <u>\$ 690,636</u>
NET POSITION	
Unrestricted	\$ (472,448)
Total net position	<u><u>\$ (472,448)</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	Self- Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 8,169,877
Total operating revenues	<u>\$ 8,169,877</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 9,030,970
Total operating expenses	<u>\$ 9,030,970</u>
Operating income (loss)	<u>\$ (861,093)</u>
Total net position - beginning	\$ 388,645
Total net position - ending	<u><u>\$ (472,448)</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2019

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 8,177,747
Payments for premiums	(8,177,747)
Net cash provided by (used for) operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (861,093)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	
(Increase) decrease in accounts receivable	\$ 817,093
(Increase) decrease in intergovernmental receivables	(211,636)
Increase (decrease) in accounts payable	278,508
Increase (decrease) intergovernmental payables	(22,872)
Total adjustments	<u>\$ 861,093</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$	275,926
Investments		645,855
Inventories		1,083,044
Total current assets	\$	<u>2,004,825</u>

Noncurrent assets:

Capital assets:

Land	\$	682,138
Buildings		18,261,179
Machinery and equipment		7,234
Accumulated depreciation		(9,550,246)
Total net capital assets	\$	<u>9,400,305</u>
Total noncurrent assets	\$	<u>9,400,305</u>
Total assets	\$	<u>11,405,130</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	47,074
Bonds payable - current portion		916,399
Total current liabilities	\$	<u>963,473</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	<u>10,273,619</u>
Total noncurrent liabilities	\$	<u>10,273,619</u>
Total liabilities	\$	<u>11,237,092</u>

NET POSITION

Net investment in capital assets	\$	(1,789,713)
Unrestricted		1,957,751
Total net position	\$	<u><u>168,038</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

OPERATING REVENUES

Charges for services:

Rents	\$	1,570,581
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Other revenues		42,975
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Grant income		30,000
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Total operating revenues	\$	<u>1,643,556</u>
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OPERATING EXPENSES

Contractual services	\$	18,296
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Other charges		5,725
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Grant expenses		40,000
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Insurance		2,086
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Economic development incentive programs		33,825
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Subsidy		12,013
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Depreciation		730,303
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Total operating expenses	\$	<u>842,248</u>
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Operating income (loss)	\$	<u>801,308</u>
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NONOPERATING REVENUES (EXPENSES)

Investment income	\$	13,771
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Loss on disposal of asset		(16,980)
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Investment expense		(537)
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Interest expense		(668,094)
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Total nonoperating revenues (expenses)	\$	<u>(671,840)</u>
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Change in net position	\$	129,468
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Total net position - beginning		38,570
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Total net position - ending	\$	<u><u>168,038</u></u>
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Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,613,556
Receipts for miscellaneous items	30,000
Payments for operating activities	(111,374)
Net cash provided by (used for) operating activities	<u>\$ 1,532,182</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (804,233)
Interest payments	(668,094)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,472,327)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	\$ (6,922)
Net cash provided by (used for) investing activities	<u>\$ (6,922)</u>

Net increase (decrease) in cash and cash equivalents \$ 52,933

Cash and cash equivalents - beginning 222,993

Cash and cash equivalents - ending \$ 275,926

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ <u>801,308</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 730,303
Increase (decrease) in accounts payable	571
Total adjustments	<u>\$ 730,874</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,532,182</u></u>

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 30,067,359	\$ 30,086,003	\$ 30,032,809	\$ (53,194)
Real and personal public service corporation taxes	1,100,240	1,100,240	1,073,797	(26,443)
Personal property taxes	9,062,000	9,062,000	9,502,018	440,018
Mobile home taxes	50,000	50,000	40,327	(9,673)
Penalties	400,484	400,484	341,171	(59,313)
Interest	190,318	190,318	223,627	33,309
Total general property taxes	<u>\$ 40,870,401</u>	<u>\$ 40,889,045</u>	<u>\$ 41,213,749</u>	<u>\$ 324,704</u>
Other local taxes:				
Local sales and use taxes	\$ 4,617,000	\$ 4,617,000	\$ 4,868,752	\$ 251,752
Consumers' utility taxes	750,000	750,000	740,458	(9,542)
Electric consumption taxes	135,000	135,000	136,569	1,569
Business license taxes	1,800,000	1,800,000	1,931,649	131,649
Bank stock taxes	310,000	310,000	348,377	38,377
Taxes on recordation and wills	490,000	490,000	484,800	(5,200)
Hotel and motel room taxes	200,000	200,000	225,940	25,940
Restaurant food taxes	2,339,280	2,339,280	2,377,951	38,671
Total other local taxes	<u>\$ 10,641,280</u>	<u>\$ 10,641,280</u>	<u>\$ 11,114,496</u>	<u>\$ 473,216</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 29,000	\$ 29,000	\$ 30,051	\$ 1,051
Permits and other licenses	402,580	402,580	429,011	26,431
Total permits, privilege fees, and regulatory licenses	<u>\$ 431,580</u>	<u>\$ 431,580</u>	<u>\$ 459,062</u>	<u>\$ 27,482</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 100,000	\$ 100,000	\$ 96,867	\$ (3,133)
Parking fines	200	200	390	190
Total fines and forfeitures	<u>\$ 100,200</u>	<u>\$ 100,200</u>	<u>\$ 97,257</u>	<u>\$ (2,943)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 167,950	\$ 167,950	\$ 378,946	\$ 210,996
Revenue from use of property	115,500	129,096	102,528	(26,568)
Total revenue from use of money and property	<u>\$ 283,450</u>	<u>\$ 297,046</u>	<u>\$ 481,474</u>	<u>\$ 184,428</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 44,000	\$ 44,000	\$ 36,233	\$ (7,767)
Charges for courthouse maintenance	14,000	14,000	13,135	(865)
Circuit court judge fees	42,000	42,000	41,838	(162)
Charges for courthouse security	60,000	60,000	48,058	(11,942)
Charges for probation	12,000	12,000	10,545	(1,455)
Charges for Commonwealth's Attorney	4,000	4,000	4,399	399
Charges for animal shelter fees	10,000	10,000	10,269	269
Charges for library	48,000	48,000	36,465	(11,535)
Charges for sanitation and waste removal	509,446	509,446	571,491	62,045
Charges for parks and recreation	263,500	263,500	262,372	(1,128)
Charges for community education	-	-	570	570
Charges for sale of tourism items	5,000	5,000	7,411	2,411
Charges for sale of publications and commemorative material	5,200	5,200	8,655	3,455
Charges for daffodil festival	72,196	72,196	68,306	(3,890)
Charges for sale of historical material	300	300	228	(72)
Total charges for services	\$ 1,089,642	\$ 1,089,642	\$ 1,119,975	\$ 30,333
Miscellaneous:				
Miscellaneous	\$ 213,121	\$ 199,525	\$ 297,976	\$ 98,451
Total miscellaneous	\$ 213,121	\$ 199,525	\$ 297,976	\$ 98,451
Recovered costs:				
Recovered costs sheriff	\$ 300,000	\$ 31,770	\$ 67,372	\$ 35,602
Recovered costs jail	19,000	19,000	19,332	332
Treasurer recovered costs	93,750	93,750	73,434	(20,316)
Probation & pretrial recovered costs	40,200	40,200	55,400	15,200
Demolition recovered costs	3,000	3,000	1,927	(1,073)
Grants	-	14,000	5,432	(8,568)
Total recovered costs	\$ 455,950	\$ 201,720	\$ 222,897	\$ 21,177
Total revenue from local sources	\$ 54,085,624	\$ 53,850,038	\$ 55,006,886	\$ 1,156,848
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ 3,230	\$ 1,230
Mobile home titling tax	48,000	48,000	28,558	(19,442)
Motor vehicle rental tax	84,000	84,000	105,757	21,757
State recordation tax	140,000	140,000	97,463	(42,537)
Communication tax	1,548,000	1,548,000	1,296,344	(251,656)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	\$ 4,600,640	\$ 4,600,640	\$ 4,309,992	\$ (290,648)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 418,653	\$ 418,653	\$ 420,595	\$ 1,942
Sheriff	2,372,530	2,372,530	2,490,704	118,174
Jail	40,000	40,000	68,320	28,320
Asset forfeiture	-	-	1,041	1,041
Commissioner of revenue	131,774	131,774	133,600	1,826
Treasurer	136,358	136,358	136,344	(14)
Registrar/electoral board	47,000	47,000	42,436	(4,564)
Clerk of the Circuit Court	275,515	275,515	303,370	27,855
Total shared expenses	\$ 3,421,830	\$ 3,421,830	\$ 3,596,410	\$ 174,580
Other categorical aid:				
Emergency medical services	\$ 50,000	\$ 50,000	\$ 85,334	\$ 35,334
Litter control grant	10,000	10,000	9,212	(788)
E911 wireless grant	107,471	107,471	111,052	3,581
Library grant	150,036	150,036	151,198	1,162
Other state grants	414,656	417,414	426,425	9,011
Victim-witness grant	25,665	25,665	25,909	244
Fire programs	110,000	110,000	127,576	17,576
Total other categorical aid	\$ 867,828	\$ 870,586	\$ 936,706	\$ 66,120
Total categorical aid	\$ 4,289,658	\$ 4,292,416	\$ 4,533,116	\$ 240,700
Total revenue from the Commonwealth	\$ 8,890,298	\$ 8,893,056	\$ 8,843,108	\$ (49,948)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 17,000	\$ 17,000	\$ 16,789	\$ (211)
Categorical aid:				
V-stop prosecutor grant	\$ 23,981	\$ 23,981	\$ 27,544	\$ 3,563
Public assistance and welfare administration	106,000	106,000	126,838	20,838
Highway safety grant	37,000	37,000	37,015	15
Victim witness grant	76,993	76,993	77,728	735
Emergency management grant	30,000	43,644	13,644	(30,000)
Other federal grants	20,227	59,227	21,139	(38,088)
Total categorical aid	\$ 294,201	\$ 346,845	\$ 303,908	\$ (42,937)
Total revenue from the federal government	\$ 311,201	\$ 363,845	\$ 320,697	\$ (43,148)
Total General Fund	\$ 63,287,123	\$ 63,106,939	\$ 64,170,691	\$ 1,063,752

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 1,368	\$ 1,368
Total revenue from local sources	\$ -	\$ -	\$ 1,368	\$ 1,368
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,477,544	\$ 1,522,544	\$ 1,311,164	\$ (211,380)
Total categorical aid	\$ 1,477,544	\$ 1,522,544	\$ 1,311,164	\$ (211,380)
Total revenue from the Commonwealth	\$ 1,477,544	\$ 1,522,544	\$ 1,311,164	\$ (211,380)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,794,441	\$ 1,860,872	\$ 1,987,906	\$ 127,034
Total categorical aid	\$ 1,794,441	\$ 1,860,872	\$ 1,987,906	\$ 127,034
Total revenue from the federal government	\$ 1,794,441	\$ 1,860,872	\$ 1,987,906	\$ 127,034
Total Virginia Public Assistance Fund	\$ 3,271,985	\$ 3,383,416	\$ 3,300,438	\$ (82,978)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 6,168	\$ 2,448
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 6,168	\$ 2,448
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 787,000	\$ 787,000	\$ 428,191	\$ (358,809)
Public assistance and welfare administration	2,280	2,280	1,672	(608)
Total categorical aid	\$ 789,280	\$ 789,280	\$ 429,863	\$ (359,417)
Total revenue from the Commonwealth	\$ 789,280	\$ 789,280	\$ 429,863	\$ (359,417)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 31,303	\$ 13,303
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 31,303	\$ 13,303
Total Comprehensive Services Act Fund	\$ 811,000	\$ 811,000	\$ 467,334	\$ (343,666)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Miscellaneous:				
Other miscellaneous				-
Other miscellaneous	\$ -	\$ 30,000	\$ 31,348	\$ 1,348
Total miscellaneous revenue	\$ -	\$ 30,000	\$ 31,348	\$ 1,348
Total revenue from local sources	\$ -	\$ 30,000	\$ 31,348	\$ 1,348
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 235,031	\$ 235,031	\$ 241,457	\$ 6,426
Total Debt Service Fund	\$ 235,031	\$ 265,031	\$ 272,805	\$ 7,774
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,026	\$ 3,026
Total revenue from use of money and property	\$ -	\$ -	\$ 3,026	\$ 3,026
Miscellaneous:				
Grants	\$ -	\$ -	\$ 45,255	\$ 45,255
Cash proffers	-	-	12,100	12,100
Donations or other miscellaneous	100,000	39,556	2,000	(37,556)
Total miscellaneous	\$ 100,000	\$ 39,556	\$ 59,355	\$ 19,799
Total revenue from local sources	\$ 100,000	\$ 39,556	\$ 62,381	\$ 22,825
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Total categorical aid	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Total revenue from the Commonwealth	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Revenue from the federal government:				
Categorical aid:				
Other federal grants	\$ 100,000	\$ 348,013	\$ 258,508	\$ (89,505)
Total categorical aid	\$ 100,000	\$ 348,013	\$ 258,508	\$ (89,505)
Total revenue from the federal government	\$ 100,000	\$ 348,013	\$ 258,508	\$ (89,505)
Total County Capital Improvements Fund	\$ 350,000	\$ 537,569	\$ 470,889	\$ (66,680)
Total Primary Government	\$ 67,955,139	\$ 68,103,955	\$ 68,682,157	\$ 578,202

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 54,000	\$ 54,000	\$ 22,564	\$ (31,436)
Miscellaneous:				
Other miscellaneous	\$ 61,000	\$ 61,000	\$ 55,907	\$ (5,093)
Recovered costs:				
Other recovered costs	\$ 183,096	\$ 183,096	\$ 183,096	\$ -
Total recovered costs	\$ 183,096	\$ 183,096	\$ 183,096	\$ -
Total revenue from local sources	\$ 300,596	\$ 300,596	\$ 264,067	\$ (36,529)
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 26,033,630	\$ 25,900,108	\$ 25,591,785	\$ (308,323)
Total revenue from local governments	\$ 26,033,630	\$ 25,900,108	\$ 25,591,785	\$ (308,323)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,920,479	\$ 5,920,479	\$ 5,986,082	\$ 65,603
Basic school aid	15,536,676	15,536,676	15,457,288	(79,388)
ISAEF	15,717	15,717	16,710	993
Remedial summer education	122,038	122,038	118,235	(3,803)
Remedial education	382,357	382,357	381,333	(1,024)
Special education	1,789,686	1,789,686	1,784,895	(4,791)
Regular foster care	13,685	13,685	3,151	(10,534)
Gifted and talented	160,654	160,654	160,224	(430)
English as a second language	38,244	38,244	40,323	2,079
Textbook payment	323,525	323,525	322,659	(866)
Vocational standards of quality payments	244,194	244,194	243,540	(654)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Social security fringe benefits	\$ 890,023	\$ 890,023	\$ 887,641	\$ (2,382)
Retirement fringe benefits	1,966,405	1,966,405	1,961,141	(5,264)
Group life insurance fringe benefits	61,049	61,049	60,885	(164)
State lottery payments	886,339	1,087,473	1,184,007	96,534
Early reading intervention	70,223	70,223	68,158	(2,065)
Medicaid Reimbursement	266,000	266,000	285,539	19,539
Project graduation	5,082	5,082	5,082	-
Homebound education	24,773	24,773	27,532	2,759
Regional program tuition	840,219	855,201	671,776	(183,425)
Vocational educational equipment	11,191	11,191	17,963	6,772
Special education - foster children	-	-	3,173	3,173
At risk payments	239,845	239,845	245,445	5,600
National Board Certification TC	32,500	32,500	30,000	(2,500)
Industry credential student	10,500	10,500	8,356	(2,144)
Primary class size	315,731	315,731	312,926	(2,805)
VA Preschool	268,709	277,527	261,892	(15,635)
Miscellaneous	-	-	90,675	90,675
Race to GED	-	-	3,000	3,000
Mentor teacher program	2,275	2,275	2,476	201
VPSA technology	258,000	258,000	258,000	-
Algebra Readiness	48,286	48,286	41,722	(6,564)
Other state funds	-	-	18,843	18,843
Total categorical aid	\$ 30,744,405	\$ 30,969,339	\$ 30,960,672	\$ (8,667)
Total revenue from the Commonwealth	\$ 30,744,405	\$ 30,969,339	\$ 30,960,672	\$ (8,667)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 737,545	\$ 737,545	\$ 729,740	\$ (7,805)
Title VI-B, special education	1,164,398	1,164,398	1,176,759	12,361
Vocational education	71,727	71,727	78,256	6,529
Title II	201,920	201,920	230,788	28,868
Impact aid	60,000	60,000	116,844	56,844

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 96,436	\$ 96,436	\$ 102,825	\$ 6,389
Other federal funds	150,000	150,000	-	(150,000)
Total categorical aid	<u>\$ 2,482,026</u>	<u>\$ 2,482,026</u>	<u>\$ 2,435,212</u>	<u>\$ (46,814)</u>
Total revenue from the federal government	<u>\$ 2,482,026</u>	<u>\$ 2,482,026</u>	<u>\$ 2,435,212</u>	<u>\$ (46,814)</u>
Total School Operating Fund	<u>\$ 59,560,657</u>	<u>\$ 59,652,069</u>	<u>\$ 59,251,736</u>	<u>\$ (400,333)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,000	\$ 5,000	\$ 15,887	\$ 10,887
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 15,887</u>	<u>\$ 10,887</u>
Charges for services:				
Cafeteria sales	\$ 1,256,300	\$ 1,256,300	\$ 1,038,999	\$ (217,301)
Other charges for services	12,000	12,000	23,641	11,641
Total charges for services	<u>\$ 1,268,300</u>	<u>\$ 1,268,300</u>	<u>\$ 1,062,640</u>	<u>\$ (205,660)</u>
Miscellaneous:				
Other miscellaneous	\$ 65,300	\$ 65,300	\$ 68,744	\$ 3,444
Total miscellaneous	<u>\$ 65,300</u>	<u>\$ 65,300</u>	<u>\$ 68,744</u>	<u>\$ 3,444</u>
Total revenue from local sources	<u>\$ 1,338,600</u>	<u>\$ 1,338,600</u>	<u>\$ 1,147,271</u>	<u>\$ (191,329)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 39,492	\$ 39,492	\$ 41,302	\$ 1,810
Total categorical aid	<u>\$ 39,492</u>	<u>\$ 39,492</u>	<u>\$ 41,302</u>	<u>\$ 1,810</u>
Total revenue from the Commonwealth	<u>\$ 39,492</u>	<u>\$ 39,492</u>	<u>\$ 41,302</u>	<u>\$ 1,810</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,200,381	\$ 1,200,381	\$ 1,222,923	\$ 22,542
USDA commodities	-	-	171,221	171,221
Total categorical aid	<u>\$ 1,200,381</u>	<u>\$ 1,200,381</u>	<u>\$ 1,394,144</u>	<u>\$ 193,763</u>
Total revenue from the federal government	<u>\$ 1,200,381</u>	<u>\$ 1,200,381</u>	<u>\$ 1,394,144</u>	<u>\$ 193,763</u>
Total School Cafeteria Fund	<u>\$ 2,578,473</u>	<u>\$ 2,578,473</u>	<u>\$ 2,582,717</u>	<u>\$ 4,244</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 62,139,130</u>	<u>\$ 62,230,542</u>	<u>\$ 61,834,453</u>	<u>\$ (396,089)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 162,884	\$ 162,884	\$ 166,579	\$ (3,695)
General and financial administration:				
County administrator	\$ 691,095	\$ 712,209	\$ 706,562	\$ 5,647
Human resources	483,240	525,860	520,178	5,682
County attorney	288,120	297,089	302,175	(5,086)
Commissioner of revenue	509,879	560,820	555,978	4,842
County assessor	469,870	523,354	452,810	70,544
Treasurer	726,417	754,640	716,409	38,231
Accounting and Budget	494,734	520,233	577,505	(57,272)
Department of information technology	1,312,011	1,326,920	1,316,587	10,333
GIS	328,380	327,218	317,569	9,649
Purchasing	276,308	307,768	302,429	5,339
Other general and financial administration	251,256	251,256	246,133	5,123
Total general and financial administration	\$ 5,831,310	\$ 6,107,367	\$ 6,014,335	\$ 93,032
Board of elections:				
Electoral board and officials	\$ 225,703	\$ 211,121	\$ 207,610	\$ 3,511
Total board of elections	\$ 225,703	\$ 211,121	\$ 207,610	\$ 3,511
Total general government administration	\$ 6,219,897	\$ 6,481,372	\$ 6,388,524	\$ 92,848
Judicial administration:				
Courts:				
Circuit court	\$ 74,996	\$ 76,975	\$ 77,847	\$ (872)
General district court	12,550	12,550	12,493	57
Commissioner of accounts	600	600	978	(378)
Magistrate	900	900	771	129
Juvenile and domestic relations district court	11,175	11,175	16,161	(4,986)
Clerk of the circuit court	500,903	548,308	540,203	8,105
Victim and witness assistance	119,133	119,944	123,298	(3,354)
Court services unit	193,957	193,957	196,456	(2,499)
Group home commission	242,043	242,043	242,207	(164)
Total courts	\$ 1,156,257	\$ 1,206,452	\$ 1,210,414	\$ (3,962)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 835,329	\$ 909,327	\$ 857,194	\$ 52,133
Total commonwealth's attorney	\$ 835,329	\$ 909,327	\$ 857,194	\$ 52,133
Total judicial administration	\$ 1,991,586	\$ 2,115,779	\$ 2,067,608	\$ 48,171
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,510,225	\$ 6,465,282	\$ 6,435,312	\$ 29,970
Total law enforcement and traffic control	\$ 5,510,225	\$ 6,465,282	\$ 6,435,312	\$ 29,970

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 2,600,259	\$ 2,600,259	\$ 2,608,824	\$ (8,565)
Radio system	564,000	564,000	540,980	23,020
State forestry service	7,500	7,500	7,497	3
Office of emergency services	278,467	318,988	302,361	16,627
Total fire and rescue services	<u>\$ 3,450,226</u>	<u>\$ 3,490,747</u>	<u>\$ 3,459,662</u>	<u>\$ 31,085</u>
Correction and detention:				
County operated institutions	\$ 3,060,581	\$ 3,226,145	\$ 3,160,999	\$ 65,146
Probation and pretrial	461,366	511,366	505,377	5,989
Total correction and detention	<u>\$ 3,521,947</u>	<u>\$ 3,737,511</u>	<u>\$ 3,666,376</u>	<u>\$ 71,135</u>
Inspections:				
Building	\$ 525,658	\$ 589,862	\$ 589,706	\$ 156
Total inspections	<u>\$ 525,658</u>	<u>\$ 589,862</u>	<u>\$ 589,706</u>	<u>\$ 156</u>
Other protection:				
Environmental programs	\$ 337,896	\$ 336,682	\$ 317,074	\$ 19,608
Animal control	400,922	476,322	473,655	2,667
Medical examiner	300	300	2,941	(2,641)
Total other protection	<u>\$ 739,118</u>	<u>\$ 813,304</u>	<u>\$ 793,670</u>	<u>\$ 19,634</u>
Total public safety	<u>\$ 13,747,174</u>	<u>\$ 15,096,706</u>	<u>\$ 14,944,726</u>	<u>\$ 151,980</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 253,225	\$ 246,482	\$ 228,470	\$ 18,012
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 253,225</u>	<u>\$ 246,482</u>	<u>\$ 228,470</u>	<u>\$ 18,012</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 15,100	\$ 15,100	\$ 12,922	\$ 2,178
Total sanitation and waste removal	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 12,922</u>	<u>\$ 2,178</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,937,345	\$ 2,111,822	\$ 2,101,705	\$ 10,117
Total maintenance of general buildings and grounds	<u>\$ 1,937,345</u>	<u>\$ 2,111,822</u>	<u>\$ 2,101,705</u>	<u>\$ 10,117</u>
Total public works	<u>\$ 2,205,670</u>	<u>\$ 2,373,404</u>	<u>\$ 2,343,097</u>	<u>\$ 30,307</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 560,766	\$ 560,766	\$ 548,521	\$ 12,245
Mosquito control	127,535	132,535	125,377	7,158
Total health	<u>\$ 688,301</u>	<u>\$ 693,301</u>	<u>\$ 673,898</u>	<u>\$ 19,403</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 138,849	\$ 138,849	\$ 138,849	\$ -
Total mental health and mental retardation	\$ 138,849	\$ 138,849	\$ 138,849	\$ -
Total health and welfare	\$ 827,150	\$ 832,150	\$ 812,747	\$ 19,403
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 33,761	\$ 33,761	\$ 33,761	\$ -
Contribution to community engagement	579,148	627,244	618,334	8,910
Cable services	86,377	86,684	93,794	(7,110)
Contribution to County School Board	26,033,630	25,900,108	25,591,785	308,323
Total education	\$ 26,732,916	\$ 26,647,797	\$ 26,337,674	\$ 310,123
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 636,519	\$ 692,125	\$ 630,289	\$ 61,836
Park operations	513,644	591,553	588,150	3,403
Total parks and recreation	\$ 1,150,163	\$ 1,283,678	\$ 1,218,439	\$ 65,239
Cultural enrichment:				
Daffodil festival	\$ 72,157	\$ 72,657	\$ 65,635	\$ 7,022
Total cultural enrichment	\$ 72,157	\$ 72,657	\$ 65,635	\$ 7,022
Library:				
Contribution to county library	\$ 1,062,790	\$ 1,144,466	\$ 1,132,675	\$ 11,791
Total library	\$ 1,062,790	\$ 1,144,466	\$ 1,132,675	\$ 11,791
Total parks, recreation, and cultural	\$ 2,285,110	\$ 2,500,801	\$ 2,416,749	\$ 84,052
Community development:				
Planning and community development:				
Community development	\$ 530,841	\$ 627,429	\$ 623,505	\$ 3,924
Tourism	216,082	227,717	107,740	119,977
Economic development	255,950	256,859	254,677	2,182
Total planning and community development	\$ 1,002,873	\$ 1,112,005	\$ 985,922	\$ 126,083
Environmental management:				
Clean community program	\$ 21,789	\$ 24,075	\$ 27,005	\$ (2,930)
Total environmental management	\$ 21,789	\$ 24,075	\$ 27,005	\$ (2,930)
Cooperative extension program:				
Extension office	\$ 100,273	\$ 101,920	\$ 95,205	\$ 6,715
Total cooperative extension program	\$ 100,273	\$ 101,920	\$ 95,205	\$ 6,715
Total community development	\$ 1,124,935	\$ 1,238,000	\$ 1,108,132	\$ 129,868

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 290,585	\$ 290,585	\$ 290,585	\$ -
Contingency	1,697,806	417,996	-	417,996
Total nondepartmental	<u>\$ 1,988,391</u>	<u>\$ 708,581</u>	<u>\$ 290,585</u>	<u>\$ 417,996</u>
Total General Fund	<u>\$ 57,122,829</u>	<u>\$ 57,994,590</u>	<u>\$ 56,709,842</u>	<u>\$ 1,284,748</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 3,434,947	\$ 3,302,678	\$ 3,251,086	\$ 51,592
Public assistance	1,354,400	1,313,100	1,278,514	34,586
Purchased services	82,800	66,800	42,331	24,469
Grants	3,800	4,800	4,177	623
Board of public welfare	4,070	4,070	3,753	317
Total welfare and social services	<u>\$ 4,880,017</u>	<u>\$ 4,691,448</u>	<u>\$ 4,579,861</u>	<u>\$ 111,587</u>
Total health and welfare	<u>\$ 4,880,017</u>	<u>\$ 4,691,448</u>	<u>\$ 4,579,861</u>	<u>\$ 111,587</u>
Total Virginia Public Assistance Fund	<u>\$ 4,880,017</u>	<u>\$ 4,691,448</u>	<u>\$ 4,579,861</u>	<u>\$ 111,587</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,424,000	\$ 1,214,597	\$ 866,965	\$ 347,632
Total Comprehensive Services Act Fund	<u>\$ 1,424,000</u>	<u>\$ 1,214,597</u>	<u>\$ 866,965</u>	<u>\$ 347,632</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,053,318	\$ 3,053,318	\$ 3,053,318	\$ -
Interest and other fiscal charges	1,436,447	1,436,447	1,434,647	1,800
Total Debt Service Fund	<u>\$ 4,489,765</u>	<u>\$ 4,489,765</u>	<u>\$ 4,487,965</u>	<u>\$ 1,800</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 2,176,124	\$ 1,013,345	\$ 859,841	\$ 153,504
Equipment and vehicles	478,950	464,430	464,430	-
School capital assets	481,417	787,484	787,484	-
Total capital projects expenditures	<u>\$ 3,136,491</u>	<u>\$ 2,265,259</u>	<u>\$ 2,111,755</u>	<u>\$ 153,504</u>
Total County Capital Improvements Fund	<u>\$ 3,136,491</u>	<u>\$ 2,265,259</u>	<u>\$ 2,111,755</u>	<u>\$ 153,504</u>
Total Primary Government	<u>\$ 71,053,102</u>	<u>\$ 70,655,659</u>	<u>\$ 68,756,388</u>	<u>\$ 1,899,271</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 43,614,610	\$ 43,839,544	\$ 43,556,449	\$ 283,095
Total instruction costs	<u>\$ 43,614,610</u>	<u>\$ 43,839,544</u>	<u>\$ 43,556,449</u>	<u>\$ 283,095</u>
Administration, Attendance and Health:				
School board	\$ 115,799	\$ 115,799	\$ 113,041	\$ 2,758
Other administration	2,316,636	2,316,636	2,277,629	39,007
Total administration, attendance and health	<u>\$ 2,432,435</u>	<u>\$ 2,432,435</u>	<u>\$ 2,390,670</u>	<u>\$ 41,765</u>
Pupil transportation:				
Pupil transportation	\$ 4,080,472	\$ 4,080,472	\$ 4,025,978	\$ 54,494
Total pupil transportation	<u>\$ 4,080,472</u>	<u>\$ 4,080,472</u>	<u>\$ 4,025,978</u>	<u>\$ 54,494</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 6,698,113	\$ 6,564,591	\$ 6,544,517	\$ 20,074
Total operating and maintenance costs	<u>\$ 6,698,113</u>	<u>\$ 6,564,591</u>	<u>\$ 6,544,517</u>	<u>\$ 20,074</u>
Technology:				
Technology	\$ 2,735,027	\$ 2,735,027	\$ 2,734,122	\$ 905
Total technology	<u>\$ 2,735,027</u>	<u>\$ 2,735,027</u>	<u>\$ 2,734,122</u>	<u>\$ 905</u>
Total education	<u>\$ 59,560,657</u>	<u>\$ 59,652,069</u>	<u>\$ 59,251,736</u>	<u>\$ 400,333</u>
Total School Operating Fund	<u>\$ 59,560,657</u>	<u>\$ 59,652,069</u>	<u>\$ 59,251,736</u>	<u>\$ 400,333</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,613,473	\$ 2,613,473	\$ 2,469,338	\$ 144,135
USDA commodities	-	-	171,221	(171,221)
Total school food services	<u>\$ 2,613,473</u>	<u>\$ 2,613,473</u>	<u>\$ 2,640,559</u>	<u>\$ (27,086)</u>
Total education	<u>\$ 2,613,473</u>	<u>\$ 2,613,473</u>	<u>\$ 2,640,559</u>	<u>\$ (27,086)</u>
Total School Cafeteria Fund	<u>\$ 2,613,473</u>	<u>\$ 2,613,473</u>	<u>\$ 2,640,559</u>	<u>\$ (27,086)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 62,174,130</u>	<u>\$ 62,265,542</u>	<u>\$ 61,892,295</u>	<u>\$ 373,247</u>

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STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and wellbeing have changed over time.

1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

9-11

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

12-13

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

14-17

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2019	2018	2017	2016
Governmental activities				
Net investment in capital assets	\$ 17,743,311	\$ 18,431,064	\$ 18,280,127	\$ 17,543,250
Unrestricted	15,759,342	15,040,469	16,925,823	15,676,394
Total governmental activities net position	<u>\$ 33,502,653</u>	<u>\$ 33,471,533</u>	<u>\$ 35,205,950</u>	<u>\$ 33,219,644</u>
Business-type activities				
Net investment in capital assets	\$ 19,338,462	\$ 17,703,636	\$ 15,069,296	\$ 13,266,968
Restricted	-	1,834,232	1,866,455	1,866,690
Unrestricted	3,587,462	2,948,373	3,247,483	3,041,421
Total business-type activities net position	<u>\$ 22,925,924</u>	<u>\$ 22,486,241</u>	<u>\$ 20,183,234</u>	<u>\$ 18,175,079</u>
Primary government				
Net investment in capital assets	\$ 37,081,773	\$ 36,134,700	\$ 33,349,423	\$ 30,810,218
Restricted	-	1,834,232	1,866,455	1,866,690
Unrestricted	19,346,804	17,988,842	20,173,306	18,717,815
Total primary government net position	<u>\$ 56,428,577</u>	<u>\$ 55,957,774</u>	<u>\$ 55,389,184</u>	<u>\$ 51,394,723</u>

Note: The County early implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in FY11. With the implementation of this Statement, the financial descriptions have changed from "net assets" to "net position".

Table 1

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 20,771,917	\$ 22,330,023	\$ 13,292,660	\$ 15,463,123	\$ 13,656,652	\$ 12,177,861
16,806,802	23,927,330	31,083,034	26,438,615	20,720,020	16,694,480
<u>\$ 37,578,719</u>	<u>\$ 46,257,353</u>	<u>\$ 44,375,694</u>	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>
\$ 12,233,762	\$ 11,267,065	\$ 4,461,919	\$ 6,470,887	\$ 9,328,625	\$ 7,299,353
1,869,579	1,869,878	4,720,154	2,036,544	2,031,743	2,025,385
2,221,268	2,328,518	4,956,253	4,654,757	1,733,605	2,177,368
<u>\$ 16,324,609</u>	<u>\$ 15,465,461</u>	<u>\$ 14,138,326</u>	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>
\$ 33,005,679	\$ 33,597,088	\$ 17,754,579	\$ 21,934,010	\$ 22,985,277	\$ 19,477,214
1,869,579	1,869,878	4,720,154	2,036,544	2,031,743	2,025,385
19,028,070	26,255,848	36,039,287	31,093,372	22,453,625	18,871,848
<u>\$ 53,903,328</u>	<u>\$ 61,722,814</u>	<u>\$ 58,514,020</u>	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2019	2018	2017	2016
Expenses				
Governmental activities:				
General government administration	\$ 6,404,365	\$ 6,273,889	\$ 5,985,400	\$ 5,213,213
Judicial administration	2,146,477	2,022,836	1,747,820	1,832,619
Public safety	16,296,649	15,005,085	14,420,083	13,746,855
Public works	2,354,901	2,147,005	2,118,053	2,168,694
Health and welfare	6,130,510	5,515,673	5,514,819	5,018,243
Education	29,868,409	27,761,018	27,272,736	33,924,847
Parks, recreation, culture	2,443,912	2,437,963	2,359,727	2,316,509
Community development	1,508,533	2,569,352	2,670,768	1,850,500
Interest on long-term debt	1,289,739	1,375,212	1,564,983	1,903,921
Total governmental activities expenses	<u>68,443,495</u>	<u>65,108,033</u>	<u>63,654,389</u>	<u>67,975,401</u>
Business-type activities:				
Public utilities	<u>4,196,717</u>	<u>3,542,913</u>	<u>3,669,366</u>	<u>3,828,006</u>
Total business-type activities expenses	<u>4,196,717</u>	<u>3,542,913</u>	<u>3,669,366</u>	<u>3,828,006</u>
Total Primary government expenses	<u>\$ 72,640,212</u>	<u>\$ 68,650,946</u>	<u>\$ 67,323,755</u>	<u>\$ 71,803,407</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	215,232	239,638	209,190	225,492
Public safety	505,564	493,463	640,084	416,526
Public works	571,491	551,396	497,981	411,479
Health and welfare	-	-	-	44,851
Education	570	80	258	-
Parks, recreation, culture	383,437	363,322	369,051	264,424
Community development	-	-	9,300	74,260
Operating grants and contributions	8,855,506	8,487,119	8,238,150	8,431,639
Capital grants and contributions	408,508	1,149,639	1,232,247	581,781
Total governmental activities program revenues	<u>\$ 10,940,308</u>	<u>\$ 11,284,657</u>	<u>\$ 11,196,261</u>	<u>\$ 10,450,452</u>
Business-type activities:				
Charges for services	\$ 4,512,752	\$ 4,568,243	\$ 4,966,010	\$ 4,161,870
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	713,180
Total business-type activities program revenues	<u>4,512,752</u>	<u>4,568,243</u>	<u>4,966,010</u>	<u>4,875,050</u>
Total primary government program revenue	<u>\$ 15,453,060</u>	<u>\$ 15,852,900</u>	<u>\$ 16,162,271</u>	<u>\$ 15,325,502</u>
Net(Expense)/Revenue				
Governmental activities	\$ (57,503,187)	\$ (53,823,376)	\$ (52,458,128)	\$ (57,524,949)
Business-type activities	316,035	1,025,330	1,296,644	1,047,044
Total primary government net expense	<u>\$ (57,187,152)</u>	<u>\$ (52,798,046)</u>	<u>\$ (51,161,484)</u>	<u>\$ (56,477,905)</u>

Table 2
Page 1 of 2

2015	2014	2013	2012	2011	2010
\$ 5,402,313	\$ 5,575,520	\$ 5,465,093	\$ 4,420,563	\$ 4,526,232	\$ 4,654,227
1,830,328	1,978,698	1,802,483	1,784,911	1,685,971	1,629,116
12,838,684	13,224,115	12,943,310	12,376,310	10,660,881	10,652,290
2,140,168	2,487,293	2,218,227	2,496,814	2,097,050	1,929,966
5,441,279	5,223,039	5,052,386	4,446,775	4,531,487	4,533,563
29,991,304	27,169,073	25,586,345	24,339,028	24,091,981	22,357,066
2,198,664	2,375,530	2,166,475	2,111,087	1,922,593	1,824,076
3,330,733	2,604,102	1,254,998	1,170,407	1,599,847	2,299,482
2,019,045	1,912,060	1,598,864	1,624,212	1,751,068	2,057,826
65,192,518	62,549,430	58,088,181	54,770,107	52,867,110	51,937,612
3,873,419	4,164,968	4,561,013	4,765,426	4,264,717	4,572,653
3,873,419	4,164,968	4,561,013	4,765,426	4,264,717	4,572,653
\$ 69,065,937	\$ 66,714,398	\$ 62,649,194	\$ 59,535,533	\$ 57,131,827	\$ 56,510,265
\$ -	\$ -	\$ -	\$ -	\$ -	-
172,895	214,556	237,742	239,615	248,950	257,806
422,313	399,325	364,823	356,342	297,524	332,743
315,626	219,143	197,204	134,654	149,214	256,838
40,620	-	-	-	-	-
-	-	-	290	311	555
240,605	286,509	293,796	310,646	351,840	341,498
74,798	67,428	59,655	57,913	18,895	33,309
8,064,461	8,018,257	7,634,001	7,417,709	7,130,907	7,275,332
2,099,005	3,882,214	1,108,506	5,391,436	4,703,030	1,382,366
\$ 11,430,323	\$ 13,087,432	\$ 9,895,727	\$ 13,908,605	\$ 12,900,671	\$ 9,880,447
\$ 4,135,611	\$ 4,193,272	\$ 4,375,188	\$ 4,216,540	\$ 4,212,115	\$ 3,984,395
-	-	-	-	-	188,300
277,732	499,050	537,710	-	1,007,300	-
4,413,343	4,692,322	4,912,898	4,216,540	5,219,415	4,172,695
\$ 15,843,666	\$ 17,779,754	\$ 14,808,625	\$ 18,125,145	\$ 18,120,086	\$ 14,053,142
\$ (53,762,195)	\$ (49,461,998)	\$ (48,192,454)	\$ (40,861,502)	\$ (39,966,439)	\$ (42,057,165)
539,924	527,354	351,885	(548,886)	954,698	(399,958)
\$ (53,222,271)	\$ (48,934,644)	\$ (47,840,569)	\$ (41,410,388)	\$ (39,011,741)	\$ (42,457,123)

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2019	2018	2017	2016
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 41,229,104	\$ 40,204,898	\$ 39,729,693	\$ 38,881,635
Local sales and use tax	4,868,752	4,627,344	4,363,168	4,132,108
Communication sales tax (1)	-	-	-	-
Consumer utility tax	740,458	733,044	725,381	716,300
Business license taxes	1,931,649	1,729,800	1,682,846	1,552,245
Restaurant food taxes	2,377,951	2,274,619	2,194,698	2,116,520
Other local taxes	1,195,686	1,199,763	1,202,114	1,109,601
Unrestricted revenues from use of money and property	484,500	356,250	202,694	154,286
Miscellaneous	396,215	321,874	432,749	670,380
Grants and contributions not restricted to specific programs	4,309,992	4,423,702	4,486,617	4,505,799
Transfers	-	(430,524)	(575,526)	(673,000)
Total governmental activities	\$ 57,534,307	\$ 55,440,770	\$ 54,444,434	\$ 53,165,874
Business-type activities:				
General property taxes	\$ 40,651	\$ 39,849	\$ 38,722	\$ 39,235
Unrestricted revenues from use of money and property	82,997	77,735	97,263	91,191
Grants and contributions not restricted to specific programs	-	779,370	-	-
Transfers	-	430,524	575,526	673,000
Total business-type activities	\$ 123,648	\$ 1,327,478	\$ 711,511	\$ 803,426
Total primary government	\$ 57,657,955	\$ 56,768,248	\$ 55,155,945	\$ 53,969,300
Change in Net Position				
Governmental activities	\$ 31,120	\$ 1,617,394	\$ 1,986,306	\$ (4,359,075)
Business-type activities	439,683	2,352,808	2,008,155	1,850,470
Total primary government	\$ 470,803	\$ 3,970,202	\$ 3,994,461	\$ (2,508,605)

(1) Beginning in FY10, the County began receiving communication sales tax from the Commonwealth of Virginia and reporting funds under grants and contributions not restricted to specific programs.

Table 2
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	2015	2014	2013	2012	2011	2010
\$	37,735,100	\$ 37,840,631	\$ 37,352,864	\$ 34,983,672	\$ 32,588,654	\$ 32,195,182
	3,993,673	3,811,874	3,777,448	3,729,207	3,537,751	3,547,316
	-	-	-	-	-	1,258,546
	711,867	707,280	702,582	699,428	700,959	698,238
	1,547,404	1,560,493	1,504,047	1,516,103	1,446,819	1,384,024
	1,896,892	1,857,472	1,857,427	1,789,149	1,669,468	1,632,857
	989,921	938,370	947,651	779,100	833,117	1,206,722
	174,416	182,207	177,210	154,387	159,151	203,980
	438,304	579,009	664,749	672,476	516,200	477,007
	4,500,206	4,540,079	4,559,150	4,543,046	4,518,651	3,013,996
	(673,758)	(673,758)	(673,758)	(480,000)	(500,000)	(500,000)
\$	<u>51,314,025</u>	<u>\$ 51,343,657</u>	<u>\$ 50,869,370</u>	<u>\$ 48,386,568</u>	<u>\$ 45,470,770</u>	<u>\$ 45,117,868</u>
\$	39,471	\$ 39,533	\$ 39,313	\$ 38,705	\$ 38,638	\$ 37,470
	86,723	86,490	112,266	98,396	98,531	120,080
	-	-	-	-	-	-
	673,758	673,758	673,758	480,000	500,000	500,000
\$	<u>799,952</u>	<u>\$ 799,781</u>	<u>\$ 825,337</u>	<u>\$ 617,101</u>	<u>\$ 637,169</u>	<u>\$ 657,550</u>
\$	<u>52,113,977</u>	<u>\$ 52,143,438</u>	<u>\$ 51,694,707</u>	<u>\$ 49,003,669</u>	<u>\$ 46,107,939</u>	<u>\$ 45,775,418</u>
\$	(2,448,170)	\$ 1,881,659	\$ 2,676,916	\$ 7,525,066	\$ 5,504,331	\$ 3,060,703
	1,339,876	1,327,135	1,177,222	68,215	1,591,867	257,592
\$	<u>(1,108,294)</u>	<u>\$ 3,208,794</u>	<u>\$ 3,854,138</u>	<u>\$ 7,593,281</u>	<u>\$ 7,096,198</u>	<u>\$ 3,318,295</u>

COUNTY OF GLOUCESTER, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	99,784	390,393	400,064	48,681
Restricted	38,307	79,268	82,362	77,013
Committed	2,440,816	1,983,468	1,672,041	1,310,127
Assigned	260,000	260,000	-	-
Unassigned	20,944,248	21,141,510	20,524,588	20,009,317
Total General Fund	<u>\$ 23,783,155</u>	<u>\$ 23,854,639</u>	<u>\$ 22,679,055</u>	<u>\$ 21,445,138</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Capital projects funds	-	-	-	-
Nonspendable	-	190,015	-	-
Restricted	137,100	125,000	115,400	97,400
Committed	685,451	700,298	696,419	692,639
Assigned	-	-	-	-
Unassigned	-	(190,015)	-	-
Total all other governmental funds	<u>\$ 822,551</u>	<u>\$ 825,298</u>	<u>\$ 811,819</u>	<u>\$ 790,039</u>

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY11.

Restatement of prior year balance is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 3

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,442
-	-	-	-	-	14,334,402
65,035	52,694	51,122	52,204	50,598	-
133,004	141,770	141,989	128,885	132,450	-
1,118,337	1,015,138	1,024,155	921,746	799,389	-
-	-	-	-	-	-
17,523,379	18,249,344	16,960,462	15,321,565	14,967,748	-
<u>\$ 18,839,755</u>	<u>\$ 19,458,946</u>	<u>\$ 18,177,728</u>	<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,000
-	-	-	-	-	2,810,371
-	-	-	-	-	-
54,400	31,400	19,000	19,000	19,000	-
4,986,303	22,701,947	13,398,162	9,840,182	5,225,558	-
-	257,062	244,485	239,297	-	-
-	-	-	-	-	-
<u>\$ 5,040,703</u>	<u>\$ 22,990,409</u>	<u>\$ 13,661,647</u>	<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2019	2018	2017	2016
REVENUES				
General property taxes	\$ 41,213,749	\$ 40,429,513	\$ 39,605,567	\$ 38,899,618
Other local taxes	11,114,496	10,564,570	10,168,207	9,626,774
Permits, privilege fees, and regulatory licenses	459,062	438,668	591,346	361,437
Fines and forfeitures	97,257	118,878	85,667	94,470
Revenue from the use of money and property	484,500	356,250	202,694	154,286
Charges for services	1,119,975	1,090,353	1,048,851	981,125
Miscellaneous	396,215	321,874	432,749	670,380
Recovered costs	222,897	434,664	413,302	362,494
Intergovernmental revenues:				
Commonwealth	10,734,135	10,781,075	10,822,673	11,074,903
Federal	2,839,871	3,279,385	3,134,341	2,444,316
Total revenues	\$ 68,682,157	\$ 67,815,230	\$ 66,505,397	\$ 64,669,803
EXPENDITURES				
Current:				
General government administration	\$ 6,388,524	\$ 5,963,044	\$ 5,725,817	\$ 5,559,742
Judicial administration	2,067,608	1,864,417	1,659,363	1,776,474
Public safety	14,944,726	13,715,518	13,267,144	12,431,841
Public works	2,343,097	2,157,205	2,066,222	2,203,795
Health and welfare	6,259,573	5,541,116	5,465,381	5,064,135
Education	26,337,674	24,850,100	24,202,067	22,873,774
Parks, recreation, and cultural	2,416,749	2,323,548	2,342,983	2,180,280
Community development	1,108,132	1,134,167	1,034,146	1,040,427
Nondepartmental	290,585	285,585	300,585	300,585
Capital projects	2,111,755	2,682,620	3,693,480	6,548,321
Debt service:				
Principal retirement	3,053,318	4,097,070	4,186,313	10,276,799
Interest and other fiscal charges	1,434,647	1,581,253	1,751,399	2,110,911
Principal retirement-School leases	-	-	-	-
Interest and other fiscal charges-School	-	-	-	-
Total expenditures	\$ 68,756,388	\$ 66,195,643	\$ 65,694,900	\$ 72,367,084
Excess (deficiency) of revenues over (under) expenditures	\$ (74,231)	\$ 1,619,587	\$ 810,497	\$ (7,697,281)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,532,333	\$ 8,279,537	\$ 8,369,496	\$ 7,729,031
Transfers out	(7,532,333)	(8,710,061)	(8,945,022)	(8,402,031)
Issuance of general obligation bonds	-	-	-	-
Bond premium issuance	-	-	-	-
Issuance of capital leases	-	-	1,020,726	-
Insurance recovery	-	-	-	-
Refunding of lease revenue bonds	-	-	-	6,725,000
Total other financing sources (uses)	\$ -	\$ (430,524)	\$ 445,200	\$ 6,052,000
Net change in fund balances	\$ (74,231)	\$ 1,189,063	\$ 1,255,697	\$ (1,645,281)
Fund balances - beginning	23,490,874	23,490,874	22,235,177	23,880,458
Fund balances - ending	\$ 23,416,643	\$ 24,679,937	\$ 23,490,874	\$ 22,235,177
Debt Service as a percentage of noncapital expenditures	6.67%	8.78%	9.30%	18.66%

Table 4

	2015		2014		2013		2012		2011		2010
\$	37,944,859	\$	37,996,998	\$	37,534,509	\$	34,600,348	\$	32,277,667	\$	31,916,749
	9,139,757		8,875,489		8,789,155		8,512,987		8,188,114		9,727,703
	379,645		352,330		307,747		318,074		262,490		285,060
	68,265		80,625		108,507		114,403		87,571		120,804
	174,416		182,207		177,210		154,387		159,151		203,980
	818,947		754,006		736,966		666,983		716,673		816,885
	438,304		579,009		664,749		672,476		516,200		477,007
	378,821		409,810		337,904		312,995		306,934		360,700
	11,800,473		11,034,381		10,781,890		10,422,899		10,517,539		9,033,241
	2,863,199		2,681,235		2,385,926		2,242,337		2,041,209		2,638,453
\$	<u>64,006,686</u>	\$	<u>62,946,090</u>	\$	<u>61,824,563</u>	\$	<u>58,017,889</u>	\$	<u>55,073,548</u>	\$	<u>55,580,582</u>
\$	5,506,522	\$	5,418,618	\$	5,027,276	\$	4,580,732	\$	4,391,984	\$	4,796,836
	1,720,444		1,812,592		1,634,575		1,644,976		1,511,513		1,473,565
	12,260,636		11,609,450		11,388,578		10,548,498		10,237,522		10,430,536
	2,156,828		2,172,118		2,119,356		2,021,420		1,879,012		1,866,165
	5,427,503		5,197,208		5,000,044		4,424,273		4,487,974		4,482,064
	23,055,992		22,839,193		22,777,077		20,419,880		20,969,964		20,323,168
	2,139,478		2,117,069		2,067,452		1,959,087		1,834,819		1,857,339
	972,068		1,034,876		901,444		746,246		731,327		728,581
	353,497		365,585		312,185		325,145		263,170		272,035
	22,500,605		14,208,476		5,825,679		5,540,772		2,925,484		2,698,567
	3,437,958		2,886,672		3,141,033		3,201,337		3,394,093		3,385,644
	2,293,936		1,653,660		1,695,351		1,702,835		1,858,998		2,012,572
	72,317		69,529		65,736		263,189		-		-
	4,041		8,255		12,048		18,318		-		-
\$	<u>81,901,825</u>	\$	<u>71,393,301</u>	\$	<u>61,967,834</u>	\$	<u>57,396,708</u>	\$	<u>54,485,860</u>	\$	<u>54,327,072</u>
\$	(17,895,139)	\$	(8,447,211)	\$	(143,271)	\$	621,181	\$	587,688	\$	1,253,510
\$	9,188,198	\$	8,000,299	\$	7,758,145	\$	10,042,633	\$	6,671,343	\$	6,578,300
	(9,861,956)		(8,674,057)		(8,431,903)		(10,522,633)		(7,171,343)		(7,078,300)
	-		15,845,000		5,999,684		500,000		-		-
	-		1,161,015		-		-		-		-
	-		-		-		-		-		-
	-		2,724,934		133,841		4,686,955		3,793,840		-
	-		-		-		-		-		-
\$	<u>(673,758)</u>	\$	<u>19,057,191</u>	\$	<u>5,459,767</u>	\$	<u>4,706,955</u>	\$	<u>3,293,840</u>	\$	<u>(500,000)</u>
\$	(18,568,897)	\$	10,609,980	\$	5,316,496	\$	5,328,136	\$	3,881,528	\$	753,510
	42,449,355		31,839,375		26,522,879		21,194,743		17,313,215		16,559,705
\$	<u>23,880,458</u>	\$	<u>42,449,355</u>	\$	<u>31,839,375</u>	\$	<u>26,522,879</u>	\$	<u>21,194,743</u>	\$	<u>17,313,215</u>
	9.20%		7.94%		8.57%		9.53%		9.84%		10.26%

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2019		2010	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 14,530,690	0.33 %	\$ 27,687,200	0.67 %
York River Crossing Shopping Center LLC	13,821,300	0.31	13,152,500	0.32
Wal-Mart Real Estate Business Trust	13,534,000	0.31	13,599,900	0.33
Walter Reed Memorial Hospital Inc	11,865,900	0.27		
Lowes Home Centers Inc	9,415,010	0.21	8,446,000	0.20
The Conservation Fund	9,167,870	0.21		
Horn Harbor Nursing Home Inc	8,921,450	0.20	7,188,600	0.17
Thousand Trails Inc	8,554,860	0.19	5,522,100	0.13
Gloucester Medical Arts I LLC	8,143,030	0.19	8,181,200	0.20
Aggregate Industries Land Company Inc	7,258,850	0.17		
Affordable Homes LLC			6,343,700	0.15
GH2, LLC			6,028,400	0.15
Timberneck, LLC			5,585,100	0.13
	<u>\$ 105,212,960</u>	<u>2.39 %</u>	<u>\$ 101,734,700</u>	<u>2.45 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2010	\$ 24,014,793	\$ 13,119	\$ 24,027,912	\$ 23,210,366	96.65%	\$ 811,784	\$ 24,022,150	99.98%
2011	23,809,339	21,823	23,831,162	23,008,680	96.64%	815,414	23,824,094	99.97%
2012	25,336,144	25,647	25,361,791	24,405,721	96.33%	948,192	25,353,913	99.97%
2013	26,903,346	5,391	26,908,737	26,076,913	96.93%	822,806	26,899,719	99.97%
2014	27,043,283	(16,870)	27,026,413	26,277,315	97.17%	737,895	27,015,210	99.96%
2015	27,615,708	(3,466)	27,612,242	26,880,696	97.34%	715,850	27,596,546	99.94%
2016	28,574,808	(3,251)	28,571,557	27,850,881	97.47%	686,773	28,537,654	99.88%
2017	29,192,667	(5,176)	29,187,491	28,438,565	97.42%	672,306	29,110,871	99.74%
2018	29,569,340	(2,936)	29,566,404	28,880,722	97.67%	464,076	29,344,798	99.25%
2019	29,892,524	-	29,892,524	29,203,018	97.69%	-	29,203,018	97.69%

Source: Gloucester County Treasurer's Department

Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
(in thousands of dollars)

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2010	\$ 3,713,586	\$ 443,021	\$ 305,263	\$ 4,156,607	0.58	\$ 4,156,607
2011	3,722,124	438,534	309,207	4,160,658	0.58	4,160,658
2012	3,752,701	439,874	306,387	4,192,575	0.65	4,192,575
2013	3,771,667	439,721	321,037	4,211,388	0.65	4,211,388
2014	3,799,377	437,932	322,225	4,237,310	0.65	4,237,310
2015	3,765,494	444,104	373,475	4,209,598	0.68	4,209,598
2016	3,797,973	443,944	358,584	4,241,916	0.695	4,241,916
2017	3,832,436	450,593	379,400	4,283,030	0.695	4,283,030
2018	3,788,637	559,903	385,986	4,348,540	0.695	4,348,540
2019	3,828,993	560,855	392,341	4,389,849	0.695	4,389,849

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Ten Calendar Years

Calendar Year Ended		Personal Property (1)		Machinery & Tools (1)		Boats (1)		Public Service (2)		Total
2010	\$	391,285,273	\$	8,608,825	\$	32,179,200	\$	80,613,575	\$	512,686,873
2011		385,778,693		7,811,202		35,990,400		87,981,942		517,562,237
2012		386,217,977		8,305,399		34,894,358		104,938,440		534,356,174
2013		400,536,792		8,218,191		43,702,556		155,642,943		608,100,482
2014		385,658,488		10,197,427		43,689,419		155,392,600		594,937,934
2015		385,720,050		10,298,798		41,513,977		158,444,423		595,977,248
2016		399,860,453		8,258,417		42,504,814		137,719,792		588,343,476
2017		401,812,412		8,221,958		43,339,570		139,424,060		592,798,000
2018		416,210,705		9,127,041		49,670,200		141,956,353		616,964,299
2019		443,372,502		9,117,208		55,722,634		149,841,016		658,053,360

(1) Source: Commissioner of Revenue, BOS eliminated the Boat Tax effective calendar year 2015

(2) Property assessments performed by the State Corporation Commission and includes real estate

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Percentage of Personal Income	Per Capita(a)
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government		
2010	\$ 20,343,490	\$ 3,063,520	\$ 18,297,844	\$ 10,465	\$ 21,974,346	\$ 63,689,665	4.34%	\$ 1,727.97
2011	18,965,853	2,523,520	16,788,573	-	20,414,345	58,692,291	3.84%	1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.65%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.83%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.46%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	3.91%	1,774.80
2016	34,798,831	720,324	9,444,609	-	15,060,214	60,023,978	3.51%	1,623.02
2017	32,755,003	470,324	8,467,388	-	12,625,476	54,318,191	3.04%	1,461.38
2018	30,741,581	220,324	6,528,278	-	10,065,738	47,555,921	N/A*	1,278.59
2019	28,373,341	-	5,958,063	-	7,402,000	41,733,404	N/A*	1,122.05

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(a) Italicized amounts are estimates.

*Information not available at the time of completion.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total	Per Capita(a)	
2010	\$ 20,343,490	\$ 10,465	\$ 20,353,955	\$ 552.23	0.49%
2011	18,965,853	-	18,965,853	512.77	0.46%
2012	18,089,833	-	18,089,833	489.23	0.43%
2013	22,804,937	-	22,804,937	612.51	0.54%
2014	38,548,607	-	38,548,607	1,035.56	0.91%
2015	36,773,293	-	36,773,293	991.94	0.87%
2016	34,798,831	-	34,798,831	940.94	0.82%
2017	32,755,003	-	32,755,003	881.25	0.76%
2018	30,741,581	-	30,741,581	826.52	0.71%
2019	28,373,341	-	28,373,341	762.85	0.65%

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(a) Population data can be found in Table 12

(b) See Table 7 for property value data

(c) Italicized amounts are estimates.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year			Less:		Net		Debt Service		Coverage		
	Utilities		Operating		Available						
	Revenue		Expenses		Revenue		Principal	Interest			
2010	\$	3,983,717	\$	2,512,351	\$	1,471,366	\$	1,549,417	\$	1,116,472	0.55
2011		3,992,815		2,262,613		1,730,202		1,553,840		1,045,582	0.67
2012		3,893,650		2,780,595		1,113,055		1,790,872		1,063,304	0.39
2013		3,845,738		2,609,469		1,236,269		1,106,435		990,618	0.59
2014		4,193,272		2,550,179		1,643,093		1,987,000		793,760	0.59
2015		4,135,611		2,324,954		1,810,657		2,043,000		729,787	0.65
2016		4,161,870		2,318,445		1,843,425		1,980,000		766,538	0.67
2017		4,310,610		2,381,453		1,929,157		2,257,000		431,533	0.72
2018		4,179,603		2,289,258		1,890,345		2,382,000		309,767	0.70
2019		4,087,832		2,982,716		1,105,116		2,486,000		66,148	0.43

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Operating expenses above exclude interest, depreciation and amortization of loan costs.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
2009	36,776	\$ 1,479,918	\$ 40,239	6.1 %	5,925
2010	36,858	1,468,467	39,754	6.4	5,860
2011	36,987	1,526,573	41,366	5.2	5,925
2012	36,976	1,581,022	42,836	5.5	5,650
2013	37,232	1,561,586	42,427	5.1	5,469
2014	37,225	1,605,939	43,263	4.9	5,413
2015	37,072	1,683,496	45,397	4.1	5,316
2016	36,983	1,708,973	46,467	3.7	5,320
2017	37,169	1,787,607	47,935	3.4	5,245
2018	37,194	N/A*	N/A*	2.5	5,316

*Information not available at the time of completion.

Sources:

- (1) Weldon Cooper Center for Public Service at the University of Virginia
- (2) Bureau of Economic Analysis (Revised Estimates at November 15, 2018)
- (3) Virginia Employment Commission
- (4) Gloucester County Schools (Budget Document)

Principal Employers

Current Year and Nine Years Ago

Employer	2019		2010	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County Schools	500 - 999	5.4 - 10.7	1000+	10+
Riverside Regional Medical Center	500 - 999	5.4 - 10.7	250 - 499	2.7 - 5.4
Wal-Mart	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
County of Gloucester	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
Virginia Institute of Marine Science	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
Rappahannock Community College	100 - 249	1.1 - 2.7	100 - 249	1.1 - 2.7
Lowes' Home Centers Inc	100 - 249	1.1 - 2.7	100 - 249	1.1 - 2.7
York Convalescent Center	100 - 249	1.1 - 2.7		
Food Lion	100 - 249	1.1 - 2.7		
The Home Depot	100 - 249	1.1 - 2.7	50 - 99	Less than 1.1
JL Jkm Enterprises Lc	50 - 99	Less than 1.1		
Kroger (formerly Farm Fresh)	50 - 99	Less than 1.1		
Industrial Resource Technology	50 - 99	Less than 1.1	250 - 499	2.7 - 5.4
Dominion Virginia Power			50 - 99	Less than 1.1
Whitley's Peanuts			50 - 99	Less than 1.1
Rappahannock Concrete			50 - 99	Less than 1.1
York River Yacht Haven			50 - 99	Less than 1.1
Verizon			50 - 99	Less than 1.1
Peace Frogs			50 - 99	Less than 1.1

Sources:

Virginia Employment Commission

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government Administration										
Board of Supervisors	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
County Administration	5.0	5.0	4.5	5.0	7.0	6.0	4.5	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Human Resources	5.0	5.0	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5	8.5
Real Estate Assessment	5.0	5.0	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.0
Treasurer	8.5	8.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0
Financial Services	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Information Technology	8.5	8.5	9.0	9.0	8.0	9.0	9.0	9.0	12.5	13.0
GIS (included with IT until 2012)	2.5	2.5	2.5	2.5	3.5	3.5	3.5	3.5	-	-
Central Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
VA Housing Dev. Authority	-	-	-	-	-	-	-	-	-	2.0
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Judicial Administration										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Victim Witness	2.5	2.5	2.5	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Commonwealth Attorney	9.0	8.0	7.5	7.5	7.5	7.5	7.5	7.5	8.0	8.5
Public Safety										
Sheriff	65.0	65.0	65.0	64.0	64.0	61.5	50.0	50.0	48.0	49.0
E-911 (Combined w/Sheriff 2014)				-	-	-	11.5	11.5	11.5	11.5
Jail (included w/Sheriff until 2006)	33.5	33.5	33.0	36.5	38.5	37.5	37.0	35.0	35.5	38.0
Probation/Pretrial	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.5	7.5
Codes	-	-	-	-	-	-	14.0	13.0	13.0	14.0
Building Inspections	7.5	7.5	8.0	8.0	7.0	6.0	-	-	-	-
Environmental Programs	4.0	4.0	4.5	4.0	4.0	4.0	-	-	-	-
Animal Control	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	3.0	3.0	3.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Public Works										
Engineering	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0	3.0	4.0
Facilities Management	26.0	26.0	27.0	28.0	28.0	28.5	28.5	28.5	28.0	28.0
Education										
Community Engagement	8.0	8.0	8.0	8.0	7.5	7.5	7.5	7.5	8.0	8.0
Cable Services	-	-	-	-	-	-	0.5	0.5	-	0.5
Parks, Recreation & Cultural										
Parks & Recreation	5.5	5.5	5.5	5.5	8.5	8.5	8.5	8.5	8.5	8.5
Park Operations	6.5	6.5	6.5	6.0	3.0	3.0	2.0	2.0	2.0	3.0
Historical (combined w/Tourism 2014)	-	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5
Library	12.0	12.0	12.0	12.0	12.5	12.5	12.5	12.5	12.0	12.0
Community Development										
Planning & Zoning	7.0	7.0	7.0	6.0	7.0	7.0	5.0	5.0	5.0	5.0
Economic Development	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	2.0	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utilities	26.5	24.5	23.5	24.5	26.0	26.0	26.0	26.0	25.0	25.5
TOTAL	306	302	303	307	312	308	306	303	299	312

Source: Gloucester County Human Resources Department
Work as Required employees are not included.

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sheriff's Department (1)				
Reports taken	N/A	47,286	48,601	45,020
Civil processed record workload	N/A	29,017	33,240	31,737
Circuit court days	N/A	182	172	210
General district court days	N/A	113	107	104
Juvenile and domestic court days	N/A	240	250	252
Inmate average daily population	N/A	41	31	43
Parks, Recreation & Tourism (2)				
Number of Participants	4,980	5,008	4,567	4,772
Library (3)				
Material circulated	169,129	140,825	197,281	183,566
Library patrons	38,441	36,706	35,089	37,185
Water system (4)				
Number of customers	4,936	4,890	4,835	4,728
Average daily consumption	822,452	869,742	863,441	834,800
Annual consumption in gallons	300,195,000	317,456,000	315,156,000	304,700,000

Sources:

- (1) Gloucester County Sheriff's Department (Information compiled each calendar year)
- (2) Gloucester County Parks, Recreation & Tourism Department
- (3) Gloucester County Library
- (4) Gloucester County Public Utilities

N/A - This information is not available.

Table 15

2015	2014	2013	2012	2011	2010
43,584	39,350	38,808	38,414	37,076	36,219
30,530	30,757	42,873	35,242	38,266	30,255
207	196	175	164	168	180
109	113	116	114	115	113
234	240	237	208	145	162
45	79	86	84	74	77
4,489	3,957	3,920	4,019	4,170	4,393
172,769	169,016	179,320	216,787	229,986	241,379
35,396	33,256	29,295	31,769	32,786	36,284
4,629	4,629	4,588	4,565	4,523	4,499
838,400	827,000	809,000	835,478	884,471	886,783
306,030,000	301,865,000	295,456,000	305,785,000	322,832,000	323,676,000

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High Volume Users of Water System
Current Year and Nine Years Ago

Customer name	2019		2010	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
Walter Reed Convalescent Center	358,000	11,933	332,000	11,067
V.I.M.S. -MRL	352,000	11,733	304,000	10,133
John A. Franklin (Elm Street MHP)	308,000	10,267		
John A. Franklin (Wicomico Trailer Park)	206,000	6,867		
York River MHP	188,000	6,267		
V.I.M.S. -SRL	180,000	6,000	267,000	8,900
RAI Dialysis Care Centers of VA	175,000	5,833		
York River Yacht Haven	174,000	5,800	202,000	6,733
Colonial Point Apartments	157,000	5,233		
Super Wal-Mart	144,000	4,800	177,000	5,900
Riverside Walter Reed Hospital/Dialysis			455,000	15,167
Wilkins, LLC			267,000	8,900
VIMS Chesapeake Bay Hall			252,000	8,400
Water Wizard Car Wash			203,000	6,767
Gloucester County Jail			191,000	6,367
Hogg Funeral Home			190,000	6,333

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2019	2018	2017	2016
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	41	32	32	31
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	7	7	8	8
Park acreage owned by the County	220	220	221	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

- (1) Gloucester County Sheriff's Office
- (2) Gloucester County Department of Emergency Services
- (3) Gloucester County Department of Parks, Recreation & Tourism
- (4) Gloucester County Library
- (5) Gloucester County Public Utilities

Table 17

2015	2014	2013	2012	2011	2010	2009
1	1	1	1	1	1	1
33	33	33	33	34	27	27
1	1	1	1	1	1	1
1	1	1	1	1	1	1
6	6	6	6	6	6	6
8	8	8	8	8	8	8
221	221	221	221	185	185	185
44	44	44	44	40	40	40
2	2	2	2	2	2	2
1	1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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COMPLIANCE SECTION

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**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 Gloucester
Gloucester, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Gloucester, Virginia's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farmer, Cox Associate

Richmond, Virginia
October 25, 2019



**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 Gloucester
Gloucester, Virginia**

Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, 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 Gloucester, Virginia's major federal programs for the year ended June 30, 2019. County of Gloucester, 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 Gloucester, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Gloucester, 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 Gloucester, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Gloucester, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of County of Gloucester, 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 Gloucester, 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 Gloucester, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 25, 2019

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 14,669
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	160
Low-Income Home Energy Assistance	93.568	0600409/0600410	35,852
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400109/0400110	215,834
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760109/0760110	39,289
Adoption and Legal Guardianship Incentive Payments	93.603	1120109/1120110	815
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	265
Foster Care - Title IV-E	93.658	1100109/1100110	304,366
Adoption Assistance	93.659	1120109/1120110	246,642
Social Services Block Grant	93.667	1000109/1000110	212,377
Chafee Foster Care Independence Program	93.674	9150108-9150110	3,676
Children's Health Insurance Program	93.767	0540109/0540110	11,746
Medical Assistance Program (Medicaid Cluster)	93.778	1200109/1200110	558,905
Total Department of Health and Human Services			\$ 1,644,596
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 288,533
Department of Agriculture:			
Food Distribution--School	10.555	not available	171,221
Department of Education:			
National School Lunch Program	10.555	1790100-40623	934,390
		Total 10.555	\$ 1,105,611
Total Child Nutrition Cluster			\$ 1,394,144
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110	\$ 501,450
Total Department of Agriculture			\$ 1,895,594
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 5,652
Pass Through Payments:			
Commonwealth of Virginia, Office of the Attorney General			
Equitable Sharing Program	16.922	not available	3,366
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	39001-10220	77,728
Violence Against Women Formula Grants	16.588	3900100-46500	39,665
Total Department of Justice			\$ 126,411

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	7750100-52749	\$ 13,644
Homeland Security:			
Hazard Mitigation Grant	97.039	7760200-111,132	36,309
Total Department of Homeland Security			\$ 49,953
Department of Transportation:			
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction (Highway Planning and Construction Cluster)	20.205	603002-103579	\$ 73,499
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	6050700-53454	15,123
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	6050700-53351	21,893
Total Highway Safety Cluster			\$ 37,016
Total Department of Transportation			\$ 110,515
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 102,825
Total Department of Defense			\$ 102,825
Department of the Interior:			
Direct Payments:			
Chesapeake Bay Gateways Network	15.930	N/A	\$ 48,700
Total Department of the Interior			\$ 48,700
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 116,844
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	729,740
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,142,331
Special Education - Preschool Grants	84.173	1790100-82521	34,428
Total Special Education Cluster			\$ 1,176,759
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	78,256
Supporting Effective Instruction State Grants	84.367	1790100-61480	183,594
Student Support and Academic Enrichment Program	84.424	S424A170048	47,194
Total Department of Education			\$ 2,332,387
Total Expenditures of Federal Awards			\$ 6,310,981

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Gloucester, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	320,697
Debt Service Fund		241,457
Special Revenue Funds:		
Virginia Public Assistance Fund		1,987,906
CSA Fund		31,303
Capital Projects Funds:		
County Capital Projects Fund		258,508
Total primary government	\$	<u>2,839,871</u>

Component Unit School Board:

School Operating Fund	\$	2,435,212
School Cafeteria Fund		1,394,144
Total component unit School Board	\$	<u>3,829,356</u>

Less: BABs federal interest rate subsidy		(241,457)
Less: Environmental Protection Agency Clean School Bus Rebate		(100,000)
Less: Payment in lieu of taxes		<u>(16,789)</u>
Total federal expenditures per basic financial statements	\$	<u>6,310,981</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 6,310,981

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Type of auditors' report issued on compliance for major programs. unmodified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.