County of Campbell, Virginia

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Prepared By:
Management Services Department

COUNTY OF CAMPBELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Campbell County
Virginia

Board of Supervisors
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November 21, 2017

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Campbell, Virginia, (the "County"), for the fiscal year ended June 30, 2017. This report was prepared by the County's Department of Management Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations.

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

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

THE REPORTING ENTITY AND ITS SERVICES

The County of Campbell report includes all funds of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, public works, libraries, economic development, law enforcement, social services, recreation and cultural activities, and community development. Additionally, the County is responsible for funding primary and secondary education and appoints a separate board to handle utilities. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board and the Industrial Development Authority are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government. The IDA is a legally separate organization providing economic development services to the County whose board is appointed by the County Board of Supervisors. In addition, the IDA imposes a financial burden on the County.

CAMPBELL COUNTY DEMOGRAPHIC & ECONOMIC DEVELOPMENT INFORMATION

The Campbell County Department of Economic Development has been quite busy during FY17 with several announcements, including Standard Insurance. Total capital investment is 39.4 million dollars with 88 new jobs created. The Timken Company closed its doors this year, unfortunately for our community.

Campbell County's existing industrial sectors include but are not limited to advanced manufacturing, agricultural, automotive, banking/finance, call/customer service centers, forest/wood products, furniture, metal fabrication, nuclear engineering/fabrication, pharmaceutical, plastics, printing, textile, and trucking.

In FY 2017 Campbell County's unemployment rate ranged from a 4.0% to 4.7% with an average of 4.4%. During FY 2017 Virginia averaged 3.9% in unemployment rates and the national average was 4.6%. Again Campbell County trended higher than the state but slightly lower than the national averages.

The Weldon Cooper Center reports that Campbell County's population for 2016 is 55,562, which is up from the 2010 Census numbers of 54,842.

CAMPBELL COUNTY DEMOGRAPHIC & ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2017 Major Economic Development Department Accomplishments/Initiatives

- **Business Appreciation Month-** The month of May was celebrated as Business Appreciation Month in Virginia. Campbell County mailed out over 2,500 letters to area businesses thanking them for their contributions to the County. In honor of the month's festivities, Mr. Nathaniel "Nat" Marshall was the speaker for the 14th Annual Business Appreciation Luncheon with a turnout of over 70 professionals.

- **Tobacco Agriculture Grants –** Campbell County continued to administer the Central Virginia Producer Support Grant. A new grant, the Central Virginia Pasture, Crops and Livestock Grant started.

- **Brookneal Campbell County Airport-** The Department of Economic Development provides administrative support to the Brookneal Campbell County Airport. During FY 17 the Airport experienced several new appointees to its Board. Lots of new innovative ideas have resulted from these appointments.

- **Marketing-** Our continued partnership with the City of Lynchburg and the Town of Altavista along with our Richmond-based consultant service over the last few years has resulted in three campaigns, 18 different business conversations, material and data sent to 8 businesses, two out-of-town business visits and two local site visits.

- **Product Development**- We have started the process of subdividing the lots in Seneca Commerce Park to make them more appealing to businesses. Additionally, the Campbell County IDA is working to construct a 10,000 square foot building on one of the vacant lots in Seneca Commerce Park, with the hopes that a tenant will soon be occupying it.

- **Website**- We continue to utilize our website as our main marketing tool for businesses and consultants, alike. We have noted a specific "site selection" button for easy access to site selectors on behalf of businesses currently on the hunt for properties.

- **Continuing Education**- Staff members continued their educational and developmental opportunities this year. Attendance was given to the Virginia Industrial Development Authority Institute, the Virginia Institute for Economic Development, and Oklahoma University's Economic Development Institute.

FY 2017 Other Initiatives:

For fiscal year 2017: The Priority Initiatives established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced quality of life and increased employment opportunities.

Initiatives begun, continued, or completed during this fiscal year are as follows:

- In October 2016 the Public Information Office combined with the Department of Human Resources to form the Department of Public and Employee Relations. This new function focuses on enhancing communications both internally and with external audiences as well as building and maintaining stronger relationships within the organization and the community.

- Public Works completed the Mt. Vista roundabout road construction project

- Public Works accomplished substantial progress towards completion of the Liberty Mountain Drive with the project to be finished in FY 2018.

- Public Works completed installation of a new HVAC system on the South end of the School Administration building.

CAMPBELL COUNTY DEMOGRAPHIC & ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2017 Other Initiatives: (Continued)

- Public Works in conjunction with Parks and Recreation completed a new pavilion for Community Park in Brookneal.
- A Solid Waste study project was completed for planning purposes related to waste disposal for Regions 2000 Authority.
- Parks and Recreation, in conjunction with Bedford County, held the “Blue Ridge Bowl” which consisted of multiple football games for ages 7-13 at Liberty University’s football stadium. The event drew great interest since Campbell County typically does not play Bedford County in football games.
- Parks and Recreation, in conjunction with Shentel, projected movies for the community in Timbrook Park with better than expected turnout during the summer.

PROPERTY TAX RATES

There were no changes in property tax rates for FY 2017. The Real Estate Tax rate of 52 cents per $100 assessed value remains unchanged.

GOVERNMENT’S FINANCIAL POLICIES AND LONG TERM FINANCIAL PLANNING

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct proportion to the reduction in State funding. During the FY 2010 budget in the spring of 2009 the Board of Supervisors adopted a strategy to build up fund reserves through the use of heightened expenditure controls. A portion of those additional fund reserves would be used as needed as part of a step-down strategy over a period of four years to offset revenue losses due to the weakened economy and due to funding reductions from the State in order to help offset service delivery reductions, primarily in the area of education, until the economy improved. This adopted fund reserve strategy served its purpose well and enabled the county to weather the adverse economic environment until the local economy showed significant improvement beginning in FY 2013. The local economy has continued to show modest improvement each year since FY 2013.

The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budgets of the General Fund and School Operating Fund. For the FY 2017 budget year this totals 15% of $122.3 million or $18.3 million. The minimum target set by the County is 10%, or $12.2 million based on the FY 2017 budget. The 15% target of $18.3 million represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County’s fiscal soundness for borrowing capacity. The year-end unassigned general fund balance of $20.1 million is above the targeted $18.1 million. However, $3.7 million was then appropriated or assigned by the Board in FY 2018 for future needs of school maintenance, economic development, debt service, health fund, county encumbrances and a small CIP project.

The County utilizes an annual comprehensive planning process to look at long-term capital and operational needs. This process leads to the development of a formal Priority Initiative Plan and Timeline that identifies future funding requirements of up to ten years for Priority Initiatives. This plan is adopted by the Board of Supervisors in February of each year and used to develop the annual operating budget. Additionally, this same process yields a five-year Capital Improvement Plan (CIP) for the primary government and schools that is formally adopted by the Board in the spring of each year in conjunction with the annual operating budget.

OTHER INFORMATION

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

Independent Audit: The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

Certificate of Achievement: In order to be awarded a Certificate of Achievement from the Government Finance Officers Association, 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. The County has been the recipient of this prestigious award for the last thirteen successive years.

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance and Management Services. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner. In addition we would like to thank the Commissioner of the Revenue, Real Estate Office, Community Development, Economic Development and other employees for their assistance in the preparation of this report.

Respectfully submitted,

Frank Rogers
County Administrator

Tyler Carraway
Director of Finance & Management Services

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Campbell

Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

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COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2017

BOARD OF SUPERVISORS

Mike P. Rousseau, Chairman
Bob Good, Vice-Chairman

James A. Borland	James D. Puckett
Stanley I. Goldsmith	Eric R. Zehr
Eddie Gunter, Jr.	

COUNTY SCHOOL BOARD

Scott A. Miller, Chairman
Barry A. Jones, Vice-Chairman

G. Roger Akers	Susan R. Hogg
R. Leon Brandt	Gary R. Mattox
Mark A. Epperson	

COUNTY LIBRARY BOARD

Sandra Lichtenberger, Chairman
Karen Gunter, Vice-Chairman

Stanley I. Goldsmith	Kathy Mosebrook
George Jones	Tamara Nuckols
Charlotte Lane	Cindy Shockley

OTHER OFFICIALS

Judge of the Circuit Court	John T. Cook
Clerk of the Circuit Court	Sheila Bosiger
Chief Judge of the General District Court	Sam D. Eggleston, III
Presiding Judge of the General District Court	Stephanie S. Maddox
Judge of the Juvenile & Domestic Relations Circuit Court	A. Ellen White
Commonwealth's Attorney	Paul McAndrews
County Attorney	David W. Shreve
Commissioner of the Revenue	Calvin C. Massie, Jr.
Treasurer	Robin T. Jefferson
Sheriff	Steve A. Hutcherson
Superintendent of Schools	Dr. Robert Johnson
Social Services Director	Lisa Linthicum
County Administrator	Frank J. Rogers

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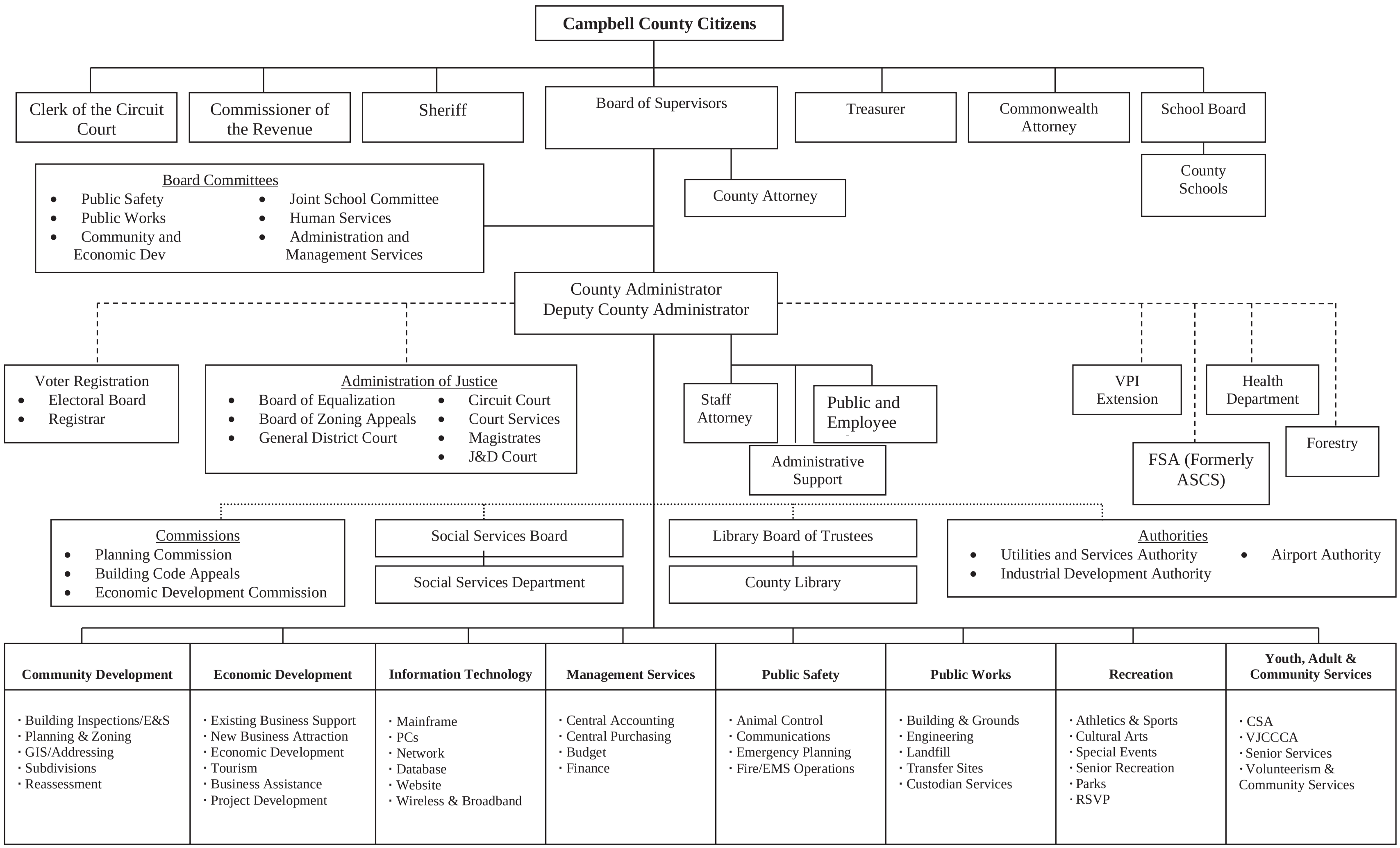
CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART
2017



Revised 11/1/16

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 17-28, 105-108, and 109-114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Campbell, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of the County of Campbell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Campbell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 17, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflow of resources at the close of fiscal year 2017 by $49,510,694 (net position). During the current fiscal year, the County's net position increased by $2,769,351.

- The County's combined funds reported year-ending fund balances totaling $37,007,474 and reflected a considerable increase of $4,237,743 from the previous year. The majority of the increase is due to cash and restricted fund balance for road construction in cooperation with Liberty University.

- At the end of the current fiscal year 2017, the unassigned fund balance for the general fund of $20,106,540 represented 29.0% of the total general fund expenditures and transfers for the year. The unassigned fund balance for the general fund increased by $5,001,827. $1,599,275 of the year-end fund balance was appropriated or assigned in FY18 for future needs for school maintenance, future economic development and future debt service.

- The County has established a target unassigned general fund balance of 15% of the combine non-dedicated budget of the General Fund and School Operating Fund. For the FY 2018 budget year this totals 15% of $122.3 million or $18.3 million. The minimum target set by the County is 10% or $12.2 million, based on the FY 2018 budget. The 15% target represent approximately 60 days of operating reserve, required financial assurance measures for solid waste activities and demonstrates the County's fiscal soundness for borrowing capacity.

Overview of the Financial Statements

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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

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

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

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

<u>Overview of the Financial Statements: (Continued)</u>

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration, public safety, administration of justice, education, health and welfare, planning and community development and parks, recreation, and cultural activities.

The government-wide financial statements include not only the County of Campbell, Virginia itself (known as the primary government), but also a legally separate school district and an Industrial Development Authority (IDA) for which the County of Campbell, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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

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

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

The County maintains four 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, the Solid Waste Management Fund, the General Capital Projects Fund, and the School Construction Capital Projects Fund, all of which are considered to be major funds.

The County established a separate fund in FY 2015 for road sharing construction projects involving Liberty University and the Virginia Department of Transportation. The County does not provide funding for these road projects and will serve as a pass-through. There resides $4.3 million in cash in this fund as of June 30, 2017 which was contributed by Liberty University and the Virginia Department of Transportation.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, the Special Revenue Fund the Capital Projects Funds, and the School Construction Projects fund to demonstrate compliance with this budget.

Overview of the Financial Statements: (Continued)

Proprietary funds - The County maintains one proprietary fund – the Health Insurance Fund. The Health Insurance Fund is an internal service fund and is used to account for costs of providing health and dental insurance to county and school employees as well as employees of Campbell County Utilities and Service Authority (CCUSA). Proprietary funds use the accrual basis of accounting, similar to a private sector business. These funds are restricted in their use for current and future health related costs only, including a reserve to meet future retiree obligations.

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

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for two discretely presented component units consisting of the School Board and the IDA. Neither the School Board, or IDA, issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by $49,510,694 at the close of fiscal year 2017.

Summary of Net Position

	Governmental Activities	
	2017	**2016**
Assets		
Current and other assets	$ 85,692,037	$ 81,279,819
Capital assets	60,162,627	64,649,478
Total assets	$ 145,854,664	$ 145,929,297
Deferred outflows of resources	$ 3,229,196	$ 2,251,788
Liabilities		
Long-term liabilities	$ 53,970,426	$ 55,220,943
Current liabilities	4,335,735	4,442,413
Total liabilities	$ 58,306,161	$ 59,663,356
Deferred inflows of resources	$ 41,267,005	$ 41,776,386
Net position:		
Net investment in capital assets	$ 24,156,518	$ 24,885,321
Restricted	4,434,798	1,923,436
Unrestricted	20,919,378	19,932,586
Total net position	$ 49,510,694	$ 46,741,343

Government-wide Financial Analysis: (Continued)

The largest portion of the County's net position of $24,156,518 (48.8% of total net position), reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the County's net position is $25,354,176 (51.2% of total net position) and primarily consists of cash, cash equivalents and investments. $4.4 million of the net position reported for the County is restricted to Road Sharing Construction Projects representing monies contributed by Liberty University and VDOT. At the end of the current fiscal year, the County is able to report positive balances in all categories of net position. The County's net position increased in the amount of $2,769,351.

The net other postemployment benefits (OPEB) obligation for the primary government recorded as of June 30, 2017 was $3,372,751 covering the liability for post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of $321,781 for this obligation from the previous fiscal year end. The County has chosen not to fund the OPEB liability, but rather has changed its retirement benefits policy to no longer offer County subsidized health insurance premiums to retirees hired after July 1, 2010, and extended the policy for those hired between July 1, 2006 and June 30, 2010 to be eligible only after 20 years of service with the County rather than 10 years of service. These policy changes have dramatically reduced the OPEB liability and annual OPEB costs from what they would have been had these changes not been made. The OPEB liability and OPEB annual costs will still increase on the County's balance sheet going forward due to inflationary pressures of future health care costs for the foreseeable future. However, the OPEB liability and the OPEB annual costs would be increasing at a much higher amount had the county not made these changes to the health insurance retiree benefits program coverage for early retirees.

Health Insurance Fund: Health Insurance Fund net position of $3,157,967 decreased by $194,028 primarily as a result of the continued contribution from the Health Insurance Fund reserves for contributions to employee-owned HSA accounts of $1,635,580 annually. Health and dental claims, administration costs and other insurance expenses totaled $11,537,263 for the year and were $1,226,033 less than combined employer and employee premium contributions to the fund.

The County's policy is to maintain a targeted fund balance in the Health Insurance Fund that represents two years at 15% each of the total anticipated claims and administration costs for the upcoming year. The targeted net position for the Health Insurance Fund is $3.7 million based on projected self–insured medical insurance claims and administration costs anticipated for next year. Additionally, the health insurance fund balance as reported in the Statement of Net Position of $3.2 million also reflects a reduction in net position of $1,090,479 representing estimated costs for claims incurred but not reported (IBNR) for year-end FY 2017. The purpose of the targeted net position is to provide funding for the short-term self-insured liability of the Fund. Funds above this amount are utilized to stabilize premium contribution rates over a longer period of time and pay for the continuation of the contributions to the Health Savings Accounts.

HSA contributions for the year totaled $2,331,574 for the year on a combined basis for employer and employee contributions for County, Schools and CCUSA employees. The employees contributed $695,994 of this amount. The County and Schools system implemented a high deductible plan coupled with an IRS qualified Health Savings Account (HSA) on January 1, 2012 and this has resulted in significantly lower claims and administrative costs than would be expected with a traditional guaranteed-cost health insurance program.

Government-wide Financial Analysis: (Continued)

Governmental Activities: As stated earlier Governmental Activities resulted in an increase in the County's net position of $2,769,351 or 5.9%. Elements of the changes in net position of the Primary Government are summarized as follows:

Changes in Net Position - Statement of Activities

	Governmental Activities	
	2017	**2016**
Program Revenues:		
Charges for services	$ 3,628,351	$ 3,769,313
Operating grants and contributions	12,227,418	11,881,220
Capital grants and contributions	1,451,825	1,179,300
General Revenues:		
General property taxes	39,533,657	38,165,753
Other local taxes	11,048,948	10,819,564
Use of money and property	284,381	442,270
Grants and contributions not restricted	5,277,881	5,292,660
Miscellaneous revenue	4,273,118	1,434,795
Total revenues	$ 77,725,579	$ 72,984,875
Expenses		
General government administration	$ 4,945,114	$ 5,024,792
Judicial administration	1,844,547	1,664,229
Public safety	15,096,746	14,452,365
Public works	3,874,059	3,666,489
Health and welfare	10,908,973	10,467,241
Education	31,018,186	28,073,483
Parks, recreation and cultural	1,877,096	1,833,900
Community development	4,340,246	2,997,625
Interest and other fiscal charges	1,051,261	3,896,145
Total expenses	$ 74,956,228	$ 72,076,269
Change in net position	2,769,351	908,606
Net position, beginning	$ 46,741,343	$ 45,832,737
Net position, ending	$ 49,510,694	$ 46,741,343

Actual revenues for governmental activities for all primary government funds for the year on a combined basis exceeded actual expenses in the amount of $2,769,351 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled $3,669,592. Revenues for governmental activities increased by $4,740,704 or 6.5%.

Governmental-Wide expenses, including current year depreciation on capital assets, increased by $2,879,959 or 4.0% as is explained below.

EXPENSES - PRIMARY GOVERNMENT – SIGNIFICANT CHANGES

- Education actual expenses for the primary government increased by $2.9 million primarily in the form of the transfer from the General Fund to the School's Operating Fund and the recording of transfer of capital assets held as joint tenancy assets. More information regarding the transfer of joint tenancy capital assets can be found in Note 6 of the Notes to Financial Statements. The actual transfer to the Schools from the General Fund was still below what was budgeted in the fiscal year. The remaining difference were dollars appropriated by the Board of Supervisors, either for School Maintenance needs or in encumbrances and carryovers for the coming year.

- Public Works actual expenses increased $207,570 due to an increase in depreciation expense and noncapitalized expenses resulting from capital outlay.

- Public Safety & Law Enforcement actual expenditures increased $644,381. The increase in expenses can be attributed to increase in contributions for the fire and EMS apparatus replacement program.

- Actual Interest & Other Fiscal Charges decreased by $2.8 million. The one-time SWAP agreement fee for the bond refinancing completed in FY16 in the amount of just over $2 million was satisfied in FY16 and Interest and Other Charges have fallen back to a range the County should expect to see going forward.

- Health & Welfare expenses have increased $441,732 due to the rise in Special Needs Adoption and the Aid to Dependent Children & Families (ADCFC). The rise in costs for these programs indicate the need for increased services. Special Needs Adoption saw an increase of $131,523 and ADCFC increased $201,028 over FY16.

- Community Development increased approximately $1.3 million with the vast majority of the increase attributable to the road sharing construction projects paid by Liberty University and the Virginia Department of Transportation.

PROGRAM/GENERAL REVENUES – PRIMARY GOVERNMENT

As stated above total revenues for governmental activities increased by $4,740,704 or 6.5%, as compared to the previous year. Of that amount, $3,876,816 are two road sharing projects with Liberty University (Miscellaneous Revenue); construction of a roundabout and Liberty Mountain Drive. Overall, Campbell County has continued growth in the local economy and the following are some substantial increases in actual local revenue as compared to the previous fiscal year:

- Other Personal Property Tax up $229,384 or 2.1%
- Sales Tax up $83,487 or 1.7%
- Machinery & Tools Tax up $379,718 or 6.8%
- Real Estate Tax up $378,061 or 2.0%
- Public Service Corporation Tax up $19,099 or 1.0%
- Motor Vehicle Licenses up $50,274 or 3.5%
- BPOL Tax up $52,227 or 2.7%

Other significant changes in local revenue:

- Vehicles Apportioned For Hire down $14,601 or 5.3%
- Fees and Delinquent Collections down $147,713 or 146.7%
- Off-Duty Deputy Fees up $46,601 or 32.1%
- Sale of Salvage and Surplus down $66,599 or 325.04%
- Building Permit Fees up $18,154 or 12.1%
- Interest Earnings on Investments down $89,199 or 55.9%

State/Federal funding increased by $427,231 or 7.6% for Social Services expenses based on corresponding increases in the cost of these programs.

State/Federal funding payouts decreased by $88,902 or 6.2% for the Children At Risk Program.

NOTE: In 2012, the County instituted a Transient Occupancy Tax of 2% of charges for occupancy. This relatively new tax generated $190,955 of revenue for the County for FY 2017. This revenue has increased each year and is expected to grow with recently constructed hotels and increasing occupancy rates.

Financial Analysis of the County's Funds

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

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

Approximately 54% percent of the combined governmental fund balance or $20,106,540 comprises the unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balances is Committed, Assigned or Non-spendable to indicate that it is not available for new spending because it has already been committed for:

- Capital improvement projects
- Education encumbrances and carryovers for expenditures
- Other encumbrances and carryovers for expenditures
- Prepaid Items

Unassigned fund balance of the General Fund was $20,106,540, while the total general fund balance was $28,955,840. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures on an annualized basis. Unassigned general fund balance represents 28.9% percent of total general fund expenditures and transfers, while total general fund balance represents 41.7% of total general fund expenditures and transfers. Unassigned general fund balance has increased 33% and total general fund balance has increase 3.7% from the previous year indicating growth in fund balances.

GENERAL FUND: The total General Fund balance experienced an increase in the amount of $2,597,192 or 9.9%. The General Fund unassigned fund balance increased in the amount of $5,001,827 or 33%. $3,679,057 of the year end unassigned fund balance was then appropriated or assigned by the Board in FY 2018 for future needs of school maintenance, economic development, debt service, health fund, county encumbrances and a small CIP project. General Fund expenditures and transfers to other funds decreased $1,646,127 or 2.4% from the previous year. Actual General Fund revenues and transfers in increased by $1,632,018 or 2.3% from the previous year.

- Education expenditures, or contribution to the School Operating Fund, increased by $1,307,239 or 5.1%.

- Health & Welfare actual expenditures increased in the amount of $303,163 or 4.4% for Social Services Programs and $37,337 or 1.3% for the Children At Risk Program due to the increase need for services provided to Campbell County.

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

Actual General Fund revenues and transfers in from other funds combined increased by $1,632,018 or 2.3% from the previous year. Transfers in from other funds totaled $86,848 for the year.

No changes in Campbell County tax rate occurred in FY 2017.

SOLID WASTE MANAGEMENT FUND: Expenditures for the Solid Waste Management Fund for FY 2017 totaled $1,668,385 with $637,262 of this amount coming from a transfer from the General Fund. The transfer in from the General Fund was reduced in the amount of $3,623 from the previous fiscal year. Additionally, revenue was received in the Solid Waste Management Fund in the amount of $669,989 from the Region 2000 Regional Landfill Authority for Solid Waste Management representing the County's portion of the excess of actual revenues verses actual expenses for the year for operations as recorded by the Regional Services Authority. This revenue sharing source was down $234,913 from the previous fiscal year due to the cost of service to operate the regional landfill coming in higher than anticipated. All other forms of revenue for this fund on a combined basis totaled $16,146.

Expenditures and transfers out to other funds on a combined basis for the County's Solid Waste Management Fund totaled $2,068,385 for the year. $400,000 was transferred to the CIP Fund as was budgeted. Tipping fees of $632,467 were paid to the Region 2000 Services Authority for solid waste received at the regional landfill generated from County citizens and businesses. Transfer site operations throughout the County cost $592,490 for the year which included delivery costs of trash from transfer sites to the regional landfill. In-House Construction for small projects cost $125,791 while landfill environmental compliance costs totaled $278,743. Landfill environmental compliance costs are up $20,537 from the previous fiscal year.

There exists a year end fund balance of $621,058 residing in the Solid Waste Management Fund (SWMF). The year-end fund balance is down by $744,988 from the previous year. The remaining fund balance will be needed to pay for anticipated future environmental requirements.

COUNTY CAPITAL IMPROVEMENT PROJECT FUND: The Capital Improvement Project (CIP) Fund balance reported a decrease of $100,482 from the previous year to $3,022,215. The fund balance in the CIP is either reserved or designated in its entirety for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

General Fund Budgetary Highlights

Differences between the general fund opening expenditure and transfer budget of $69,766,463 and the final amended budget of $80,573,376 amounted to an increase of $10,806,913 in budgeted expenditure appropriations and can be briefly summarized as follows:

- $7,644,158 increase in budget for the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2016 to FY2017.

- $271,545 increase in the budget for transfers for other expenditures approved from FY2016 to FY2017.

- $2,547,221 increase in the budget for encumbrances, carryovers and new assigned funds for other general fund department expenditures approved from FY2016 to FY2017.

- $343,988 Tax Relief for the Elderly and Disabled recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount. This is the corresponding expenditure. This required accounting transaction is handled each year in the form of a supplemental appropriation.

General Fund Budgetary Highlights: (Continued)

Differences between the general fund original revenue budget of $69,766,463 and the final amended revenue budget of $71,009,923 amounted to an increase of $1,243,460 in budgeted revenues and can be briefly summarized as follows:

- As mentioned above $343,988 of revenue was recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled allowed as well as a corresponding expenditure for the same amount. The corresponding expenditure is noted above in the expenditure section for this required accounting transaction.

- $72,474 increase in the budget due to revenue carryovers approved from FY2016 to FY2017. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.

- $100,833 increase in revenue budget for Tobacco Commission Grants for both new grants and renewals of existing grants.

- $298,680 increase in revenue budget from State and Federal for Social Service to pay for increases in expenses for the community needing services that which more than anticipated.

- $90,998 insurance proceeds received for public safety vehicles, which were damaged or totaled during the year.

- The great majority of the remaining increases in budgeted revenues resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year.

During the year, general fund actual revenues exceeded original budget by $2,258,011 and exceeded amended budget in the amount of $1,014,551. As noted above the general fund revenue budget was supplemented in the amount of $1,243,459 during the year for the reasons also noted above. Actual expenditures were less than opening budget by $492,286 and actual expenditures were less than amended budget by $11,027,654.

Actual Transfers Out from the General Fund to funds other than to the School Operating Fund totaled $2,183,730 versus $2,122,351 for FY 2016. $67,394 increase transfer to the Health Insurance Fund, $219,755 in FY 2017 compared to $152,361 in FY 2016, to assist in the continuing funding of contributions to employee-owned HSA accounts. $11,093 increase in transfers to CIP Fund, $1,340,198 versus $1,329,105 in FY 2016. Offsetting, a decrease of $17,108 in Solid Waste Fund; $623,777 versus $640,885 in FY 2016. The net increase in transfers out of General Fund to other funds equaled $61,379 from the previous year.

General Fund Budgetary Highlights: (Continued)

Revenues & Expenditures General Fund - Budget to Actual

	General Fund Budget to Actual		
	Final Budget	Actual	Variance
Revenues:			
Local revenue sources	$ 53,090,580	$ 54,535,208	$ 1,444,628
Intergovernmental revenues	17,919,343	17,489,266	(430,077)
Total revenues	$ 71,009,923	$ 72,024,474	$ 1,014,551
Expenditures:			
General government administration	$ 4,883,653	$ 4,299,196	$ 584,457
Judicial administration	1,874,057	1,784,349	89,708
Public safety	14,406,307	13,423,134	983,173
Public works	1,857,083	1,739,001	118,082
Health and welfare	11,393,603	10,657,726	735,877
Education	34,964,840	27,149,039	7,815,801
Parks, recreation and cultural	1,869,334	1,708,977	160,357
Community development	2,717,017	1,693,451	1,023,566
Debt service	4,877,160	4,874,758	2,402
Nondepartmental	(485,000)	769	(485,769)
Total expenditures	$ 78,358,054	$ 67,330,400	$ 11,027,654

Revenues: As reported above total actual revenues exceeded final budget by $1,014,551 or 1.4%. Total local revenue comprised 75.7% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 24.2% of total actual General Fund revenue. Intergovernmental revenue was $430,077 less than final budget (2.4% less). Actual local revenue exceeded final budget by $1,444,626 or 2.7%.

$47,211 of final budgeted intergovernmental revenue not actually received during the year will be carried over into next fiscal year as these earned revenues will be received next fiscal year. These carryover revenues approved were for grant funded programs and purchases. The remaining revenue shortfall of $389,841 in Intergovernmental revenue after adjusting for carryovers was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration. The County's actual reimbursement revenue for these Health & Welfare programs is based on actual expenditures centered in these same programs and is not based on budgeted expenditures. The great majority of the Health & Welfare revenue shortfall for these programs resulted from corresponding actual expenditures being less than budget by $641,143 for these same Health & Welfare programs.

Expenditures: Total General Fund actual expenditures and transfers out of $69,514,130 on a combined basis were $11,023,246 less than the final budget of $80,573,376. The largest component of this difference in the level of actual expenditures verses amended budget is for Education. Actual education expenditures in the form of the transfer from the General Fund were $7,506,352 less than the amended budget. The Board of Supervisors subsequently re-appropriated $6,753,921 of this amount to the schools as encumbrances for FY2018 covering school contracts and obligations not completed as of June 30, 2017. The Board also subsequently re-appropriated other General Fund non-school expenditures for encumbrances and carryovers totaling $1,327,946 for FY 2018.

General Fund Budgetary Highlights: (Continued)

Strong expense control throughout the government organization contributed substantially to overall expenditure savings for the fund. This was particularly true for vacancy position hiring savings in compensation and fringe benefits until vacant positions could be filled with qualified personnel. Year-end expenditure reversion savings are becoming increasingly difficult to achieve on top of very frugal budgeting processes when the budget is submitted each year to the Board.

Capital Asset and Debt Administration

Capital assets – The County's investment in capital assets for its governmental funds as of June 30, 2017 totals $60,162,627 (net of accumulated depreciation) for a decrease of $4,486,851 after depreciation expense is recognized. Depreciation expense for the year for all capital assets for all primary government funds totaled $3,669,592. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Assets - Condensed
At June 30, 2017

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	$ 2,594,180	$ -	$ 2,594,180
Construction in progress	11,950	-	11,950
Total capital assets, not being depreciated	$ 2,606,130	$ -	$ 2,606,130
Other capital assets:			
Buildings and improvements	$ 22,558,248	$ 6,823,267	$ 15,734,981
Other improvements	11,034,515	6,222,673	4,811,842
School buildings	49,807,723	16,024,620	33,783,103
Equipment	14,288,297	11,061,726	3,226,571
Total other capital assets	$ 97,688,783	$ 40,132,286	$ 57,556,497
Total capital assets	$ 100,294,913	$ 40,132,286	$ 60,162,627

School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

DEBT SCHEDULES

Of the $36,006,109 total principal balance of outstanding debt at the end of the year; $31,779,976 was for General Obligation Bonds, $3,958,402 was for State Literary Loans and $267,731 for Bond Premiums. General Obligation Bonds amounted to less than 1% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by $3,758,048 during the year.

Debt service paid during the year amounted to $4,874,758 for principal, interest and bank service charges for the reporting period. There are no obligations for capitalized lease payments. Readers interested in additional information should refer to Note 7 to the financial statements.

DEBT SCHEDULES: (Continued)

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

	Debt Service		
Year Ending June 30	Principal	Interest	Total
2018	$ 3,600,876	$ 1,019,944	$ 4,620,820
2019	3,508,566	911,025	4,419,591
2020	3,117,233	811,761	3,928,994
2021	3,187,233	705,302	3,892,535
2022	3,262,234	624,238	3,886,472
2023-2027	14,102,234	1,727,230	15,829,464
2028-2030	4,960,000	324,094	5,284,094
Total	$ 35,738,376	$ 6,123,594	$ 41,861,970

The County provides OPEB as described in Note 13.C and reported in Note 7. The County has elected not to fund the outstanding OPEB liability and has instead reduced the benefits provided to employees hired after 2010. The County's OPEB cost was $3,094,597 for the year, including School Board.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:

Tyler Carraway
Director of Finance and Management Services
Finance and Management Services Department
47 Courthouse Lane
Rustburg, VA 24588

Phone: 434-332-9667

Email: tscarraway@co.campbell.va.us

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2017

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	$ 15,031,392	$ 12,235,527	$ 545,731
Investments	16,727,296	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	42,002,883	-	-
Accounts receivable	391,082	-	-
Interest receivable	39,054	-	-
Advance to primary government	-	-	196,895
Due from component unit	3,335,889	-	-
Due from other governmental units	3,574,722	2,739,690	-
Inventories	12,478	-	-
Prepaid items	202,087	536,831	-
Restricted assets:			
Cash and cash equivalents	4,375,154	-	-
Industrial assets held for industry	-	-	1,852,627
Capital assets (net of accumulated depreciation):			
Land	2,594,180	309,661	-
Buildings and improvements	15,734,981	12,562,617	-
Other improvements	4,811,842	1,303,908	-
Equipment	3,226,571	7,168,219	-
School buildings	33,783,103	-	-
Construction in progress	11,950	-	-
Total assets	$ 145,854,664	$ 36,856,453	$ 2,595,253
DEFERRED OUTFLOWS OF RESOURCES			
Post measurement date employer pension contributions	$ 1,392,485	$ 5,664,093	$ -
Changes in proportionate share of employer contributions	-	616,000	-
Net difference of actual and expected pension plan earnings	1,448,492	4,252,229	
Net difference of actual and expected experience	388,219	-	-
Total deferred outflows of resources	$ 3,229,196	$ 10,532,322	$ -
LIABILITIES			
Accounts payable	$ 1,330,677	$ 1,075,282	$ -
Accrued liabilities	1,296,258	7,357,433	-
Accrued interest payable	516,835	-	-
Due to primary government	-	3,335,889	-
Advance from component unit	196,895	-	-
Unearned revenue	995,070	-	-
Long-term liabilities:			
Due within one year	3,855,155	-	1,706,974
Due in more than one year	50,115,271	77,622,100	-
Total liabilities	$ 58,306,161	$ 89,390,704	$ 1,706,974
DEFERRED INFLOWS OF RESOURCES			
Net difference of actual and expected experience	$ 422,080	$ 2,312,715	$ -
Changes in proportionate share of employer contributions	-	2,752,000	-
Deferred property taxes	40,844,925	-	-
Total deferred inflows of resources	$ 41,267,005	$ 5,064,715	$ -
NET POSITION			
Net investment in capital assets	$ 24,156,518	$ 21,344,405	$ -
Restricted:			
Capital improvements - road construction, pass-through	4,408,361	-	-
Public safety	26,437	-	-
Unrestricted (deficit)	20,919,378	(68,411,049)	888,279
Total net position	$ 49,510,694	$ (47,066,644)	$ 888,279

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

COUNTY OF CAMPBELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2017

			Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 4,945,114	$ 413,371	$ 351,267	$ -
Judicial administration	1,844,547	6,784	1,008,261	-
Public safety	15,096,746	2,227,336	2,930,027	385,570
Public works	3,874,059	669,989	16,033	-
Health and welfare	10,908,973	-	7,639,984	-
Education	31,018,186	-	-	-
Parks, recreation, and cultural	1,877,096	199,587	160,311	-
Community development	4,340,246	111,284	121,535	1,066,255
Interest on long-term debt	1,051,261	-	-	-
Total governmental activities	$ 74,956,228	$ 3,628,351	$ 12,227,418	$ 1,451,825
Total primary government	$ 74,956,228	$ 3,628,351	$ 12,227,418	$ 1,451,825
COMPONENT UNITS:				
School Board	$ 80,967,672	$ 1,317,609	$ 53,616,483	$ 60,000
Industrial Development Authority	327,148	5,974	-	-
Total component units	$ 81,294,820	$ 1,323,583	$ 53,616,483	$ 60,000

General revenues:
General property taxes
Other local taxes:
Local sales and use tax
Consumer utility taxes
Business license tax
Motor vehicle licenses
Other local taxes
Unrestricted revenues from use of money and property
Contributions from Campbell County
Miscellaneous
Grants and contributions not restricted to specific programs
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.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Units	
Governmental Activities	School Board	Industrial Development Authority
$ (4,180,476)	$ -	$ -
(829,502)	-	-
(9,553,813)	-	-
(3,188,037)	-	-
(3,268,989)	-	-
(31,018,186)	-	-
(1,517,198)	-	-
(3,041,172)	-	-
(1,051,261)	-	-
$ (57,648,634)	$ -	$ -
$ (57,648,634)	$ -	$ -
$ -	$ (25,973,580)	$ -
-	-	(321,174)
$ -	$ (25,973,580)	$ (321,174)
$ 39,533,657	$ -	$ -
5,132,550	-	-
865,997	-	-
2,203,191	-	-
1,625,285	-	-
1,221,925	-	-
284,381	5,531	223,164
-	29,301,147	200,935
4,273,118	130,565	-
5,277,881	-	-
$ 60,417,985	$ 29,437,243	$ 424,099
$ 2,769,351	$ 3,463,663	$ 102,925
46,741,343	(50,530,307)	785,354
$ 49,510,694	$ (47,066,644)	$ 888,279

Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2017

		General	Special Revenue (Solid Waste)	Capital Projects	Road Construction		Total
ASSETS							
Cash and cash equivalents	$	11,418,563 $	100,666 $	109,798 $	-	$	11,629,027
Investments		11,876,380	-	2,843,640	-		14,720,020
Receivables (net of allowance for uncollectibles):							
Taxes receivable		42,002,883	-	-	-		42,002,883
Accounts receivable		387,474	-	-	-		387,474
Interest receivable		26,936	-	7,566	-		34,502
Due from component units		3,335,889	-	-	-		3,335,889
Due from other governmental units		2,489,104	661,932	114,103	309,583		3,574,722
Inventories		12,478	-	-	-		12,478
Prepaid items		200,471	1,616	-	-		202,087
Restricted assets:							
Cash and cash equivalents		-	-	-	4,375,154		4,375,154
Total assets	$	71,750,178 $	764,214 $	3,075,107 $	4,684,737 $		80,274,236
LIABILITIES							
Accounts payable	$	632,504 $	143,156 $	52,892 $	276,376	$	1,104,928
Accrued liabilities		205,779	-	-	-		205,779
Unearned revenue		51,464	-	-	-		51,464
Total liabilities	$	889,747 $	143,156 $	52,892 $	276,376	$	1,362,171
DEFERRED INFLOWS OF RESOURCES							
Unavailable property taxes	$	41,904,591 $	- $	- $	-	$	41,904,591
FUND BALANCES							
Nonspendable							
Inventories	$	12,478 $	- $	- $	-	$	12,478
Prepaid items		200,471	1,616	-	-		202,087
Restricted for:							
Capital improvements - road construction, pass-through		-	-	-	4,408,361		4,408,361
Public safety		26,437	-	-	-		26,437
Committed to:							
Education		5,682,693	-	-	-		5,682,693
Capital improvements		-	-	2,016,895	-		2,016,895
Public works		-	49,187	-	-		49,187
Operations		1,327,946	-	-	-		1,327,946
Assigned to:							
Education - school maintenance		449,223	-	-	-		449,223
Economic development		237,116	-	-	-		237,116
Debt service		774,936	-	-	-		774,936
Operations - reassessment		138,000	-	-	-		138,000
Public works		-	570,255	-	-		570,255
Capital improvements		-	-	1,005,320	-		1,005,320
Unassigned		20,106,540	-	-	-		20,106,540
Total fund balances	$	28,955,840 $	621,058 $	3,022,215 $	4,408,361 $		37,007,474
Total liabilities, deferred inflows and fund balances	$	71,750,178 $	764,214 $	3,075,107 $	4,684,737 $		80,274,236

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

Total fund balances - governmental funds - per above		37,007,474
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of $100,294,913 less accumulated depreciation of $40,132,286)		60,162,627
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		
Unavailable revenue - property taxes		1,059,666
Deferred inflows related to measurement of net pension liability		(422,080)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		1,392,485
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Position		3,157,967
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds		
Accrued interest payable		(516,835)
Long term commitments to IDA		(196,895)
General obligation bonds and literary fund loans		(35,738,378)
Bond premiums		(267,731)
Landfill closure/postclosure		(2,552,857)
Net OPEB obligation		(3,372,751)
Compensated absences		(1,558,471)
Deferred outflows related to measurement of net pension liability		1,836,711
Net pension liability		(10,480,238)
Net position of governmental activities	$	49,510,694

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, 2017

	General	Special Revenue (Solid Waste)	County Capital Projects	Road Construction	Total
REVENUES					
General property taxes	$ 39,590,867	$ -	$ -	$ -	$ 39,590,867
Other local taxes	11,048,948	-	-	-	11,048,948
Permits, privilege fees, and regulatory licenses	305,707	-	-	-	305,707
Fines and forfeitures	136,360	-	-	-	136,360
Revenue from the use of money and property	246,559	113	22,241	-	268,913
Charges for services	2,516,295	669,989	-	-	3,186,284
Miscellaneous	344,292	-	-	3,876,816	4,221,108
Recovered costs	346,180	-	-	-	346,180
Intergovernmental:					
Commonwealth	13,548,996	16,033	385,570	1,066,255	15,016,854
Federal	3,940,270	-	-	-	3,940,270
Total revenues	$ 72,024,474	$ 686,135	$ 407,811	$ 4,943,071	$ 78,061,491
EXPENDITURES					
Current:					
General government administration	$ 4,299,196	$ -	$ -	$ -	$ 4,299,196
Judicial administration	1,784,349	-	-	-	1,784,349
Public safety	13,423,134	-	-	-	13,423,134
Public works	1,739,001	1,668,385	-	-	3,407,386
Health and welfare	10,657,726	-	-	-	10,657,726
Education	27,149,039	-	-	-	27,149,039
Parks, recreation, and cultural	1,708,977	-	-	-	1,708,977
Community development	1,693,451	-	-	-	1,693,451
Nondepartmental	769	-	-	-	769
Capital projects	-	-	2,207,914	2,457,320	4,665,234
Debt service:					
Principal retirement	3,737,540	-	-	-	3,737,540
Interest and other fiscal charges	1,137,218	-	-	-	1,137,218
Total expenditures	$ 67,330,400	$ 1,668,385	$ 2,207,914	$ 2,457,320	$ 73,664,019
Excess (deficiency) of revenues over (under) expenditures	$ 4,694,074	$ (982,250)	$ (1,800,103)	$ 2,485,751	$ 4,397,472
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 86,848	$ 637,262	$ 1,744,698	$ -	$ 2,468,808
Transfers out	(2,183,730)	(400,000)	(45,077)	-	(2,628,807)
Total other financing sources (uses)	$ (2,096,882)	$ 237,262	$ 1,699,621	$ -	$ (159,999)
Net change in fund balances	$ 2,597,192	$ (744,988)	$ (100,482)	$ 2,485,751	$ 4,237,473
Fund balances - beginning	26,358,648	1,366,046	3,122,697	1,922,610	32,770,001
Fund balances - ending	$ 28,955,840	$ 621,058	$ 3,022,215	$ 4,408,361	$ 37,007,474

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 4,237,473
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capitalized expenditures in the current period.		
Capital outlays	$ 1,334,849	
Depreciation expense	(3,669,592)	
Transfer of joint tenancy assets from Primary Government to the Component Unit	(2,152,108)	(4,486,851)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(57,211)	
Change in deferred inflows related to the measurement of the net pension liability	999,889	942,678
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		(194,028)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal retired on long-term debt	3,737,540	
(Increase)/decrease in landfill closure, postclosure liability	(32,761)	3,704,779
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase)/decrease in premium on bond issuance	$ 20,508	
(Increase)/decrease in accrued interest payable	65,449	
(Increase)/decrease in compensated absences	(9,298)	
(Increase)/decrease in long term commitments to IDA	(23,295)	
(Increase)/decrease in net OPEB obligation	(321,781)	
Increase/(decrease) in deferred outflow - net differences between actual and expected experience	(218,100)	
Increase/(decrease) in deferred outflow - net differences between expected and actual earnings	1,448,492	
Increase/(decrease) in deferred outflow - pension contributions subsequent to measurement date	(252,984)	
(Increase)/decrease in net pension liability	(2,143,691)	(1,434,700)
Change in net position of governmental activities		$ 2,769,351

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

Statement of Net Position
Health Insurance Fund
June 30, 2017

		Health Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,402,365
Investments		2,007,276
Accounts receivable		3,608
Interest receivable		4,552
Total assets	$	5,417,801
LIABILITIES		
Current liabilities:		
Accounts payable	$	225,749
Claims incurred but not reported		1,090,479
Unearned revenue		943,606
Total liabilities	$	2,259,834
NET POSITION		
Unrestricted	$	3,157,967
Total net position	$	3,157,967

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

Statement of Revenues, Expenses, and Changes in Net Position
Health Insurance Fund
For the Year Ended June 30, 2017

		Health Insurance Fund
OPERATING REVENUES		
Charges for services:		
Insurance premiums	$	13,410,802
Miscellaneous		52,010
Total operating revenues	$	13,462,812
OPERATING EXPENSES		
Insurance claims and employer provided insurance expenses	$	13,892,063
Total operating expenses	$	13,892,063
Operating income (loss)	$	(429,251)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	$	15,468
Total nonoperating revenues (expenses)	$	15,468
Income before transfers	$	(413,783)
Transfers in		219,755
Change in net position	$	(194,028)
Total net position - beginning		3,351,995
Total net position - ending	$	3,157,967

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

Statement of Cash Flows
Health Insurance Fund
For the Year Ended June 30, 2017

		Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for insurance premiums and other operating revenues	$	13,511,030
Payments for premiums		(13,738,162)
Net cash provided by (used for) operating activities	$	(227,132)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	$	219,755
Net cash provided by (used for) noncapital financing activities	$	219,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$	16,198
Sale of investments		20,443
Net cash provided by (used for) investing activities	$	36,641
Net increase (decrease) in cash and cash equivalents	$	29,264
Cash and cash equivalents - beginning		3,373,101
Cash and cash equivalents - ending	$	3,402,365
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(429,251)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
(Increase) decrease in accounts receivable	$	(3,377)
(Increase) decrease prepaid claims expense		78,226
Increase (decrease) in accounts payable		(21,698)
Increase (decrease) in claims incurred but not reported		97,373
Increase (decrease) in unearned revenue		51,595
Total adjustments	$	202,119
Net cash provided by (used for) operating activities	$	(227,132)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	274,810
Receivables		
Accounts receivable		283
Total assets	$	275,093
LIABILITIES		
Amounts held for social services clients	$	37,177
Amounts held for others		237,916
Total liabilities	$	275,093

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

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

Campbell County, Virginia (the "County") is a political subdivision of the Commonwealth of Virginia governed under the County Administrator – Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

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

Discretely Presented Component Units: Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Campbell County School Board

The Campbell County School Board (the "School Board") is responsible for elementary and secondary education within the County's jurisdiction. The School Board is comprised of seven members elected by County voters. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements.

Campbell County Industrial Development Authority

The Campbell County Industrial Development Authority (the "IDA") was created to encourage and provide financing for economic development in the County. The IDA's directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA in that it provides local funding for the IDA's activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The IDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations: The following entities are excluded from the accompanying financial statements:

Campbell County Utilities and Service Authority

The Campbell County Utilities and Service Authority was created by the Board of Supervisors to operate the County's water and sewer systems. This Authority is excluded from the accompanying financial statements as the County neither exercises oversight responsibility nor has accountability for the fiscal affairs of the Authority. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

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

A. Financial Reporting Entity (Continued)

Horizon Behavioral Health

The County, in conjunction with the Counties of Amherst, Appomattox, and Bedford, and the City of Lynchburg, supports Horizon Behavioral Health, which is composed of two members from each of the participating localities. The County contributed $182,485 to Horizon Behavioral Health for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the “Authority”). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority $3,076,741 for the current year.

Region 2000 Services Authority

The County, in conjunction with the Cities of Lynchburg and Bedford, and the Counties of Appomattox and Nelson, participates in the Region 2000 Services Authority for solid waste disposal. The County paid the Authority tipping fees of $632,467 for solid waste transferred to the Authority, and received $661,932 in distributions from the Authority for 2017 profits.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component 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).

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

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

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

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

Governmental fund financial statements use 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 when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred inflows of resources and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred inflows of resources. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or 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 specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. 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 financial statements.

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

The County reports the following major governmental funds:

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

Special Revenue Fund – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Solid Waste Fund is a special revenue fund which accounts for revenues from landfill operations and related expenditures.

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

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

Capital Projects Funds – The County Capital Projects Fund and Road Construction Fund 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 other governments.

Proprietary Funds are used to account for the reporting entity's activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Internal Service Fund - Health Insurance Fund – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The County's internal service fund is the Health Insurance Fund, through which the County self-insures the costs of providing health insurance to employees.

In addition to its major funds, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds which consist of the following: Special Welfare, Drug Enforcement, Commonwealth Attorney Drug, Flexible Benefits, and the County Agency Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's health insurance fund 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.

Operating revenues and expenses in the proprietary fund result from providing services in connection with its principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for health investment services. Nonoperating revenues consist of interest income. Operating expenses include the costs of claims and administrative expenses.

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to April 15, 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 related financing.

- Public hearings are conducted to obtain citizen comments.

- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

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

D. Budgetary Information (Continued)

- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling $10,806,913 for additional requests from various departments including contribution to the School Board and transfers to other funds. The Board of Supervisors also approved additional appropriations to the Solid Waste Fund of $195,172, the County Capital Projects fund of $2,515,872 and the Road Construction fund of $12,114,441.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30 for all County and School Board units.
- All budgetary data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity date within three months of the date acquired.

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.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment. The allowance for uncollectibles was comprised of property taxes in the amount of $305,711.

Inventories

Inventories generally are recorded at the lower of cost (first-in/first-out (FIFO) method) or market except for any commodities received from the U.S. Department of Agriculture, which are valued at market. Inventories of the County's governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist of expendable supplies in the General Fund and USDA commodities in the Component Unit – School Board.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Prepaid Items

Payments made for services that will benefit periods beyond June 30 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capital assets include property, plant, and equipment and are reported in the government-wide financial statements. The County does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Other improvements	2-40 years
Equipment	5-10 years

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The statements reflect, as of June 30, the amount payable for all unused vacation, sick and compensatory leave, payable upon termination. Employer related taxes are also included. The cost of accumulated leave is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when the amounts have become due and payable.

Deferred/Unearned Revenue

Deferred/Unavailable revenue consists primarily of property taxes receivable not collected within 60 days of year end, as well as property taxes, either receivable or already collected, intended to finance a future fiscal period. Unearned revenue includes grants which have been advanced to the County but have not yet been earned.

Unearned revenue in the internal service fund represents advances by other funds, component units, and outside entities for the cost of insurance for periods after June 30.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Economic Incentive Grants Payable

Economic incentive grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of these incentives are reflected as revenues when collection is determined to be likely.

Long-Term Obligations

Long-term debt obligations are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period but no long-term liabilities. 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. Repayments are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

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.

Net Position Flow Assumption

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

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 reports two items that qualify for reporting in this category. The deferred outflow of resources is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in proportionate share of employer contributions. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two 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 liability are reported as deferred inflows of resources. These include differences between expected and actual experience and changes in proportion to the cost-sharings teachers' pension plan. For more detailed information on these items, reference the pension note.

Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

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

IDA Transactions and Conduit Obligations

In addition to disbursing incentives to promote the expansion of business initiatives in the County, the IDA may also structure ownership of properties through lease purchase arrangements or issue Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. However, all rights to payments on these bonds have been assigned to the trustees, agents, or the holders of the bonds, and purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases the IDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the IDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the IDA does not recognize associated assets, liabilities, income or interest expense in its financial statements.

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

NOTE 2–DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool.

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

Credit Risk of Debt Securities

As required by state statute or by the County, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least $50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service.

County's Rated Debt Investments' Values - Standard & Poor's Rating

Rated Debt Investments	Fair Quality Ratings	Amount at June 30
Commercial Paper	AA-	$ 6,341,529
Fixed Income - Municipal	AA+	998,336
Fixed Income - Municipal	A	675,849
LGIP	AAAm	4,048,065

NOTE 2–DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

The County's current Policy places restrictions on the diversification by type of investments. The Policy provides the following restrictions on diversification as a percentage of the County's total investments. The maximum allowable concentration by investment type is as follows:

US Treasury Bills, Notes and Bonds	50%
Certificates of Deposit	70%
LGIP	50%
Bankers Acceptances	35%
Prime Quality Commercial Paper	35%
High Quality Commercial Notes	35%
Overnight Repurchase Agreement	50%

In accordance with GASB 40, the County reports the following single investment held at June 30, 2017 greater than 5% of total investments.

Security	Investment Type	Amount	Percent of Total Investments
Wells Fargo Bank National Assoc.	Commercial paper	$ 2,744,305	16%
Chevron Corporation NTS	Commercial paper	2,171,855	13%
Toyota Motor Credit Corp.	Commercial paper	999,690	6%
Virginia St Housing Dev Auth Bds	Fixed Income - Municipal	998,336	6%
LGIP	Money Market	4,048,065	24%

Interest Rate Risk

The County's current Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to fifteen years for any single corporate security; and five years for any single asset-backed security.

The carrying values and weighted average maturity were as follows:

		Investment Maturity*	
Investment Type	Fair Value	Less than 1	1 - 5
Fixed Income - Municipal	$ 1,674,185	$ -	1,674,185
LGIP	4,048,065	4,048,065	-
Commercial Paper	6,341,529	-	6,341,529
Total investments	$ 12,063,779	$ 4,048,065	8,015,714

* Weighted average maturity in years.

NOTE 2–DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk

The Policy requires that all investment securities be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all investments are held in a bank's trust department in the County's name.

Cash and investments are reflected in the financial statements as follows:

	Primary Government	Component Units: School Board	Component Units: IDA
Deposits and investments:			
Cash on hand	$ 3,150	$ -	$ -
Deposits	19,403,396	12,235,527	545,731
Investments	16,727,296	-	-
Total	$ 36,133,842	$ 12,235,527	$ 545,731
Statement of net position:			
Cash and cash equivalents	$ 15,031,392	$ 12,235,527	$ 545,731
Investments	16,727,296	-	-
Restricted cash and equivalents	4,375,154	-	-
Total	$ 36,133,842	$ 12,235,527	$ 545,731

NOTE 3–RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	$ 42,308,594	$ -	$ -	$ -	$ 42,308,594
Accounts	387,474	-	-	3,608	391,082
Interest	26,936	-	7,566	4,552	39,054
Gross receivables	$ 42,723,004	$ -	$ 7,566	$ 8,160	$ 42,738,730
Less:					
Allowance for uncollectible amounts	$ 305,711	$ -	$ -	$ -	$ 305,711
Net receivables	$ 42,417,293	$ -	$ 7,566	$ 8,160	$ 42,433,019

NOTE 3–RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE: (CONTINUED)

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past nineteen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2017, assessment date are included in taxes receivable at June 30, 2017, even though taxpayers had not yet been billed. Additionally personal property taxes are assessed on January 1, 2017 and the County does not prorate assessments, therefore the assessment is included in taxes receivable. However, since the January 1, 2017 levy is intended to finance a future period, these amounts have been included in unavailable revenue as discussed below.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, as well as for receivables which are considered unearned in that they are intended to finance a future period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of unavailable/unearned revenue were as follows:

Exhibit 3 Reconciliation		
Advance payments of state and federal grants – unearned	$	51,464
Total unearned revenue – governmental funds (Exhibit 3)	$	51,464
Property taxes receivable – due after June 30	$	40,742,643
Property taxes receivable – due prior to June 30		1,260,240
Advance collection of 2017-2018 property taxes		102,282
Less amounts collected within 60 days		(200,574)
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	$	41,904,591
Exhibit 1 Reconciliation		
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	$	41,904,591
Less propery taxes due prior to June 30 (net of 60 day collections)		(1,059,666)
Deferred property taxes - Deferred Inflows of Resources - Statement of Net Position (Exhibit 1)	$	40,844,925
Advance payments of state and federal grants – unearned	$	51,464
Internal service fund deferrals related to discretely presented component units and outside entities		943,606
Unearned revenue – Statement of Net Position (Exhibit 1)	$	995,070

NOTE 4–DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments consist of the following:

	Primary Government	Component Unit- School Board
Commonwealth of Virginia:		
Local sales tax	$ 910,911	$ -
State sales tax	-	1,568,764
Comprehensive Services Act	326,535	-
Public assistance	183,408	-
Motor vehicle rental tax	46,037	-
Mobile home titling tax	32,845	-
Shared expenses and grants	294,361	-
Railroad rolling stock	142,007	-
Communications tax	216,050	-
Recordation tax	26,957	-
VDOT Revenue sharing	309,583	-
Other state funds	138,957	3,512
Local Governments:		
Region 2000 Services Authority	661,932	-
Federal Government		
Public assistance	267,951	-
Title I	-	529,208
Title II, Part A	-	69,394
Title VI-B special education cluster	-	455,787
Career and technical education	-	107,367
Other federal grants	17,188	5,658
Total	$ 3,574,722	$ 2,739,690

NOTE 5–INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES:

Interfund and Intra-Entity transfers are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General Fund	Capital Projects Fund	$ 1,340,198
General Fund	Solid Waste Fund	623,777
Capital Projects Fund	General Fund	31,592
Capital Projects Fund	Solid Waste Fund	13,485
General Fund	Health Insurance Fund	219,755
Solid Waste Fund	Capital Projects Fund	400,000
Commonwealth Attorney Drug Fund	General Fund	55,256
County Fiduciary Fund	Capital Projects Fund	4,500

NOTE 5–INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES: (CONTINUED)

The transfer from the General Fund to the Capital Projects Fund was to support general government capital projects. Transfers from the General Fund to the Solid Waste Fund were to offset shortfalls in operating revenues. Transfers between the Solid Waste Fund and the General Fund were to offset operating costs. Transfers from Solid Waste Fund to the Capital Projects Fund were to fund landfill project costs. Transfers from the General Fund to the Health Insurance Fund are to provide funding for health benefits.

Balances due to and from the primary government and its component units consist of the following:

The Component Unit–School Board owed $3,335,889 to the General Fund at year end as a result of appropriated local funds in excess of actual school expenditures in the current and previous years.

The primary government owed the Component Unit–IDA $196,895 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 16.

NOTE 6–CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Capital assets, nondepreciable:					
Land	$ 2,594,180	$ -	$ -	$ -	$ 2,594,180
Construction in progress	-	11,950	-	-	11,950
Total capital assets, nondepreciable	$ 2,594,180	$ 11,950	$ -	$ -	$ 2,606,130
Capital assets, depreciable:					
Buildings and improvements	$ 22,240,003	$ 318,245	$ -	$ -	$ 22,558,248
Other improvements	10,967,307	67,208	-	-	11,034,515
Equipment	13,760,928	937,446	410,077	-	14,288,297
School buildings	54,166,843	-	-	(4,359,120)	49,807,723
Total capital assets, depreciable	$ 101,135,081	$ 1,322,899	$ 410,077	$ (4,359,120)	$ 97,688,783
Accumulated depreciation:					
Buildings and improvements	$ 6,237,462	$ 585,805	$ -	$ -	$ 6,823,267
Other improvements	5,593,160	629,513	-	-	6,222,673
Equipment	10,371,701	1,100,102	410,077	-	11,061,726
School buildings	16,877,460	1,354,172	-	(2,207,012)	16,024,620
Total accumulated depreciation	$ 39,079,783	$ 3,669,592	$ 410,077	$ (2,207,012)	$ 40,132,286
Capital assets, depreciable, net	$ 62,055,298	$ (2,346,693)	$ -	$ (2,152,108)	$ 57,556,497
Governmental activities capital assets, net	$ 64,649,478	$ (2,334,743)	$ -	$ (2,152,108)	$ 60,162,627

NOTE 6–CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

1) 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 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 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 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 Campbell for the year ended June 30, 2017, is that school financed assets in the amount of $49,807,723 are reported in the Primary Government for financial reporting purposes.

2) In fiscal year 2017 a transfer of joint-tenancy assets upon final payment on the 1996 general obligation was recorded to move buildings in amount of $4,359,120 and related accumulated depreciation of $2,207,012 to the School Board.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government administration	$	546,596
Judicial administration		85,589
Public safety		1,196,567
Public works		288,702
Health and welfare		63,907
Education		1,354,172
Parks, recreation, and cultural		81,656
Community development		52,403
Total depreciation	$	3,669,592

NOTE 6–CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Unit–School Board

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Capital assets, nondepreciable:					
Land	$ 309,661	$ -	$ -	$ -	$ 309,661
Construction in progress	265,982	74,382	340,364	-	-
Total capital assets, nondepreciable	$ 575,643	$ 74,382	$ 340,364	$ -	$ 309,661
Capital assets, depreciable:					
Buildings and improvements	$ 35,833,766	$ 561,326	$ -	$ 4,359,120	$ 40,754,212
Other improvements	2,084,563	883,810	-	-	2,968,373
Equipment	18,250,453	1,609,528	832,354	-	19,027,627
Total capital assets, depreciable	$ 56,168,782	$ 3,054,664	$ 832,354	$ 4,359,120	$ 62,750,212
Accumulated depreciation:					
Buildings and improvements	$ 25,305,339	$ 679,244	$ -	$ 2,207,012	$ 28,191,595
Other improvements	1,560,888	103,577	-	-	1,664,465
Equipment	11,438,735	1,207,710	787,037	-	11,859,408
Total accumulated depreciation	$ 38,304,962	$ 1,990,531	$ 787,037	$ 2,207,012	$ 41,715,468
Capital assets, depreciable, net	$ 17,863,820	$ 1,064,133	$ 45,317	$ 2,152,108	$ 21,034,744
Governmental activities capital assets, net	$ 18,439,463	$ 1,138,515	$ 385,681	$ 2,152,108	$ 21,344,405

All depreciation expense in the School Board was charged to the Education function.

NOTE 7–LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General obligation bonds	$ 34,645,283	$ -	$ 2,865,307	$ 31,779,976	$ 2,728,643
Literary fund loans	4,830,635	-	872,233	3,958,402	872,233
Bond premiums	288,239	-	20,508	267,731	20,508
Total bonds payable	$ 39,764,157	$ -	$ 3,758,048	$ 36,006,109	$ 3,621,384
Landfill closure/postclosure (Note 8)	2,520,096	32,761	-	2,552,857	-
Compensated absences	1,549,173	1,300,792	1,291,493	1,558,471	233,771
Net pension liability (Note 12)	8,336,547	5,976,564	3,832,873	10,480,238	-
Net OPEB obligation (Note 13)	3,050,970	723,587	401,806	3,372,751	-
Total Primary Government	$ 55,220,943	$ 8,033,704	$ 9,284,220	$ 53,970,426	$ 3,855,155
Component Unit-School Board:					
Compensated absences	$ 423,831	$ -	$ 423,831	$ -	$ -
Net pension liability (Note 12)	65,767,553	16,882,029	11,865,273	70,784,309	-
Net OPEB obligation (Note 13)	6,654,095	2,371,010	2,187,314	6,837,791	-
Total Component Unit-School Board	$ 72,845,479	$ 19,253,039	$ 14,476,418	$ 77,622,100	$ -
Component Unit-IDA:					
Notes payable	$ 1,600,901	$ -	$ 90,822	$ 1,510,079	$ 1,510,079
Economic incentive grants payable (Note 9)	173,600	23,295	-	196,895	196,895
Total Component Unit - IDA	$ 1,774,501	$ 23,295	$ 90,822	$ 1,706,974	$ 1,706,974

* Reference Note 18

Debt service requirements of general obligation bonds and literary fund loans are paid by the General Fund. Costs related to landfill closure/postclosure are paid by the General Capital Projects Fund or the Solid Waste Fund. Requirements of the compensated absences and other postemployment benefits are paid by the General Fund for the primary government and the school operating and school cafeteria fund for the component unit-school board. Requirements of the notes payable incurred by the IDA are payable by the IDA supported by a lease agreement with an industry.

NOTE 7–LONG-TERM LIABILITIES: (CONTINUED)

The primary governments and component unit IDA annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities – General Obligation Bonds Principal	General Obligation Bonds Interest	Literary Fund Loans Principal	Literary Fund Loans Interest	Component Unit - IDA – Notes Payable Principal	Notes Payable Interest
2018	$ 2,728,643	$ 927,026	$ 872,233	$ 92,918	$ 1,510,079	$ 63,771
2019	2,636,333	838,302	872,233	72,723	-	-
2020	2,495,000	759,232	622,234	52,529	-	-
2021	2,565,000	683,163	622,234	22,139	-	-
2022	2,640,000	602,099	622,234	22,139		
2023-2027	13,755,000	1,720,285	347,234	6,945	-	-
2028-2029	4,960,000	324,094	-	-	-	-
Total	$ 31,779,976	$ 5,854,201	$ 3,958,402	$ 269,393	$ 1,510,079	$ 63,771

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
General Obligation Bonds:					
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	$ 173,485
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	406,491
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	4,970,000
Refunding Bonds - School	2.62%	Sept 2015	July 2028	13,581,546	12,244,164
Refunding Bonds - County	2.62%	Sept 2015	July 2028	15,513,454	13,985,836
Total General Obligation Bonds					$ 31,779,976
Literary Fund Loans					
School Construction	2.00%	Aug 1998	Aug 2018	$ 5,000,000	$ 500,000
School Construction	3.00%	Nov 2001	Nov 2021	5,500,000	2,083,402
School Construction	2.00%	July 2002	July 2022	6,944,667	1,375,000
Total Literary Fund Loans					$ 3,958,402

NOTE 7–LONG-TERM LIABILITIES: (CONTINUED)

Details of long-term indebtedness are as follows: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Component Unit - IDA
Notes Payable:					
Real Estate Loan - Industry	4.50%	Sept 2014	June 2018	$ 1,757,755	$ 1,510,079
Total Notes Payable					$ 1,510,079

During fiscal year 2016 the County issued Series 2015 refunding bonds to refund the outstanding VML/VACo Bonds issued June 2008. The refunding bonds issued September 29, 2015 in the amount of $29,095,000 will refund the aforementioned bonds in the amount of $26,170,000. The present value of the economic gain is $1,084,046.

NOTE 8–LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County's landfill consists of four phases described as follows: Phase I of the landfill has never been intended to be used for actual waste disposal and serves only as a storage area. Phase II of the landfill was closed in 1995. Phase III opened in 1995 and Phase IV was never opened. The remaining capacity of Phase III and all of Phase IV were sold to the regional landfill authority, Region 2000 Services Authority, during fiscal year 2012.

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs and corrective action costs for this site, less amounts expended for such costs to date were $828,406 and $1,724,451, respectively. The liability for Phase II reported is equal to 100% of the estimated liability.

The closure and postclosure care costs for Phase III were assumed by the Region 2000 Services Authority as part of the purchase of Phase III and IV. The cumulative amount reported as postclosure care costs and corrective action liability is $2,552,857 as of June 30, 2017, all of which is for Phase II. The liability reported is based on what it would cost to perform all postclosure care in 2017.

The County demonstrates financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

NOTE 9–IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 11, the IDA has awarded certain economic incentive grants to businesses within the County; typically the grants are paid over a 1-3 year period. Outstanding grants approved by the governing body as of June 30, 2017 that have been substantially earned by the business.

NOTE 10–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - SCHOOL BOARD:

Certain transactions between the County and School Board component unit are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

A. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board and related capital expenditures are recorded in the County’s funds.

B. Debt service payments for school bonded debt are reported as part of the primary government in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

C. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.

D. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board - Component Unit (Exhibit 22)	$ 82,110,190
School-related principal and other debt service expenditures included in primary government (Exhibit 4)	2,284,687
Total expenditures for school activities	$ 84,394,877

NOTE 11–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA:

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County’s government-wide statement of net position. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of $196,895 and an equal amount was reported as receivable from the County.

Amounts reported as payable to the IDA by the County consist of the following:

Long-term commitments to IDA, reported in the government-wide Statement of Net Position	$ 196,895
Total payable to IDA	$ 196,895

The County also provides personnel and office space to the IDA at no charge.

NOTE 12–PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multi-Employer Pension Plan
Administering Entity: Virginia Retirement System (VRS)

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)
In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

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

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
Political subdivision employees*
School division employees
Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.
*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contributions Component:</u> (Cont.)** • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage (Cont.).	**Disability Coverage (Cont.)**	**Disability Coverage (Cont.)** Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Pension Plan Data

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

NOTE 12–PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	210	169
Inactive members:		
Vested inactive members	42	10
Non-vested inactive members	82	43
Inactive members active elsewhere in VRS	130	16
Total inactive members	254	69
Active members	320	162
Total covered employees	784	400

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 10.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,392,485 and $1,645,469 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 8.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTE 12–PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $248,239 and $318,400 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 12–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

NOTE 12–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 12–PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

NOTE 12–PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 63,548,900	$ 55,212,353	$ 8,336,547
Changes for the year:			
Service cost	$ 1,594,596	$ -	$ 1,594,596
Interest	4,347,229	-	4,347,229
Differences between expected and actual experience	(575,564)	-	(575,564)
Contributions - employer	-	1,644,686	(1,644,686)
Contributions - employee	-	658,971	(658,971)
Net investment income	-	953,652	(953,652)
Benefit payments, including refunds of employee contributions	(2,891,247)	(2,891,247)	-
Administrative expenses	-	(34,332)	34,332
Other changes	-	(407)	407
Net changes	$ 2,475,014	$ 331,323	$ 2,143,691
Balances at June 30, 2016	$ 66,023,914	$ 55,543,676	$ 10,480,238

NOTE 12–PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 13,984,301	$ 12,538,748	$ 1,445,553
Changes for the year:			
Service cost	$ 304,674	$ -	$ 304,674
Interest	945,293	-	945,293
Differences between expected and actual experience	(132,039)	-	(132,039)
Contributions - employer	-	318,293	(318,293)
Contributions - employee	-	144,031	(144,031)
Net investment income	-	205,910	(205,910)
Benefit payments, including refunds of employee contributions	(960,237)	(960,237)	-
Administrative expenses	-	(7,972)	7,972
Other changes	-	(90)	90
Net changes	$ 157,691	$ (300,065)	$ 457,756
Balances at June 30, 2016	$ 14,141,992	$ 12,238,683	$ 1,903,309

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County of Campbell Net Pension Liability (Asset)	$ 19,296,444	$ 10,480,238	$ 3,190,206
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	$ 3,311,800	$ 1,903,309	$ 702,280

NOTE 12–PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of $1,558,096 and $193,527, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 388,219	$ 422,080	$ -	$ 79,715
Net difference between projected and actual earnings on pension plan investments	1,448,492	-	317,229	-
Employer contributions subsequent to the measurement date	1,392,485	-	248,239	-
Total	$ 3,229,196	$ 422,080	$ 565,468	$ 79,715

$1,392,485 and $248,239 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	$ 83,586	$ (57,996)
2019	35,604	(25,902)
2020	717,554	190,595
2021	577,887	130,817
2022	-	-
Thereafter	-	-

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, and reflects the transfer in June 2015 of $986,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were $5,415,854 and $5,232,865 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of $68,881,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .49151% as compared to .51105% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of $5,479,000. 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.

NOTE 12–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, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,233,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	616,000	2,752,000
Net difference between projected and actual earnings on pension plan investments	3,935,000	-
Employer contributions subsequent to the measurement date	5,415,854	-
Total	$ 9,966,854	$ 4,985,000

$5,415,854 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2018	$ (905,000)
2019	(905,000)
2020	1,186,000
2021	542,000
2022	(352,000)
Thereafter	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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

Mortality rates:

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

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

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the total state-wide VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability (Continued)

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.

Long-Term Expected Rate of Return

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

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

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

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 98,190,000	$ 68,881,000	$ 44,737,000

Pension Plan Fiduciary Net Position

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

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board ("GASB") Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes standards for the measurement, recognition and display of other postemployment benefits ("OPEB") expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

County and School Board Health Insurance

A. Plan Description

The County and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

A Campbell County retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. County employees hired prior to July 1, 2006 and School employees hired for the 2006-2007 school year and before must have 10 years of service with Campbell County in order to be eligible for postretirement medical coverage. All subsequently hired employees must have 20 years of service with Campbell County to be eligible. Retired employees, hired on or after July 1, 2010, eligible for VRS retirement benefits with at least 20 years of consecutive County service may continue their health insurance under the County insurance plan until age 65 if they elect to pay the entire insurance premium established for regular employees in that classification. The Schools allow dependents to be covered if eligible employees are hired on or after July 1, 2010; employees hired prior to July 1, 2010 are also provided dependent coverage if they meet the previously stated eligibility requirements. Coverage for County employees will be limited to the retired employee and will not include dependents.

Retirees not yet eligible for Medicare coverage have one coverage choice, just as active employees have. Retirees eligible for Medicare coverage have access to plans that supplement Medicare, however, the retiree is responsible for the full cost of the plan.

The number of participants at June 30, 2017 was as follows:

	Primary Government	School Board
Retirees currently receiving benefits	30	137
Active employees	256	775
Total	286	912

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

B. Funding Policy

The County and Schools currently fund postemployment health care benefits on a pay-as-you-go basis. During fiscal year 2017, neither the County nor the Schools designated any funding for the OPEB liability.

C. Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC):

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC an amount actuarially determined with the parameters of GASB 45. The estimated pay as you go cost for OPEB benefits for fiscal year 2017 was $723,587 for the County and $2,371,010 for the School Board. The County and School Board have paid $401,806 and $2,187,314, respectively towards this obligation during the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis. The components of the annual OPEB cost are depicted in the following table.

	Primary Government	School Board
Annual required contribution	$ 731,089	$ 2,387,374
Interest on net OPEB obligation	122,039	266,164
Adjustment to annual required contribution	(129,541)	(282,528)
Annual OPEB cost	$ 723,587	$ 2,371,010
Contributions made	401,806	2,187,314
Increase in net OPEB obligation	$ 321,781	$ 183,696
Net OPEB obligation-beginning of year	3,050,970	6,654,095
Net OPEB obligation-end of year	$ 3,372,751	$ 6,837,791

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 723,587	55.53%	$ 3,372,751
June 30, 2016	601,608	57.66%	3,050,970
June 30, 2015	569,977	55.83%	2,796,225

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

C. Annual Other Postemployment Benefit Cost and Net OPEB Obligation: (Continued)

Annual Required Contribution (ARC): (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 2,371,010	92.25%	$ 6,837,791
June 30, 2016	2,370,863	60.91%	6,654,095
June 30, 2015	2,251,613	58.84%	5,727,271

C. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the most recent actuarial valuation date was as follows:

	Primary Government	School Board
Actuarial Valuation Date	July 1, 2016	July 1, 2016
Actuarial Accrued Liability (AAL)	$ 9,125,538	$ 33,070,306
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	9,125,538	33,070,306
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	10,731,654	30,362,509
UAAL as a Percentage of Covered Payroll	85.03%	108.92%

Information about annual covered payroll is unavailable.

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

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

C. Annual Other Postemployment Benefit Cost and Net OPEB Obligation: (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4.5% discount, 3% inflation rate and an initial annual healthcare cost trend of 9.0% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.0%. The unfunded accrued liability is being amortized as a level percentage over 30 years on an open basis. The remaining amortization period at July 1, 2016 (actuarial valuation date) is 30 years.

School Board Health Insurance Credit Program

A. Plan Description

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

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of $1.50 per year of creditable service up to a maximum monthly credit of $45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of $45.

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2017 was .64% of annual covered payroll.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, on an open basis.

For 2017, the School Board's contribution of $19,732 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2017	$ 19,732	100.00%	$ -
June 30, 2016	17,191	100.00%	-
June 30, 2015	16,588	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	$ 400,140
Actuarial Value of Plan Assets	173,901
Unfunded Actuarial Accrued Liability (UAAL)	226,239
Funded Ratio (Actuarial Value of Plan Assets/AAL)	43.46%
Covered Payroll (Active Plan Members)	3,062,770
UAAL as a Percentage of Covered Payroll	7.39%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to the healthcare cost trend rates is needed or applied.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

D. Funded Status and Funding Progress: (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2016 was 18-27 years.

Professional Employees – Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016 and 2015 were $416,002, $397,245, and $402,543, respectively, and equaled the required contributions for each year.

NOTE 14–PROPERTY TAXES:

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All real property is assessed at 100 percent of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in annual installments due December 5. The taxes receivable balance at June 30, 2017 includes amounts not yet received from the January 1, 2017 levy. Property taxes attach as an enforceable lien on property as of January 1.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was $.52 and $.52 per $100 of assessed value for calendar years 2017 and 2016, respectively.

Personal property tax assessments on all motor vehicles is $4.45 per $100 assessed value. Personal property tax on business machinery and tools is $3.25 per $100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property tax assessments are not prorated. Property is assessed as of January 1st of each year.

NOTE 15–RISK MANAGEMENT:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims; and natural disasters.

The County contracts with VACorp to provide insurance coverage for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the League, the League 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage consists of $1 million primary and $4 million excess coverage.

The School Board contracts with private insurers for property and liability coverage.

Unemployment Insurance

The County and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of $150,000 for the program year ending September 30, 2017, and a maximum aggregate liability of 115% of Anthem's estimate of the expected liability.

NOTE 15–RISK MANAGEMENT: (CONTINUED)

Employee Health Insurance: (Continued)

Liabilities for unpaid claims and claims incurred but not reported (IBNR) are estimated based on the estimated ultimate costs of settling the claims. Changes in the balances of claim liabilities are as follows:

Fiscal Year Ending	Beginning of Year	Insured Claims (Including IBNR)	Claim Payments	End of Year
June 30, 2017	$ 993,106	$ 13,892,063	$ 13,794,690	$ 1,090,479
June 30, 2016	1,033,642	13,596,119	13,636,655	993,106
June 30, 2015	880,775	11,030,955	10,878,088	1,033,642

In fiscal year 2012 the County started offering health benefits with a health savings account. The County has provided an annual contribution to each employee's health savings account.

NOTE 16–COMMITMENTS AND CONTINGENCIES:

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required they will be immaterial.

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA $98,515 for debt service in fiscal year 2017. In turn, the County receives water and sewer access fees related to these projects. In 2017, the County received approximately $72,571 in such fees.

IDA - Adverse IRS Determination

The Internal Revenue Service (IRS) has concluded that certain revenue bonds issued in 1994 by the IDA on behalf of a private company do not qualify as tax exempt bonds. No estimate of any potential liability under this finding has been provided to the IDA, and the company is legally obligated to indemnify the IDA for any assessments. Management does not believe this action will result in any expense to the IDA, and accordingly no liability has been recorded.

NOTE 16–COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Leesville Road Waterline

The County financed the construction of the Leesville Road waterline. Campbell County Utility Service (CCUSA) will own and operate the assets. All connection fees received as a result of the waterline will be remitted to the County until the costs are recovered. If the total costs are not recovered, CCUSA is not responsible for the difference.

The County reports the following encumbrances and/or commitments as of June 30, 2017:

	Primary Government				Component Unit - School Board	
	General Fund	Solid Waste Fund	Capital Projects Fund	Health Insurance Fund	School Capital Projects Fund	School Cafeteria Fund
Education	$ 5,682,693	$ -	$ -	$ -	$ -	$ 13,773
Health insurance	-	-	-	8,400	-	-
General operations	1,327,946	-	-	-	-	-
Capital projects	-	-	518,935	-	519,238	-
Public works	-	35,532	-	-	-	-
Total	$ 7,010,639	$ 35,532	$ 518,935	$ 8,400	$ 519,238	$ 13,773

The County has outstanding construction contract commitments as follows:

Project	Amount Outstanding
Liberty Mtn. Rd. Extension	$ 1,679,505

NOTE 17–RESTRICTED ASSETS:

The County and School Board reports the following restricted assets:

County - Cash: Contributions - Road construction project	$ 4,375,154

NOTE 18–FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The County reports the following information related to its investments:

		Fair Value Measurements at Reporting Date Using		
	Total June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income - Municipal	$ 1,674,185	$ 1,674,185	$ -	$ -
Commercial Paper	6,341,529	6,341,529	-	-
Total	$ 8,015,714	$ 8,015,714	$ -	$ -

NOTE 19–UPCOMING PRONOUNCEMENTS:

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

NOTE 19–UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	$ 38,022,595	38,366,583	$ 39,590,867	$ 1,224,284
Other local taxes	10,696,673	10,696,673	11,048,948	352,275
Permits, privilege fees, and regulatory licenses	346,475	357,975	305,707	(52,268)
Fines and forfeitures	91,755	91,755	136,360	44,605
Revenue from the use of money and property	343,321	343,321	246,559	(96,762)
Charges for services	2,467,724	2,498,724	2,516,295	17,571
Miscellaneous	180,509	389,319	344,292	(45,027)
Recovered costs	346,230	346,230	346,180	(50)
Intergovernmental:				
Commonwealth	14,073,835	14,363,855	13,548,996	(814,859)
Federal	3,197,346	3,555,488	3,940,270	384,782
Total revenues	$ 69,766,463	$ 71,009,923	$ 72,024,474	$ 1,014,551
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	$ 88,904	$ 89,397	$ 78,813	$ 10,584
County administrator	321,358	329,846	323,966	5,880
Independent auditor	61,800	61,800	61,800	-
Business auditor	114,359	114,779	107,580	7,199
Commissioner of the revenue	370,310	375,167	360,659	14,508
Reassessment	320,163	322,058	136,785	185,273
Central purchasing	153,487	156,158	155,331	827
Legal services	267,280	309,866	306,509	3,357
Treasurer	553,623	588,250	562,959	25,291
Information systems	788,993	894,287	710,319	183,968
Management services	387,216	389,720	379,648	10,072
Vehicle licensing	26,258	26,258	26,063	195
Public & employee relations	263,085	338,771	310,028	28,743
Other	862,414	619,648	528,886	90,762
Registrar	244,793	267,648	249,850	17,798
Public information	101,361	-	-	-
Total general government administration	$ 4,925,404	$ 4,883,653	$ 4,299,196	$ 584,457
Judicial administration				
Circuit court	$ 85,340	$ 87,267	$ 80,237	$ 7,030
General district court	10,379	11,559	8,595	2,964
Magistrates	1,415	1,415	981	434
Juvenile and domestic relations court	16,829	16,829	14,681	2,148
Clerk of the circuit court	552,756	609,391	573,522	35,869
Victim witness program	149,624	218,771	207,125	11,646
Commissioner of accounts	1,320	1,320	976	344
Commonwealth attorney	852,812	927,505	898,232	29,273
Total judicial administration	$ 1,670,475	$ 1,874,057	$ 1,784,349	$ 89,708

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	$ 5,175,502	$ 5,469,261	$ 5,192,744	$ 276,517
E - 911 system	1,072,980	1,129,672	1,062,881	66,791
Fire departments	613,280	652,614	617,640	34,974
Ambulance and rescue services	396,470	435,412	371,251	64,161
Paid EMT services	2,114,622	2,173,936	2,038,510	135,426
Forest fire extinction service	20,781	20,781	20,780	1
Jail	3,170,000	3,170,000	3,076,741	93,259
Probation office	4,900	4,900	4,312	588
Local corrections	445,119	455,892	218,715	237,177
Building inspections	337,019	338,739	311,270	27,469
Animal control	254,840	260,887	252,232	8,655
Medical examiner	1,000	1,000	720	280
Emergency services	251,600	293,213	255,338	37,875
Total public safety	$ 13,858,113	$ 14,406,307	$ 13,423,134	$ 983,173
Public works				
Highway services	$ 23,000	$ 25,054	$ 25,054	$ -
Street lights	7,700	8,286	8,497	(211)
Maintenance of buildings and grounds	1,529,538	1,537,551	1,424,674	112,877
Public works administration	284,646	286,192	280,776	5,416
Total public works	$ 1,844,884	$ 1,857,083	$ 1,739,001	$ 118,082
Health and welfare				
Health department	$ 409,181	$ 409,181	$ 409,181	$ -
Horizon Behavior Health	182,485	182,485	182,485	-
Welfare assistance and administration	7,229,235	7,591,914	6,935,312	656,602
Comprehensive Services Act program	2,603,020	2,603,317	2,522,314	81,003
Property tax relief for elderly/handicapped	-	343,988	373,706	(29,718)
Housing assistance	131,157	132,436	110,156	22,280
Youth, adult and community services	113,575	113,575	106,493	7,082
Other health and welfare	16,707	16,707	18,079	(1,372)
Total health and welfare	$ 10,685,360	$ 11,393,603	$ 10,657,726	$ 735,877
Education				
Contribution to School Board Component unit	$ 27,320,682	$ 34,964,840	$ 27,149,039	$ 7,815,801
Total education	$ 27,320,682	$ 34,964,840	$ 27,149,039	$ 7,815,801

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	$ 515,422	$ 524,068	$ 471,975	$ 52,093
Community recreation	192,162	192,162	143,742	48,420
Library	1,094,403	1,116,933	1,058,059	58,874
Literacy	33,853	36,171	35,201	970
Total parks, recreation, and cultural	$ 1,835,840	$ 1,869,334	$ 1,708,977	$ 160,357
Community Development				
Zoning	$ 505,836	$ 545,563	$ 506,526	$ 39,037
Economic development	459,566	1,713,291	766,847	946,444
Planning	83,100	83,100	83,100	-
Campbell County Utility Service Authority	54,971	125,294	98,515	26,779
Environmental management program	132,354	139,867	128,837	11,030
Soil and water conservation district	15,186	15,186	15,186	-
Cooperation extension program	107,450	94,716	94,440	276
Total community development	$ 1,358,463	$ 2,717,017	$ 1,693,451	$ 1,023,566
Debt Service				
Principal	$ 3,737,541	$ 3,737,541	$ 3,737,540	$ 1
Interest and fiscal charges	1,070,924	1,139,619	1,137,218	2,401
Total debt service	$ 4,808,465	$ 4,877,160	$ 4,874,758	$ 2,402
Nondepartmental	$ (485,000)	$ (485,000)	$ 769	$ (485,769)
Total expenditures	$ 67,822,686	$ 78,358,054	$ 67,330,400	$ 11,027,654
Excess (deficiency) of revenues over (under) expenditures	$ 1,943,777	$ (7,348,131)	$ 4,694,074	$ 12,042,205
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 86,848	$ 86,848
Transfers out	(1,943,777)	(2,215,322)	(2,183,730)	(31,592)
Total other financing sources (uses)	$ (1,943,777)	$ (2,215,322)	$ (2,096,882)	$ 55,256
Net change in fund balances	$ -	$ (9,563,453)	$ 2,597,192	$ 12,097,461
Fund balance - beginning	-	9,563,453	26,358,648	16,795,195
Fund balance - ending	$ -	$ -	$ 28,955,840	$ 28,892,656

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Solid Waste Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 2,000	$ 2,000	$ 113	$ (1,887)
Charges for services	918,123	918,123	669,989	(248,134)
Intergovernmental:				
Commonwealth	16,605	16,605	16,033	(572)
Total revenues	$ 936,728	$ 936,728	$ 686,135	$ (250,593)
EXPENDITURES				
Current:				
Public Works - Solid Waste	$ 1,560,505	$ 1,755,677	$ 1,668,385	$ 87,292
Total expenditures	$ 1,560,505	$ 1,755,677	$ 1,668,385	$ 87,292
Excess (deficiency) of revenues over (under) expenditures	$ (623,777)	$ (818,949)	$ (982,250)	$ (163,301)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 623,777	$ 637,262	$ 637,262	$ -
Transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	$ 223,777	$ 237,262	$ 237,262	$ -
Net change in fund balances	$ (400,000)	$ (581,687)	$ (744,988)	$ (163,301)
Fund balance - beginning	400,000	581,687	1,366,046	784,359
Fund balance - ending	$ -	$ -	$ 621,058	$ 621,058

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

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

	2016	2015	2014
Total pension liability			
Service cost	$ 1,594,596	$ 1,568,032	$ 1,506,011
Interest	4,347,229	4,089,845	3,900,665
Differences between expected and actual experience	(575,564)	824,419	-
Benefit payments, including refunds of employee contributions	(2,891,247)	(2,719,500)	(2,688,703)
Net change in total pension liability	$ 2,475,014	$ 3,762,796	$ 2,717,973
Total pension liability - beginning	63,548,900	59,786,104	57,068,131
Total pension liability - ending (a)	$ 66,023,914	$ 63,548,900	$ 59,786,104
Plan fiduciary net position			
Contributions - employer	$ 1,644,686	$ 1,654,904	$ 1,640,441
Contributions - employee	658,971	675,034	637,244
Net investment income	953,652	2,435,302	7,297,446
Benefit payments, including refunds of employee contributions	(2,891,247)	(2,719,500)	(2,688,703)
Administrative expense	(34,332)	(33,239)	(39,389)
Other	(407)	(514)	384
Net change in plan fiduciary net position	$ 331,323	$ 2,011,987	$ 6,847,423
Plan fiduciary net position - beginning	55,212,353	53,200,366	46,352,943
Plan fiduciary net position - ending (b)	$ 55,543,676	$ 55,212,353	$ 53,200,366
County's net pension liability - ending (a) - (b)	$ 10,480,238	$ 8,336,547	$ 6,585,738
Plan fiduciary net position as a percentage of the total pension liability	84.13%	86.88%	88.98%
Covered payroll	$ 13,136,288	$ 13,173,333	$ 12,703,891
County's net pension liability as a percentage of covered-employee payroll	79.78%	63.28%	51.84%

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

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

	2016	2015	2014
Total pension liability			
Service cost	$ 304,674	$ 322,594	$ 347,629
Interest	945,293	926,451	903,387
Differences between expected and actual experience	(132,039)	(10,314)	-
Benefit payments, including refunds of employee contributions	(960,237)	(978,898)	(864,159)
Net change in total pension liability	$ 157,691	$ 259,833	$ 386,857
Total pension liability - beginning	13,984,301	13,724,468	13,337,611
Total pension liability - ending (a)	$ 14,141,992	$ 13,984,301	$ 13,724,468
Plan fiduciary net position			
Contributions - employer	$ 318,293	$ 310,596	$ 318,487
Contributions - employee	144,031	142,393	147,336
Net investment income	205,910	558,443	1,732,436
Benefit payments, including refunds of employee contributions	(960,237)	(978,898)	(864,159)
Administrative expense	(7,927)	(8,065)	(9,589)
Other	(90)	(117)	91
Net change in plan fiduciary net position	$ (300,020)	$ 24,352	$ 1,324,602
Plan fiduciary net position - beginning	12,538,748	12,514,396	11,189,794
Plan fiduciary net position - ending (b)	$ 12,238,728	$ 12,538,748	$ 12,514,396
School Board's net pension liability - ending (a) - (b)	$ 1,903,264	$ 1,445,553	$ 1,210,072
Plan fiduciary net position as a percentage of the total pension liability	86.54%	89.66%	91.18%
Covered payroll	$ 3,014,909	$ 2,910,102	$ 2,950,955
School Board's net pension liability as a percentage of covered-employee payroll	63.13%	49.67%	41.01%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.49%	0.51%	0.52%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 68,881,000	$ 64,322,000	$ 62,577,000
Employer's Covered Payroll	37,475,983	38,004,120	37,818,503
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.80%	169.25%	165.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	70.68%	70.88%

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

Schedule of Employer Contributions
For the Year Ended June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
County:					
2017	$ 1,392,485	$ 1,392,485	$ -	$ 13,165,736	11%
2016	1,645,469	1,645,469	-	13,136,288	13%
2015	1,654,811	1,654,811	-	13,173,333	13%
2014	1,647,695	1,647,695	-	12,703,891	13%
2013	1,549,349	1,549,349	-	11,945,633	13%
2012	1,035,686	1,035,686	-	11,418,804	9%
2011	1,039,173	1,039,173	-	11,457,253	9%
2010	812,293	812,293	-	11,376,646	7%
2009	861,456	861,456	-	12,065,209	7%
2008	674,426	674,426	-	11,936,735	6%
School Board - Non-Professionals:					
2017	$ 248,239	$ 248,239	$ -	$ 3,083,237	8%
2016	318,400	318,400	-	3,014,909	11%
2015	310,595	310,595	-	2,910,102	11%
2014	318,703	318,703	-	2,950,955	11%
2013	322,886	322,886	-	2,989,687	11%
2012	210,284	210,284	-	2,774,194	8%
2011	211,844	211,844	-	2,794,780	8%
2010	236,846	236,846	-	3,100,074	8%
2009	236,211	236,211	-	3,091,776	8%
2008	207,146	207,146	-	3,024,033	7%
School Board - Professionals*:					
2017	$ 5,415,854	$ 5,415,854	$ -	$ 37,477,663	14%
2016	5,232,865	5,232,865	-	37,475,983	14%
2015	5,491,770	5,491,770	-	38,004,120	14%

* This schedule is intended to report information for 10 years. Information prior to the 2014 valuation is not available. Additional years will be included when available.

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

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

Required Supplementary Information
Schedule of OPEB Funding Progress

County:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (1) (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2014	$ -	$ 6,920,366	$ 6,920,366	0.00%	$ 9,532,439	72.60%
7/1/2015	-	7,249,805	7,249,805	0.00%	9,770,750	74.20%
7/1/2016	-	9,125,538	9,125,538	0.00%	10,731,654	85.03%

School Board:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (1) (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2014	$ -	$ 27,562,020	$ 27,562,020	0.00%	$ 33,496,559	82.28%
7/1/2015	-	28,771,766	28,771,766	0.00%	34,333,973	83.80%
7/1/2016	-	33,070,306	33,070,306	0.00%	30,362,509	108.92%

School Board - Health Insurance Credit Program:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
6/30/2015	$ 173,901	$ 400,140	$ 226,239	43.46%	$ 3,062,770	7.39%
6/30/2016	189,172	401,887	212,715	47.07%	2,908,936	7.31%
6/30/2017	173,901	400,140	226,239	43.46%	3,062,770	7.39%

(1) Information about annual covered payroll was unavailable for the 7/1/2012 and 7/1/2013 actuarial valuations.

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Funds
For the Year Ended June 30, 2017

	County Capital Projects Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 40,000	$ 40,000	$ 22,241	$ (17,759)
Miscellaneous	10,500	10,500	-	(10,500)
Intergovernmental:				
Commonwealth	321,920	688,748	385,570	(303,178)
Total revenues	$ 372,420	$ 739,248	$ 407,811	$ (331,437)
EXPENDITURES				
Current:				
Capital projects	$ 3,119,132	$ 5,621,519	$ 2,207,914	$ 3,413,605
Total expenditures	$ 3,119,132	$ 5,621,519	$ 2,207,914	$ 3,413,605
Excess (deficiency) of revenues over (under) expenditures	$ (2,746,712)	$ (4,882,271)	$ (1,800,103)	$ 3,082,168
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,700,000	$ 1,776,290	$ 1,744,698	$ (31,592)
Transfers out	-	(13,485)	(45,077)	(31,592)
Total other financing sources (uses)	$ 1,700,000	$ 1,762,805	$ 1,699,621	$ (63,184)
Net change in fund balances	$ (1,046,712)	$ (3,119,466)	$ (100,482)	$ 3,018,984
Fund balance - beginning	1,046,712	3,119,466	3,122,697	3,231
Fund balance - ending	$ -	$ -	$ 3,022,215	$ 3,022,215

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Road Construction Fund							
Budgeted Amounts							Variance with Final Budget Positive (Negative)
	Original		Final		Actual		
$	-	$	-	$	-	$	-
	-		3,876,816		3,876,816		-
	-		6,315,016		1,066,255		(5,248,761)
$	-	$	10,191,832	$	4,943,071	$	(5,248,761)
$	-	$	12,114,441	$	2,457,320	$	9,657,121
$	-	$	12,114,441	$	2,457,320	$	9,657,121
$	-	$	(1,922,609)	$	2,485,751	$	4,408,360
$	-	$	-	$	-	$	-
	-		-		-		-
$	-	$	-	$	-	$	-
$	-	$	(1,922,609)	$	2,485,751	$	4,408,360
	-		1,922,609		1,922,610		1
$	-	$	-	$	4,408,361	$	4,408,361

Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2017

	Special Welfare	Drug Enforcement	Commonwealth Attorney Drug Fund	Flexible Benefits	County Agency	Total
ASSETS						
Cash and cash equivalents	$ 37,177	$ 158,224	$ 35,204	$ 16,742	$ 27,463	$ 274,810
Receivables						
Accounts receivable	-	-	-	283	-	283
Total assets	$ 37,177	$ 158,224	$ 35,204	$ 17,025	$ 27,463	$ 275,093
LIABILITIES						
Amounts held for social service clients	$ 37,177	$ -	$ -	$ -	$ -	$ 37,177
Amounts held for others	-	158,224	35,204	17,025	27,463	237,916
Total liabilities	$ 37,177	$ 158,224	$ 35,204	$ 17,025	$ 27,463	$ 275,093

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	$ 37,347	$ 77,773	$ 77,943	$ 37,177
Accounts receivable	360	-	360	-
Total assets	$ 37,707	$ 77,773	$ 78,303	$ 37,177
Liabilities:				
Amounts held for social service clients	$ 37,707	$ 77,773	$ 78,303	$ 37,177
Drug Enforcement:				
Assets:				
Cash and cash equivalents	$ 150,758	$ 27,375	$ 19,909	$ 158,224
Liabilities:				
Amounts held for others	$ 150,758	$ 27,375	$ 19,909	$ 158,224
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	$ 85,119	$ 5,341	$ 55,256	$ 35,204
Total assets	$ 85,119	$ 5,341	$ 55,256	$ 35,204
Liabilities:				
Amounts held for others	$ 85,119	$ 5,341	$ 55,256	$ 35,204
Flexible Benefits:				
Assets:				
Cash and cash equivalents	$ 16,613	$ 3,391,260	$ 3,391,131	$ 16,742
Accounts receivable	523	283	523	283
Total assets	$ 17,136	$ 3,391,543	$ 3,391,654	$ 17,025
Liabilities:				
Amounts held for others	$ 17,136	$ 3,391,543	$ 3,391,654	$ 17,025
County Agency:				
Assets:				
Cash and cash equivalents	$ 23,978	$ 7,985	$ 4,500	$ 27,463
Liabilities:				
Amounts held for others	$ 23,978	$ 7,985	$ 4,500	$ 27,463
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	$ 313,815	$ 3,509,734	$ 3,548,739	$ 274,810
Accounts receivable	883	283	883	283
Total assets	$ 314,698	$ 3,510,017	$ 3,549,622	$ 275,093
Liabilities:				
Amounts held for social service clients	$ 37,707	$ 77,773	$ 78,303	$ 37,177
Amounts held for others	276,991	3,432,244	3,471,319	237,916
Total liabilities	$ 314,698	$ 3,510,017	$ 3,549,622	$ 275,093

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

		School Operating Fund		School Cafeteria Fund		School Capital Projects Fund		Total Governmental Funds
ASSETS								
Cash and cash equivalents	$	8,801,140	$	1,636,268	$	1,798,119	$	12,235,527
Due from other governmental units		2,739,690		-		-		2,739,690
Prepaid items		520,526		16,305		-		536,831
Total assets	$	12,061,356	$	1,652,573	$	1,798,119	$	15,512,048
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$	1,055,848	$	19,434	$	-	$	1,075,282
Accrued liabilities		7,142,967		214,466		-		7,357,433
Due to primary government		3,335,889		-		-		3,335,889
Total liabilities	$	11,534,704	$	233,900	$	-	$	11,768,604
Fund balances:								
Nonspendable:								
Prepaid items	$	520,526	$	16,305	$	-	$	536,831
Committed:								
Education - capital projects		-		-		430,426		430,426
Assigned:								
Education		6,126		1,402,368		-		1,408,494
Education - capital projects		-		-		1,367,693		1,367,693
Total fund balances	$	526,652	$	1,418,673	$	1,798,119	$	3,743,444
Total liabilities and fund balances	$	12,061,356	$	1,652,573	$	1,798,119	$	15,512,048

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

Total fund balances per above			$	3,743,444
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of $63,059,873 and accumulated depreciation of $41,715,468)				21,344,405
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds				
Changes in proportionate share of employer contributions		(2,752,000)		
Net difference of actual and expected expereience		(2,312,715)		(5,064,715)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.				5,664,093
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds				
Net OPEB obligation	$	(6,837,791)		
Items related to measurement of net pension liability		4,868,229		
Net pension liability		(70,784,309)		(72,753,871)
Net position of governmental activities			$	(47,066,644)

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

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	$ 3,772	$ 508	$ 1,251	$ 5,531
Charges for services	106,532	1,211,077	-	1,317,609
Miscellaneous	19,668	35,226	75,671	130,565
Recovered costs	133,067	-	-	133,067
Intergovernmental:				
Local government	26,776,752	-	372,287	27,149,039
Commonwealth	47,483,836	58,905	-	47,542,741
Federal	3,699,935	2,373,807	-	6,073,742
Total revenues	$ 78,223,562	$ 3,679,523	$ 449,209	$ 82,352,294
EXPENDITURES				
Current:				
Education	$ 78,172,222	$ 3,556,104	$ 284,976	$ 82,013,302
Total expenditures	$ 78,172,222	$ 3,556,104	$ 284,976	$ 82,013,302
Excess (deficiency) of revenues over (under) expenditures	$ 51,340	$ 123,419	$ 164,233	$ 338,992
Net change in fund balances	$ 51,340	$ 123,419	$ 164,233	$ 338,992
Fund balances - beginning	475,312	1,295,254	1,633,886	3,404,452
Fund balances - ending	$ 526,652	$ 1,418,673	$ 1,798,119	$ 3,743,444

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		$ 338,992
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures exceeded depreciation expense in the current period		
Capital outlay	$ 2,728,683	
Net transfer of assets between primary government and component unit	2,152,108	
Depreciation expense	(1,990,531)	2,890,260
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position		
Donated capital assets received	60,000	
Loss on disposal of capital asset	(45,317)	14,683
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		874,293
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
(Increase)/decrease in compensated absences	$ 423,830	
(Increase)/decrease in net pension liability	(5,016,756)	
Increase/(decrease) in deferred outflow - pension related items	4,122,057	
(Increase)/decrease in net OPEB obligation	(183,696)	(654,565)
Change in net position of governmental activities		$ 3,463,663

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 3,500	$ 3,500	$ 3,772	$ 272
Charges for services	121,500	121,500	106,532	(14,968)
Miscellaneous	21,750	21,750	19,668	(2,082)
Recovered costs	190,500	190,500	133,067	(57,433)
Intergovernmental:				
Local government	27,320,682	34,592,553	26,776,752	(7,815,801)
Commonwealth	46,004,882	46,112,975	47,483,836	1,370,861
Federal	4,901,443	5,321,263	3,699,935	(1,621,328)
Total revenues	$ 78,564,257	$ 86,364,041	$ 78,223,562	$ (8,140,479)
EXPENDITURES				
Current:				
Education:				
Instruction	$ 57,501,161	$ 60,835,392	$ 56,076,658	$ 4,758,734
Administration, attendance and health	4,090,543	4,332,233	4,034,738	297,495
Pupil transportation	4,944,017	5,215,442	5,024,875	190,567
Operation and maintenance services	7,685,700	9,633,295	7,764,681	1,868,614
Technology	4,342,836	6,350,931	5,271,270	1,079,661
Total expenditures	$ 78,564,257	$ 86,367,293	$ 78,172,222	$ 8,195,071
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (3,252)	$ 51,340	$ 54,592
Net change in fund balances	$ -	$ (3,252)	$ 51,340	$ 54,592
Fund balance - beginning	-	3,252	475,312	472,060
Fund balance - ending	$ -	$ -	$ 526,652	$ 526,652

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

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

		Enterprise Fund
ASSETS		
Cash and cash equivalents	$	545,731
Due from primary government		196,895
Industrial assets held for industry - real property		1,852,627
Total assets	$	2,595,253
LIABILITIES		
Long-term liabilities:		
Due within one year	$	1,706,974
Total liabilities	$	1,706,974
NET POSITION		
Unrestricted	$	888,279

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

		Enterprise Fund
OPERATING REVENUES		
Charges for services	$	5,974
Revenue from the use of property		219,388
Total operating revenues	$	225,362
OPERATING EXPENSES		
Economic incentive grants	$	253,401
Other operating costs		2,567
Total operating expenses	$	255,968
Operating income (loss)	$	(30,606)
NONOPERATING REVENUES (EXPENSES)		
Contributions from Campbell County	$	200,935
Interest income		3,776
Interest expense		(71,180)
Net nonoperating revenues (expenses)	$	133,531
Change in net position	$	102,925
Net position - beginning		785,354
Net position - ending	$	888,279

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2017

		Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grantors and customers	$	208,486
Payments to grantees and suppliers		(232,673)
Net cash provided by (used for) operating activities	$	(24,187)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Campbell County	$	177,640
Interest Income		3,776
Net cash provided by (used for) noncapital financing activities	$	181,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long term debt	$	(90,822)
Interest paid on long term debt		(71,180)
Net cash provided by (used for) capital and related financing activities	$	(162,002)
Net increase (decrease) cash and cash equivalents	$	(4,773)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - beginning		550,504
Cash and cash equivalents - ending	$	545,731
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$	(30,606)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Change in assets and liabilities:		
Increase (decrease) in unearned revenue		(16,876)
Increase (decrease) in liabilities payable to industries		23,295
Net cash provided by (used for) operating activities	$	(24,187)

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Other Statistical Information

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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COUNTY OF CAMPBELL, VIRGINIA **Table 1**

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017
Primary government										
Governmental activities										
Net investment in capital assets	$ 39,715,828	$ 31,775,484	$ 28,284,570	$ 27,643,364	$ 25,710,879	$ 26,658,220	$ 28,719,429	$ 22,853,751	$ 24,885,321	$ 24,156,518
Restricted	-	-	-	-	-	-	-	2,702,314	1,923,436	4,434,798
Unrestricted	11,756,092	20,312,047	23,778,379	24,548,926	31,368,847	31,359,486	30,189,019	20,276,672	19,932,586	20,919,378
Total governmental activities net position	$ 51,471,920	$ 52,087,531	$ 52,062,949	$ 52,192,290	$ 57,079,726	$ 58,017,706	$ 58,908,448	$ 45,832,737	$ 46,741,343	$ 49,510,694

(1) - The County implemented GASB Statement Nos. 63 and 65, effective fiscal year 2013
(2) - The County implemented GASB Statement Nos. 68 and 71, effective fiscal year 2015

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013***	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government administration	$ 10,558,342	$ 13,001,378	$ 12,928,427	$ 12,555,596	$ 14,367,571	$ 4,832,503	$ 4,836,557	$ 4,886,285	$ 5,024,792	$ 4,945,114
Judicial administration	1,528,774	1,637,800	1,708,920	1,686,219	1,634,401	1,678,561	1,742,957	1,672,627	1,664,229	1,844,547
Public safety	10,869,255	11,261,624	13,092,272	13,228,773	12,712,040	14,282,692	14,361,780	13,887,466	14,452,365	15,096,746
Public works	5,432,700	7,721,687	5,397,503	4,568,411	3,431,997	3,299,182	3,983,923	3,441,597	3,666,489	3,874,059
Health and welfare	11,738,042	10,582,093	9,613,637	9,556,302	9,329,764	9,816,547	9,882,472	10,090,691	10,467,241	10,908,973
Education	20,812,779	18,207,914	19,502,314	21,571,119	21,786,877	26,144,199	27,033,049	28,493,461	28,073,483	31,018,186
Parks, recreation and cultural	1,933,983	1,866,239	2,083,747	1,822,030	1,762,788	1,723,223	1,776,225	1,935,595	1,833,900	1,877,096
Community development	2,139,589	2,139,309	1,572,293	2,967,441	2,316,684	2,745,880	2,142,982	1,942,194	2,997,625	4,340,246
Interest on long-term debt	1,123,787	2,568,222	2,515,923	2,384,806	2,244,465	2,108,383	1,555,690	1,825,883	3,896,145	1,051,261
Total governmental activities expenses	$ 66,137,251	$ 68,986,266	$ 68,415,036	$ 70,340,697	$ 69,586,587	$ 66,631,170	$ 67,315,635	$ 68,175,799	$ 72,076,269	$ 74,956,228
Total primary government expenses	$ 66,137,251	$ 68,986,266	$ 68,415,036	$ 70,340,697	$ 69,586,587	$ 66,631,170	$ 67,315,635	$ 68,175,799	$ 72,076,269	$ 74,956,228
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	$ 9,541,595	$ 9,319,950	$ 8,895,934	$ 8,763,016	$ 8,852,653	$ 390,947	$ 414,893	$ 394,421	$ 524,302	$ 413,371
Judicial administration	111,540	85,601	122,019	121,039	31,272	28,690	10,163	7,358	24,531	6,784
Public safety	1,348,131	1,706,266	1,958,620	1,683,597	1,841,768	2,031,695	1,954,759	2,044,946	2,116,815	2,227,336
Public works	1,105,008	945,665	1,005,159	945,976	636,348	823,993	803,031	923,792	804,902	669,989
Health and welfare	-	-	34,680	-	-	-	-	-	1,700	-
Parks, recreation and cultural	234,040	227,362	249,297	274,777	209,061	209,368	200,099	190,557	204,666	199,587
Community development	-	-	48,943	32,052	46,174	43,957	51,107	196,360	92,397	111,284
Operating grants and contributions	13,171,193	12,425,500	11,558,109	11,512,825	10,765,466	11,243,741	11,050,952	11,310,942	11,881,220	12,227,418
Capital grants and contributions	1,181,992	246,851	585,146	704,737	480,513	450,560	775,951	508,650	1,179,300	1,451,825
Total governmental activities program revenues	$ 26,693,499	$ 24,957,195	$ 24,457,907	$ 24,038,019	$ 22,863,255	$ 15,222,951	$ 15,260,955	$ 15,577,026	$ 16,829,833	$ 17,307,594
Total primary government program revenues	$ 26,693,499	$ 24,957,195	$ 24,457,907	$ 24,038,019	$ 22,863,255	$ 15,222,951	$ 15,260,955	$ 15,577,026	$ 16,829,833	$ 17,307,594
Net (expense) / revenue										
Governmental activities	$ (39,443,752)	$ (44,029,071)	$ (43,957,129)	$ (46,302,678)	$ (46,723,332)	$ (51,408,219)	$ (52,054,680)	$ (52,598,773)	$ (55,246,436)	$ (57,648,634)
Total primary government net expense	$ (39,443,752)	$ (44,029,071)	$ (43,957,129)	$ (46,302,678)	$ (46,723,332)	$ (51,408,219)	$ (52,054,680)	$ (52,598,773)	$ (55,246,436)	$ (57,648,634)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013**	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 27,801,209	$ 29,695,573	$ 29,816,678	$ 30,846,372	$ 31,620,082	$ 36,936,888	$ 37,049,057	$ 37,430,288	$ 38,165,723	$ 39,533,657
Other local taxes **	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828	10,160,937	10,819,564	11,048,948
Unrestricted revenues from use of money and property	1,406,527	1,047,057	397,787	351,069	241,235	153,943	466,368	347,551	442,270	284,381
Unrestricted grants and contributions	4,051,899	4,013,350	4,914,103	5,460,420	5,373,618	5,275,066	5,316,657	5,426,764	5,292,660	5,277,881
Other	344,739	351,051	283,326	1,318,547	183,127	406,963	390,512	3,397,589	1,434,825	4,273,118
Gain (loss) on sale of capital assets *	147,578	(507,274)	-	-	5,321,494	62,284	-	-	-	-
Total governmental activities	$ 44,161,649	$ 44,644,682	$ 43,932,547	$ 46,432,019	$ 51,610,768	$ 52,406,199	$ 52,945,422	$ 56,763,129	$ 56,155,042	$ 60,417,985
Total primary government	$ 44,161,649	$ 44,644,682	$ 43,932,547	$ 46,432,019	$ 51,610,768	$ 52,406,199	$ 52,945,422	$ 56,763,129	$ 56,155,042	$ 60,417,985
Change in Net Position										
Governmental activities	$ 4,717,897	$ 615,611	$ (24,582)	$ 129,341	$ 4,887,436	$ 997,980	$ 890,742	$ 4,164,356	$ 908,606	$ 2,769,351
Total primary government	$ 4,717,897	$ 615,611	$ (24,582)	$ 129,341	$ 4,887,436	$ 997,980	$ 890,742	$ 4,164,356	$ 908,606	$ 2,769,351

* As of fiscal year 2010 (loss) on sale of capital assets is reported within the expense function.

** As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

*** The County implemented GASB Statement 63 and 65, effective July 1, 2012 - Certain revenue and expense items were reclassified and netted to to reflect changes in the allocation of the internal service fund

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General fund										
Reserved	$ 1,205,792	$ 1,302,297	$ 1,251,774							
Unreserved:										
Designated	5,326,719	7,212,014	8,540,762							
Undesignated	10,170,316	12,884,404	13,760,966							
Total general fund	$ 16,702,827	$ 21,398,715	$ 23,553,502							
All other governmental funds										
Reserved	$ 11,790,190	$ 7,524,054	$ 916,524							
Unreserved, reported in:										
Special revenue funds	2,837,950	3,355,746	2,301,181							
Capital projects funds	19,908,448	2,247,383	3,070,446							
Total all other governmental funds	$ 34,536,588	$ 13,127,183	$ 6,288,151							
Total fund balance, governmental funds	$ 51,239,415	$ 34,525,898	$ 29,841,653							
General fund										
Nonspendable				$ 141,964	$ 1,461,885	$ 137,125	$ 141,363	$ 192,102	$ 182,523	$ 212,949
Restricted				-	-	-	-	-	826	26,437
Committed				6,494,918	7,226,668	7,082,941	7,283,292	7,575,891	9,099,024	7,010,639
Assigned				2,029,391	-	-	-	-	1,971,562	1,599,275
Unassigned				13,857,696	14,140,923	15,601,083	17,337,694	16,346,608	15,104,713	20,106,540
Total general fund				$ 22,523,969	$ 22,829,476	$ 22,821,149	$ 24,762,349	$ 24,114,601	$ 26,358,648	$ 28,955,840
All other governmental funds										
Nonspendable				$ 873	$ 873	$ 542	$ 1,012	$ 1,100	$ 1,220	$ 1,616
Restricted				-	-	-	-	2,702,314	1,922,610	4,408,361
Committed				1,073,022	2,507,129	2,694,012	3,028,201	3,762,857	2,273,289	2,066,082
Assigned				6,569,201	5,996,277	4,846,534	3,040,532	2,203,451	2,214,234	1,575,575
Unassigned				(13,778)	-	-	-	-	-	-
Total all other governmental funds				$ 7,629,318	$ 8,504,279	$ 7,541,088	$ 6,069,745	$ 8,669,722	$ 6,411,353	$ 8,051,634
Total fund balance, governmental funds				$ 30,153,287	$ 31,333,755	$ 30,362,237	$ 30,832,094	$ 32,784,323	$ 32,770,001	$ 37,007,474

(1) - The County implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	$ 27,687,218	$ 29,656,273	$ 29,878,623	$ 30,862,061	$ 31,394,666	$ 36,483,531	$ 37,019,002	$ 37,439,459	$ 38,312,800	$ 39,590,867
Other local taxes	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828	10,160,937	10,819,564	11,048,948
Permits, privilege fees and regulatory licenses	373,627	295,858	260,941	267,595	309,389	309,438	254,802	459,415	267,432	305,707
Fines and forfeitures	160,047	157,178	215,515	260,671	178,962	161,464	136,015	141,950	139,765	136,360
Revenue from use of money and property	1,334,532	998,803	386,752	326,240	230,873	150,512	428,749	323,486	402,506	268,913
Charges for services	2,937,786	2,977,873	3,130,057	2,937,777	2,793,238	3,057,748	3,043,235	3,156,089	3,362,116	3,186,284
Miscellaneous	344,740	358,953	283,326	1,318,547	308,612	347,112	380,190	3,397,589	664,067	4,221,108
Recovered costs	303,760	302,932	311,572	345,738	295,141	314,854	302,814	318,685	331,594	346,180
Intergovernmental	18,405,084	16,685,701	17,057,358	18,026,749	16,424,139	16,969,367	17,143,560	17,246,356	18,353,180	18,957,124
Total revenues	$ 61,956,491	$ 61,478,496	$ 60,044,797	$ 62,800,989	$ 60,806,232	$ 67,365,081	$ 68,431,195	$ 72,643,966	$ 72,653,024	$ 78,061,491
Expenditures										
General government administration	$ 3,934,042	$ 4,016,873	$ 3,915,300	$ 4,089,668	$ 4,073,250	$ 4,283,849	$ 4,306,051	$ 4,471,685	$ 4,299,115	$ 4,299,196
Judicial administration	1,498,818	1,569,234	1,600,405	1,575,260	1,507,600	1,559,058	1,611,258	1,632,723	1,659,763	1,784,349
Public safety	9,891,105	10,177,131	11,985,338	12,605,698	11,905,232	12,422,719	12,968,541	12,940,855	13,689,044	13,423,134
Public works	3,673,818	3,566,034	4,226,429	3,308,866	3,113,380	3,229,978	3,675,089	3,220,854	3,316,317	3,407,386
Health and welfare	11,836,735	10,521,422	9,390,648	9,422,479	8,980,678	9,586,967	9,650,094	10,049,547	10,404,776	10,657,726
Education	19,286,028	16,633,517	17,718,603	20,034,312	20,022,771	23,902,801	24,102,429	25,787,723	25,841,800	27,149,039
Parks, recreation and cultural	1,806,558	1,766,398	1,972,890	1,723,843	1,654,803	1,617,241	1,653,349	1,731,715	1,759,831	1,708,977
Community development	1,605,571	1,805,956	1,512,187	2,430,107	1,931,433	2,096,644	1,579,983	1,567,334	1,747,378	1,693,451
Non-departmental	-	-	-	-	357	96	-	219	430	769
Capital projects	13,095,157	23,220,618	6,826,686	1,472,522	1,057,458	2,741,894	3,665,156	3,126,173	4,913,720	4,665,234
Debt service										
Principal	2,483,080	2,656,078	3,007,153	3,457,196	3,259,527	3,252,633	3,124,117	3,159,124	4,260,390	3,737,540
Interest and other fiscal charges	1,257,691	2,617,944	2,573,403	2,438,998	2,301,424	2,170,990	1,615,593	1,883,785	3,616,966	1,137,218
Total expenditures	$ 70,368,603	$ 78,551,205	$ 64,729,042	$ 62,558,949	$ 59,807,913	$ 66,864,870	$ 67,951,660	$ 69,571,737	$ 75,509,530	$ 73,664,019
Excess (deficiency) of revenues over (under) expenditures	$ (8,412,112)	$ (17,072,709)	$ (4,684,245)	$ 242,040	$ 998,319	$ 500,211	$ 479,535	$ 3,072,229	$ (2,856,506)	$ 4,397,472
Other financing sources (uses)										
Transfers in	$ 7,902,569	$ 2,340,457	$ 2,846,052	$ 4,091,288	$ 2,383,573	$ 4,173,957	$ 2,791,054	$ 3,344,897	$ 2,443,015	$ 2,468,808
Transfers out	(7,902,569)	(2,340,457)	(2,846,052)	(4,091,288)	(2,382,573)	(5,773,957)	(2,811,054)	(4,464,897)	(2,525,831)	(2,628,807)
Sale of capital assets	355,560	359,192	-	69,594	181,149	128,271	10,322	-	-	-
Payments to refund bonds	-	-	-	-	-	-	-	-	(26,170,000)	-
Bond proceeds	34,875,000	-	-	-	-	-	-	-	29,095,000	-
Total other financing sources (uses)	$ 35,230,560	$ 359,192	$ -	$ 69,594	$ 182,149	$ (1,471,729)	$ (9,678)	$ (1,120,000)	$ 2,842,184	$ (159,999)
Net change in fund balances	$ 26,818,448	$ (16,713,517)	$ (4,684,245)	$ 311,634	$ 1,180,468	$ (971,518)	$ 469,857	$ 1,952,229	$ (14,322)	$ 4,237,473
Debt service as a percentage of noncapital expenditures	6.20%	8.70%	9.47%	9.53%	9.35%	8.23%	7.21%	7.49%	10.92%	6.74%

* As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (5)	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates Town of Brookneal	Overlapping Tax Rates Town of Altavista	Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
2008	$ 3,544,470,652	$ 283,008,367	$ 35,253,947	$ 165,736,642	$ -	$ 218,197,839	$ 4,246,667,447	$ 0.77	$ N/A	$ N/A	$ 4,529,675,814	93.75%
2009	3,627,444,441	290,675,456	35,812,054	178,158,301	-	227,290,354	4,359,380,606	0.80	N/A	N/A	4,650,056,062	93.75%
2010	3,446,391,746	275,659,287	38,104,148	181,371,640	-	225,843,782	4,167,370,603	0.80	N/A	N/A	4,443,029,890	93.80%
2011	3,481,544,084	290,493,898	38,124,281	178,812,591	-	229,811,578	4,218,786,432	0.80	N/A	N/A	4,509,280,330	93.56%
2012	3,569,563,504	293,444,818	33,350,485	176,187,896	-	227,802,743	4,300,349,446	0.80	N/A	N/A	4,593,794,264	93.61%
2013	3,603,683,524	329,262,195	33,492,140	162,685,289	-	233,962,523	4,363,085,671	0.87	N/A	N/A	4,692,347,866	92.98%
2014	3,912,428,038	323,800,332	33,896,613	164,990,259	-	269,437,638	4,704,552,880	0.87	N/A	N/A	5,028,353,212	93.56%
2015	3,948,966,754	322,558,248	34,559,213	164,892,424	-	331,742,101	4,802,718,740	0.82	N/A	N/A	5,125,276,988	93.71%
2016	3,987,197,968	332,321,336	30,671,382	164,892,424	-	349,605,154	4,864,688,264	0.82	N/A	N/A	5,197,009,600	93.61%
2017	4,034,203,537	337,261,573	31,630,947	186,943,782	-	354,102,476	4,944,142,315	0.82	N/A	N/A	5,281,403,888	93.61%

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property
(2) Merchants' capital is no longer assessed as of fiscal year 2004
(3) Real estate, mobile homes, and machinery and tools taxes are assessed on a taxable property vaue which is 100% of estimated fair market value
Personal property taxes are assessed on a taxable property value which is 50% of fair market.
(4) Per $100 of assessed value.
(5) Includes recreational and apportioned vehicles

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA **Table 6**

Principal Property Taxpayers
Current Year and Ten Years Prior

	Fiscal Year 2017			Fiscal Year 2007		
Taxpayer	**Taxable Assessed Valuation**	**Rank**	**% of Total Assessed Valuation**	**Taxable Assessed Valuation**	**Rank**	**% of Total Assessed Valuation**
BWX Tech, Inc	$ 102,419,399	1	2.19%	$ 59,770,515	2	1.75%
Abbott Laboratories (Ross)	68,605,511	2	1.47%	59,770,515	1	1.81%
AREVA NP Inc (Framatone)	30,686,724	3	0.66%	25,196,748	3	0.76%
BGF Industries Inc	27,017,064	4	0.58%	23,303,826	5	0.70%
Georgia Pacific Wood Prod LLC	26,369,574	5	0.56%	23,537,527	4	0.71%
Timken Company	19,711,267	6	0.42%	19,626,298	6	0.59%
Progress Printing Company	16,085,734	7	0.34%	11,562,512	9	0.35%
Schrader-Bridgeport International	15,231,364	8	0.33%	13,519,874	8	0.41%
Graham Packaging Plastic Products	12,647,971	9	0.27%		na	
Boxley Materials Company Inc	11,582,318	10	0.25%		na	
	$ 330,356,926		7.07%	$ 236,287,815		7.08%

COUNTY OF CAMPBELL, VIRGINIA **Table 7**

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Current Tax Levy (1)	Collections in Year of Levy: Current Tax Amount	Collections in Year of Levy: Percent of Levy Collected	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections	Total Collections to Date: Percent of Levy Collected
2008	$ 31,437,939	$ 30,569,832	97.24%	$ 346,687	$ 30,916,519	98.34%
2009	33,407,401	32,226,034	96.46%	603,337	32,829,371	98.27%
2010	33,210,365	32,310,883	97.29%	565,904	32,876,787	99.00%
2011	33,876,914	33,329,195	98.38%	475,169	33,804,364	99.79%
2012	34,291,683	33,598,099	97.98%	679,568	34,277,667	99.96%
2013	36,438,020	35,105,656	96.34%	797,593	35,903,249	98.53%
2014	36,680,581	35,493,051	96.76%	1,177,792	36,670,843	99.97%
2015	40,359,558	39,551,215	98.00%	733,005	40,284,220	99.81%
2016	41,440,549	40,302,698	97.25%	584,489	40,887,187	98.66%
2017	42,286,750	41,717,667	98.65%	-	41,717,667	98.65%

(1) Exclusive of penalties and interest.

COUNTY OF CAMPBELL, VIRGINIA **Table 8**

Ratios of Total Outstanding Debt
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Years	General Obligation Bonds	Literary Fund Loans	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2008	$ 51,023,657	$ 12,118,623	$ 70,156	$ 63,212,436	2.4%	$ 1,202
2009	49,415,066	11,087,788	32,994	60,535,848	2.6%	1,159
2010	47,411,159	10,064,034	-	57,475,193	2.9%	1,048
2011	44,805,688	9,191,801	-	53,997,489	3.2%	981
2012	42,397,886	8,319,568	-	50,717,454	3.0%	922
2013	39,996,978	7,447,335	-	47,444,313	2.8%	859
2014	37,395,331	6,575,101	-	43,970,432	2.6%	782
2015	35,108,439	5,702,869	-	40,811,308	2.4%	727
2016	34,645,283	4,830,635	-	39,475,918	2.3%	703
2017	31,779,976	3,958,402	-	35,738,378	2.1%	643

Note: All of the County's debt is a direct obligation of the County; the County has no overlapping debt.
Debt is net of premiums and discounts

(1) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available. Personal income was last updated for calendar year 2008.

COUNTY OF CAMPBELL, VIRGINIA **Table 9**

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

	Net General Bonded Debt			Percentage of	Total
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Total	Actual Value of Taxable Property (2)	Net General Bonded Debt Per Capita (1)
2008	$ 50,571,354	$ 12,118,623	$ 62,689,977	1.38%	$ 1,192
2009	48,983,271	11,087,788	60,071,059	1.29%	1,150
2010	47,411,159	10,064,034	57,475,193	1.29%	1,048
2011	44,805,688	9,191,801	53,997,489	1.20%	981
2012	42,397,886	8,319,568	50,717,454	1.10%	922
2013	39,996,978	7,447,335	47,444,313	1.01%	859
2014	37,395,331	6,575,101	43,970,432	0.87%	782
2015	35,108,439	5,702,869	40,811,308	0.80%	727
2016	34,645,283	4,830,635	39,475,918	0.76%	703
2017	31,779,976	3,958,402	35,738,378	0.68%	643

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans; excludes capital leases and compensated absences. Debt is net of premiums and discounts.

COUNTY OF CAMPBELL, VIRGINIA **Table 10**

Principal Employers
Current Year

Employer	Industry	2017 Employees	2017 Rank	2017 % of Total Employment
BWX Technologies	Nuclear	1,000 and up	1	4% and up
Campbell County Schools	Public Education	1,000 and up	1	4% and up
Areva NP	Nuclear	500 - 999	2	2% - 4%
BGF Industries	Fiberglass fabric	500 -999	2	2% - 4%
Abbott Industries	Pharmaceuticals	500 -999	2	2% - 4%
Schrader International, Inc.	Transportation Equipment Mfg.	250 - 499	3	1% - 2%
Wal Mart- Supercenter	General Merchandise Stores	250- 499	3	1% - 2%
Startek	Call Center	250 - 499	3	1% - 2%
Progress Printing	Printing Services	250 - 499	3	0.3% - 1%
All Others		less than 250		
Totals		4,550+		15% +

Total Employed: 24,885

Note: Information from nine years ago is not available. Statistics include part time employees.

Source: Virginia Employment Commission, LMI, Largest Employers

COUNTY OF CAMPBELL, VIRGINIA **Table 11**

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Per Capita Income (2)	School Enrollment(3)	Unemployment Rate (4)
2007	52,112	$ 30,780	8,557	3.40%
2008	52,595	31,365	8,734	4.00%
2009	52,237	30,575	8,634	7.20%
2010	54,842	31,115	8,528	7.70%
2011	55,032	32,161	8,371	7.20%
2012	55,030	33,053	8,391	6.50%
2013	55,235	33,538	8,338	5.90%
2014	56,232	34,450	8,138	5.30%
2015	56,167	35,559	7,939	4.80%
2016	55,562	n/a*	8,020	4.40%

(1) Population is based on figures available from Weldon Cooper Center, University of Virginia. 2010 and 2011
(2) Source - U. S Department of Commerce, Bureau of Economic Analysis, for Campbell plus City of Lynchburg M
(3) Source - Campbell County School Administration
(4) Source - Virginia Employment Commission VLMI

* Updated information not available
for Campbell County is combined with Lynchburg City. Separate data is no longer available.

COUNTY OF CAMPBELL, VIRGINIA **Table 12**

Full-Time Equivalent County Government Employees By Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Government										
Function:										
General government administration	43	43	42	42	44	44	44	52	52	46
Judicial administration	20	20	20	20	20	20	21	21	22	22
Public safety **	103	106	116	122	122	122	123	122	123	128
Public works	33	33	33	33	33	33	34	26	26	25
Health and welfare	82	82	82	82	82	82	82	78	79	69
Culture and recreation	22	22	22	22	20	20	20	22	22	19
Community development	8	9	9	9	9	9	10	12	12	12
Totals	311	315	324	330	330	330	334	333	336	321
Component Unit - School Board										
Function:										
Education - full and part-time	1,328	1,343	1,362	1,303	1,319	1,311	1,312	1,232	1,234	1,238

** Staff increases in Public Safety in FY08 resulted from the hiring of two additional deputy sheriffs and two additional E-911 dispatchers. Staff increases in Public Safety from FY06 thru FY11 resulted from the hiring of seventeen career EMT technicians, one EMT program manager and one assistant fire marshal in line with the County transitioning away from an all all-volunteer rescue squad program. The Schools reduced positions in FY2011 due to reductions in State funding.

Source: Human Resources and annual fiscal year budget

Operating Indicators By Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Sheriffs department:										
Physical arrests	2,649	2,683	4,398	5,192	4,533	3,390	3,351	3,673	2,652	3,188
Parking violations	56	21	21	148	50	8	18	20	18	13
Traffic violations	1,592	1,306	1,561	2,631	1,620	807	858	1,058	1,097	933
Court security manhours worked	6,216	6,420	7,532	7,618	7,618	7,748	6,858	6,482	6,562	9,455
Prisoner transports	269	285	435	298	371	235	286	348	363	444
Code enforcement violations	216	1,358	87	25	27	26	41	48	51	60
DUIs	97	91	94	103	80	59	70	105	54	57
Culture and recreation										
Parks and recreation attendees/participants:										
Youth sports participants	3,026	2,807	2,792	2,317	2,393	2,245	2,241	2,535	2,506	2,570
Dance and crafts - youth and adult	482	359	348	362	310	350	300	398	194	75
Trips	263	311	269	303	310	30	6	-	-	-
Senior centers	258	286	618	695	616	1,619	1,028	989	380	289
Playground programs	171	230	-	-	-	-	-	-	-	-
Registered special events	439	177	500	236	386	368	678	504	575	762
Open special events	3,125	2,172	3,840	1,198	1,500	2,914	1,035	2,519	1,700	1,600
Cooperative events	2,025	1,796	1,484	2,086	2,564	2,835	4,281	4,370	4,327	12,548
Ticket sales	3,109	1,042	3,801	2,954	2,692	3,040	2,538	2,340	2,765	2,692
Library:										
Volumes in collection *	190,330	106,381	168,219	169,710	167,616	160,391	174,666	160,990	153,837	219,068
Total volumes borrowed	248,132	253,816	257,650	259,321	231,449	211,068	236,142	267,089	178,605	218,217
Number of borrowers	17,563	19,535	22,079	21,799	13,905	19,949	19,123	17,178	19,065	21,534
Number of new borrowers added	2,564	2,198	2,512	2,976	2,191	2,378	2,551	7,236	3,086	2,478
Family and children's programs attendance	7,010	7,609	8,359	4,997	5,725	6,204	8,582	6,914	9,065	11,829
Public computer usage	20,724	41,757	44,792	47,031	45,630	39,760	38,809	40,439	33,620	27,477
Library visits	208,999	219,840	233,606	231,091	223,477	213,556	209,107	205,251	198,195	231,189
Number of adult and family programs	32	69	72	147	762	588	365	748	2,869	449
Adult program attendance	N/A	446	1,192	1,709	4,665	1,547	2,199	23,768	3,768	1,614
Number of children's programs	206	233	376	254	-	-	-	-	-	-
Component Unit - School Board										
Education:										
Actual school enrollment	8,517	8,485	8,353	8,140	8,029	7,995	7,876	7,786	7,656	7,671

Source: Library, Recreation & Parks and Sheriff's annual report to the Board of Supervisors

* Notes: Campbell County increased to four courts from three. Cooperative Events increased dramatically in FY17 as the Recreation Department participated in several additional cooperative events with Shental and various youth associations. Library volumes in collection declined in 2009 as inventory was reduced by selling books and donating to the public. In 2012 inactive Library cards were purged reducing the number of borrowers. Additionally, the Library now reports programs on a combined basis rather than dividing between adult and children programs. In 2016, two libraries were closed for a time for construction and renovation. The Library continues to see a shift away from printed books to digital borrowing.

Captial Asset Statistics By Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety - insured vehicles										
Law enforcement vehicles	75	77	89	84	76	84	84	86	81	82
Other public safety	19	21	22	22	19	17	18	18	19	19
Public works										
Vehicles	32	19	19	19	18	16	14	14	13	13
Health and welfare										
Vehicles	29	29	28	28	28	26	28	28	28	28
Parks, recreation and cultural										
Vehicles	7	7	7	7	7	7	7	7	7	7
Other										
Vehicles	8	8	7	7	7	7	8	8	11	11
Total Vehicles	170	161	172	167	155	157	159	161	159	160

Source: Motor vehicle registration and Purchasing Department motor vehicle insurance reports

Decrease in Public Works in 2009 due to the County landfill merged with the Region 2000 Services Authority

Fluctuations in the number of law enforcement vehicles is affected by how late in the year replacement vehicles are received and older vehicles are turned in.

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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 Campbell, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Campbell, Virginia's basic financial statements, and have issued our report thereon dated November 17, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Campbell, 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 Associates

Charlottesville, Virginia
November 17, 2017

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

To the Board of Supervisors of
County of Campbell
County of Campbell, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Campbell, Virginia's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County of Campbell, Virginia's major federal programs for the year ended June 30, 2017. County of Campbell, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Campbell, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Campbell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Campbell, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Campbell, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the County of Campbell, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Campbell, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Campbell, 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

Charlottesville, Virginia
November 17, 2017

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	$ 25,512
Temporary Assistance for Needy Families (TANF)	93.558	0400117/0400116	532,283
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500116	1,738
Low-Income Home Energy Assistance Program	93.568	0600417/0600416	56,901
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760116	86,257
Chafee Education and Training Vouchers Program	93.599	9160116	632
Adoption and Legal Guardianship Incentive Payments	93.603	1130114	3,290
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116	949
Foster Care - Title IV-E	93.658	1100117/1100116	483,875
Adoption Assistance	93.659	1120117/1120116	643,331
Social Services Block Grant	93.667	1000117/1000116	465,788
Chafee Foster Care Independence Program	93.674	9150117/9150116	6,612
Children's Health Insurance Program	93.767	0540117/0540116	22,615
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200117/1200116	727,712
Total Department of Social Services			$ 3,057,495
Total Department of Health and Human Services			$ 3,057,495
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		$ 31,648
Total Corporation for National and Community Service			$ 31,648
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	unknown	$ 5,148
Emergency Food and Shelter National Board Program	97.024	unknown	4,322
Total Department of Homeland Security			$ 9,470
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Food distribution	10.555	2017IN109941/201616N109941	$ 241,615
National School Lunch Program	10.555	2017IN109941/201616N109941	1,579,911
Subtotal CFDA 10.555			1,821,526
School Breakfast Program	10.553	2017IN109941/2016IN109941	552,282
Subtotal Child Nutrition Cluster			2,373,808
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040117/0040116/0010116/0010117	575,230
Total Department of Agriculture			$ 2,949,038

COUNTY OF CAMPBELL, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Justice:				
Direct Payments:				
Bulletproof Vest Partnership Program	16.607		$	6,466
Equitable Sharing Program	16.922			8,148
Pass Through Payments:				
Department of Criminal Justice Service:				
Violence Against Women Formula Grants	16.588	16-M4437VA15		34,286
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-G1214LO15		1,870
Crime Victim Assistance	16.575	17-W8565VW15/16-V8565VW15		147,050
Total Department of Justice			$	197,820
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	SC-2015-55149-5888	$	8,587
National Priority Safety Program	20.616	M2HVE-17-57282		2,758
Alcohol Open Container Requirements	20.607	M2HVE-16-56178		22,930
Total Department of Transportation			$	34,275
Department of Housing and Urban Development:				
Pass Through Payments:				
Virginia Department of Housing and Urban Development:				
Section 8 Housing Choice Vouchers	14.871	unknown	$	42,479
Total Department of Housing and Urban Development			$	42,479
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I: Grants to Local Educational Agencies	84.010	S010A14046/S010A150046 /S010A1600046	$	1,748,760
Adult Education Basic Grants to States	84.002	unknown		68,040
Advanced Placement Program	84.330	S330B140002		6,476
Career and Technical Education - Basic Grants to States	84.048	V048A140046		114,085
Special Education Cluster:				
Title VI-B: Special Education - Grants to States	84.027	H027A160107/H027A150107		1,474,197
Title VI-B: Special Education Preschool Grants	84.173	H173A160112/H173A150112		37,619
Subtotal Special Education Cluster				1,511,816
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	S367A160044/S367A150044		240,953
English Language Acquisition Grants	84.365	S365A160046/S365A150046		9,805
Total Department of Education			$	3,699,935
Total Expenditures of Federal Awards			$	10,022,160

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

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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 Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Indirect Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - 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	$	3,940,270
Total primary government	$	3,940,270
Agency Fund:		
Drug Enforcement Fund	$	8,148
Total agency fund	$	8,148
Component Unit School Board:		
School Operating Fund	$	3,699,935
School Cafeteria Fund		2,373,807
Total Component Unit School Board	$	6,073,742
Total federal expenditures per basic financial statements	$	10,022,160
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	10,022,160

COUNTY OF CAMPBELL, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010	Title I: Grants to Local Educational Agencies
93.659	Adoption Assistance

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There are no prior year findings to report.