Franklin County, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended
June 30, 2018

County of Franklin, Virginia

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

Prepared by the Franklin County
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Other Supplementary Information: (Continued)

STATISTICAL SECTION

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

INTRODUCTORY SECTION

Franklin County
A Natural Setting for Opportunity

December 5, 2018

To the Honorable Chairman, Members of the Board of Supervisors, and Citizens of Franklin County, Virginia:

We are pleased to submit Franklin County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. State law requires that all local governments have their accounts and records audited annually as of June 30 by an independent certified public accountant. This report has been prepared in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the Auditor of Public Accounts for the Commonwealth of Virginia.

The CAFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government and is based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The auditing firm of Robinson, Farmer, Cox Associates has issued an unmodified opinion on the County's financial statements as of and for the year ended June 30, 2018. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview and analysis of financial results for fiscal year 2017-2018, along with summaries of the government wide financial statements that follow. Management's Discussion and Analysis is contained in the financial section of this report.

Profile of the Government

Within the boundaries of Franklin County lie the independent towns of Rocky Mount and Boones Mill. The County's population at June 30, 2018 is estimated at 56,427 with a population density of 81.5 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

The Board of Supervisors is the governing body of the County with one board member representing each of the seven magisterial districts. Board members are elected to four-year terms – a Chairman and Vice-Chairman are selected annually to serve one year terms. The Board appoints a County Administrator to act as the administrative head of the County. All department heads report to the County Administrator. Five constitutional officers (Commissioner of Revenue, Commonwealth's Attorney, Clerk of the Circuit Court, Sheriff, and Treasurer) are elected by the voters of the County and, although are not accountable to the Board, do work closely with the Board, County Administrator, and other departments.

The County provides a full range of services, including public safety and law enforcement, sanitation services, planning and zoning management, recreation and cultural activities, economic development and administrative services. The Franklin County School Board is also part of this reporting entity as a component unit. The annual budget serves as the basis for financial planning and control and is prepared by fund, function, and department.

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 692 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 3.5%.

Much of fiscal year 2017-2018 was spent on a number of capital projects including new business park development, the design of a new animal shelter, and consolidated solid waste collection site improvements. The County continues to develop its park system with various rehab projects being completed at a number of parks.

The future economic outlook for Franklin County looks very good. In 2012, Franklin County ranked 12th for job creation and 26th in investment among Virginia's Counties and Cities. With a stable employment base, easy market access, low construction costs, quality work force, and excellent quality of life, Franklin County and the region is ready to continue future economic growth. In the years to come, the County will focus on diversifying the employment opportunities within the County by recruiting various technology related companies and traditional manufacturing businesses to utilize the training provided by the local schools and colleges.

Major Initiatives

During the year, the Franklin Center for Advanced Learning and Enterprise continued to expand its reach to provide employer and employee services in a "One Stop Environment". The consortium, composed of 17 partners, provides opportunities in employment, training, and education. Representatives from the local school system, colleges, government and community agencies work together to provide workforce development services to the citizens and employers of Franklin County.

Franklin County continues to place major emphasis upon the capital needs of the County School System. Each year the County attempts to fund a five-year School Capital Projects Plan including roof replacements, paving projects, plumbing fixture upgrades, water system upgrades and security enhancements at various schools. Future discussions will determine a major capital investment in renovating the Benjamin Franklin Middle School and the development and construction of a new career and technical education center at the Franklin County High School.

The County is working on various projects to improve our community. The County continues to develop the approximately 550 acre Summit View business park. Summit View will be a multi-use site with plans for commercial and recreational uses. During the fiscal year, work continued to develop and construct collection and recycling centers and to remove the old green box sites throughout the County.

For the Future

The County is looking to enhance broadband internet service for its citizens and businesses. The County created a broadband authority to work with private providers in order to best manage and direct the broadband initiative.

The County plans to construct three new fire and rescue stations within the next five years. A comprehensive planning process is underway to develop a template for new stations and to strategically consider the placement of new fire and rescue stations to provide the best service and response times to the County's citizens.

Long-Term Financial Planning

Capital Improvement Program. The Capital Improvement Program (CIP) is a listing of capital needs projected over a 5-year period for County services. It is a planning document and provides a listing of projects requested by County departments and the School system. The CIP is updated annually. Projects are removed from the plan as they are completed or as priorities change. The plan is intended to assist the County Board of Supervisors in the preparation of the County budget.

General Fund Balance (Unassigned). The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of twenty percent of annual general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is $20.9 million for the year ended June 30, 2018. This is an increase from the prior fiscal year and is the result of the County having revenues in excess of budget as well as budgetary expenditure savings.

Budgetary Controls. The budget function is used as a management control device during the year for the General Fund, Special Revenue, and Component Unit Funds. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer amounts within general governmental departments; however, the School Board and Social Services Board are authorized to transfer amounts within their total appropriated funds.

Other Information

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Office of Management and Budget's Uniform Guidance. The independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 18th consecutive year that Franklin County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. In closing, without the leadership and support of the Board of Supervisors of Franklin County, preparation of this report would not have been possible.

Sincerely,

W. Brent Robertson	Brian J. Carter, CPA
County Administrator	Director of Finance

HISTORICAL SKETCH OF FRANKLIN COUNTY

In the 1740's, pioneers traveling by river and road from Eastern Virginia and Maryland, and Scotch-Irish and German families coming down the Carolina Road (originally known as the Great Indian Warrior Path) settled in what would become Franklin County, then the western-most county in Virginia. The County was formed in 1786 from parts of Bedford and Henry Counties by an act of the General Assembly. It was named for Benjamin Franklin, then governor of Pennsylvania, where many settlers originated.

The County lies in the western piedmont, a diverse terrain ranging from flatlands on the east to rugged peaks of the Blue Ridge on the west. The area was home to Native Americans as early as 10,000 B.C. In the 1600's an eastern Siouan tribe inhabited the region. Indian relics, arrowheads and artifacts found throughout the County remind us of the original settlers.

Since the County's early beginnings, its citizens have served as gallant soldiers in every war the U.S. has known. Notable Confederate General Jubal A. Early was born in the Red Valley community. He went to West Point for his education, represented Franklin County in the General Assembly, and served as commonwealth's attorney for many years. Another nationally known native son was Booker T. Washington, a black educator. Born a slave on a plantation near Hales Ford, Booker T. Washington founded the Tuskegee Institute in 1881. His birthplace is a national monument.

Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace of the Washington Ironworks, the County's oldest landmark, stands as a monument where munitions for the Revolutionary Army were manufactured. A growing animal husbandry industry established Franklin County as one of Virginia's leading dairy producers.

The late nineteenth century saw increasing industrialization. With the entry of the Norfolk and Western railroad in 1892, the Punkin Vine route through the County provided new access for industry. Tobacco factories as well as diversified wood and textile-based industries became significant components of the County's economy.

The development of 2,880 acre Philpott Lake in 1953 and 20,600 acre Smith Mountain Lake in 1966 gave rise to Franklin County's current designation as the "Land Between the Lakes and the Blue Ridge Mountain." It is an apt description for a remarkable place – a land of compelling natural beauty, economic stability, recreational abundance, and rich heritage!

Franklin County
Board of Supervisors
June 30, 2018

Bob Camicia
Vice-Chairman

Ronnie Thompson
Boone District

Leland Mitchell
Snow Creek District

Mike Carter
Rocky Mount District

Tommy Cundiff
Union Hall District

Cline Brubaker
Chairman
Blackwater District

Tim Tatum
Blue Ridge District

Franklin County
A Natural Setting for Opportunity

Franklin County Officials
June 30, 2018

Board of Supervisors

Cline Brubaker, Chairman, Blackwater District
Bob Camicia, Vice-Chairman, Gills Creek District
Leland Mitchell, Snow Creek District
Mike Carter, Rocky Mount District
Ronnie Thompson, Boone District
Tim Tatum, Blue Ridge District
Tommy Cundiff, Union Hall District

County Administration

W. Brent Robertson, County Administrator

County Attorney............Guynn& Waddell, P.C.
Deputy County Administrator............Christopher Whitlow
Director of Finance............Brian Carter
Director of Economic Development............Michael Burnette
Director of Information Technology............John Harrison
Director of Planning............Steve Sandy
Director of Public Safety............William Ferguson
Director of General Properties............Michael Thurman
Director of Public Works............Don Smith
Director of Park & Recreation............Paul Chapman
Director of Library Services............Alison Barry
Director of Franklin Center............Kathy Hodges
Director of Family Resource Center............Angela Phillips
Chief Building Official............Andy Morris
Unit Coordinator of Va. Cooperative Extension............Chris Brown
General Registrar............Kay Chitwood

Constitutional Officers

Clerk of the Circuit Court............Teresa Brown
Commissioner of the Revenue............Margaret Torrence
Commonwealth Attorney............A. J. Dudley
Sheriff............Bill Overton, Jr.
Treasurer............Susan Wray

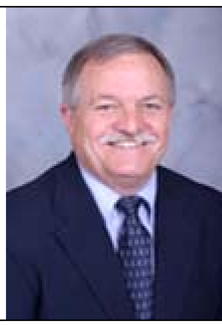
Franklin County Social Services Board Members

Vacant, Union Hall District
B.W. Wright, Blackwater District
Sharon Tudor, Rocky Mount District
John R. Lipscomb, Boone District
Robert Button, Snow Creek District
Richard L. Kleckner, Gills Creek District
Jennie West, Blue Ridge District

Director of Social Services............Deborah K. Powell

Franklin County Public Schools
June 30, 2018

School Board Members

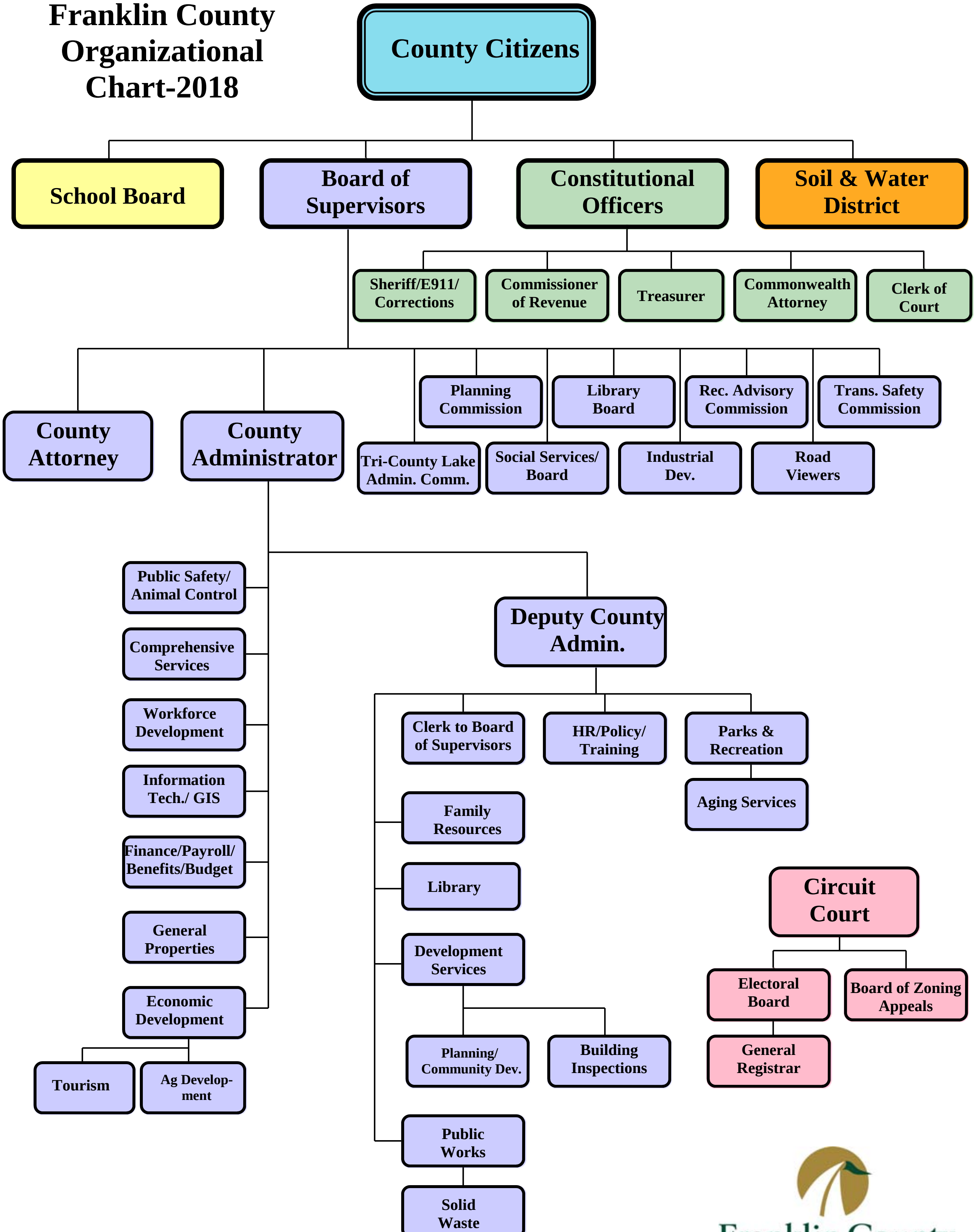
			
G.B. Washburn, Jr. *Chairperson* Snow Creek District	**Julie Nix** *Vice Chairperson* Blue Ridge District	**Dr. Karen M.S. Hiltz** Gills Creek District	**Charles E. Jamison** Blackwater District
			
P.D. Hambrick Union Hall District	**Donna Cosmato** Boones District	**Jeff Worley** Rocky Mount District	**Penny Blue** Member at Large

School Administration

Dr. W. Mark Church, Superintendent of Schools

Assistant Superintendent	Suzanne M. Rogers
Director of Human Resources	James Derek Bryant
Director of Business & Finance	C. David Terry
K-12 Director of Curriculum & Instruction	Brenda Muse
Coordinator of Federal Programs	Brenda McGrath
Coordinator of Testing	Kara Bernard
Director of Special Programs & Services	Judy C. Falls
Supervisor of Technology Services	Timothy H. Morris
Coordinator of Student Services/Clerk	Janet J. Stockton
Coordinator School Food Services/Nutrition	Heather Snead
Director of Operations	Gregg J. Cuddy
Supervisor of Transportation	Donna C. Carter
Supervisor of Maintenance	Darryl K. Spencer
Coordinator of Purchasing	J. T. Hodges

Franklin County Organizational Chart-2018



Franklin County
A Natural Setting for Opportunity

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Franklin

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 23 to the financial statements, in 2018, the County of Franklin, Virginia adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2018, the County of Franklin, Virginia restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to pension and OPEB funding, and budgetary comparison information on pages 14-22, 127-143, and 144-145 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 5, 2018

Management's Discussion and Analysis

As management of the County of Franklin, Virginia we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights for Fiscal Year 2017-2018:

- The total net position for governmental activities was $71.8 million at the end of FY 2018. This figure is based on assets totaling $140.7 million, deferred outflows of resources of $1.4 million, liabilities of $67.4 million, and deferred inflows of resources of $2.9 million. Liabilities include a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets includes school properties financed with debt (Exhibit 1).

- During the year, the County's taxes and other revenues for governmental programs were $1.9 million less than the $87.0 million of expenses (Exhibit 2).

- The business-type activities net position at June 30, 2018 totaled $1.1 million. This figure is based on total assets of $1.1 million and minimal liabilities.

- Total general fund revenues were more than the final budgeted amount by $0.8 million or approximately 0.9 percent. Actual expenditures were $2.3 million less than the final expenditure budget.

- The County's total outstanding debt decreased $5.5 million at fiscal year-end. This decrease is due to debt service payments on existing debt. Net pension liability also decreased approximately $3.5 million. See Notes 7 and 8 for additional information on long-term obligations.

- Component Unit net position was a deficit of $55.7 million at the end of FY 2018. Of this amount, $24.7 million is net investment in capital assets, $0.6 million is restricted, and the unrestricted deficit was $81 million. The large deficit is from Franklin County's share of the net pension liability for the state retirement teacher pool.

- At the end of the current fiscal year, the general fund unassigned fund balance was approximately $20.9 million. The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of twenty percent of general fund operating revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Franklin's basic financial statements which comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, libraries, solid waste and community development. The only business-type activity is a small water and sewer system at an existing industrial park.

The government-wide financial statements include the County (known as the *primary government*) as well as funds of the Franklin County School Board (known as the *component unit*). Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on the County's most significant funds, and the fund financial statements provide more information about these funds – not the County as a whole.

The County has three types of funds:

Governmental funds – Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. Consequently, the governmental funds statements report financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided following the governmental fund statements that explains the relationship (or difference) between them.

Proprietary funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Position and Statement of Activities. The County's enterprise fund, one type of proprietary fund, is the same as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The County's enterprise fund is the Utility Fund.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds. The County 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 basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparisons and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Financial Analysis of the County as a Whole

A comparative analysis of government-wide information is as follows:

Summary of Net Position:

The following table reflects the condensed Statement of Net Position at June 30, 2018 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Current and other assets	$ 45.0	$ 53.3	$ 0.1	$ 0.1	$ 45.0	$ 53.4	$ 4.3	$ 4.9
Capital assets, net	95.8	91.4	1.0	1.0	96.7	92.4	24.7	19.9
Total assets	$ 140.7	$ 144.7	$ 1.1	$ 1.1	$ 141.7	$ 145.8	$ 29.0	$ 24.8
Deferred outflows of resources	$ 1.4	$ 2.6	$ -	$ -	$ 1.4	$ 2.6	$ 10.4	$ 11.2
Other liabilities	$ 3.1	$ 2.4	$ -	$ -	$ 3.1	$ 2.4	$ 5.0	$ 2.8
Long-term liabilities	64.3	69.7	-	-	64.3	69.7	81.9	90.4
Total liabilities	$ 67.4	$ 72.1	$ -	$ -	$ 67.4	$ 72.1	$ 86.9	$ 93.2
Deferred inflows of resources	$ 2.9	$ 1.5	$ -	$ -	$ 2.9	$ 1.5	$ 8.2	$ 2.6
Net position:								
Net investment in capital assets	$ 54.9	$ 61.0	$ 1.0	$ 1.0	$ 55.9	$ 62.0	$ 24.7	$ 19.9
Restricted	0.8	0.6	-	-	0.8	0.6	0.6	0.3
Unrestricted	16.1	12.1	0.1	0.1	16.2	12.2	(81.0)	(80.0)
Total net position	$ 71.8	$ 73.7	$ 1.1	$ 1.1	$ 73.0	$ 74.8	$ (55.7)	$ (59.8)

The County's combined net position decreased from $73.7 million to $71.8 million as a result of the decrease in net activities of $1.9 million. The decrease is the result of a reduction in net investment in capital assets. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled $16.1 million. Net position: net investment in capital assets represents the amount of capital assets owned by the County less any related debt. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. For example: E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net position remained the same during the fiscal year.

Component unit net position increased by $4.1 million as a result of decreased liabilities and an increase in capital asset balances.

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2018 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenues:								
Program revenues:								
Charges for Services	$ 3.3	$ 3.2	$ -	$ -	$ 3.3	$ 3.2	$ 2.4	$ 2.3
Operating Grants & Contributions	15.2	14.0	-	-	15.2	14.0	48.7	47.9
Capital Grants & Contributions	0.2	0.8	-	-	0.2	0.8	-	-
Total Program Revenues	$ 18.7	$ 18.0	$ -	$ -	$ 18.7	$ 18.0	$ 51.1	$ 50.3
General Revenues:								
Property Taxes	$ 49.9	$ 49.4	$ -	$ -	$ 49.9	$ 49.4	$ -	$ -
Other Taxes	10.0	9.7	-	-	10.0	9.7	-	-
Other	6.5	6.9	-	-	6.5	6.9	-	-
Payments from the County	-	-	-	-	-	-	39.4	33.3
Total General Revenues	$ 66.3	$ 66.0	$ -	$ -	$ 66.3	$ 66.0	$ 39.4	$ 33.3
Total Revenues	$ 85.0	$ 84.0	$ -	$ -	$ 85.0	$ 84.0	$ 90.4	$ 83.5
Expenses								
General Government Administration	$ 4.0	$ 4.2	$ -	$ -	$ 4.0	$ 4.2	$ -	$ -
Judicial Administration	2.6	2.7	-	-	2.6	2.7	-	-
Public Safety	15.2	15.6	-	-	15.2	15.6	-	-
Public Works	5.8	5.3	-	0.2	5.8	5.5	-	-
Health and Welfare	13.3	12.2	-	-	13.3	12.2	-	-
Education	39.4	33.3	-	-	39.4	33.3	86.2	83.0
Parks, Recreation, and Cultural	2.9	2.5	-	-	2.9	2.5	-	-
Community Development	2.6	3.3	-	-	2.6	3.3	-	-
Interest on Long-Term Debt	1.2	1.4	-	-	1.2	1.4	-	-
Total Expenses	$ 87.0	$ 80.5	$ -	$ 0.2	$ 87.0	$ 80.7	$ 86.2	$ 83.0
Change in Net Position	$ (1.9)	$ 3.5	$ -	$ (0.2)	$ (1.9)	$ 3.3	$ 4.2	$ 0.5
Net Position, Beginning (as restated FY18)	73.7	70.2	1.1	1.3	74.8	71.5	(59.8)	(60.3)
Net Position, Ending	$ 71.8	$ 73.7	$ 1.1	$ 1.1	$ 72.9	$ 74.8	$ (55.6)	$ (59.8)

Revenues

For the fiscal year ended June 30, 2018, revenues from governmental activities totaled \$85 million, an increase of \$1 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were, \$49.9 million, an increase of \$.5 million over the prior fiscal year primarily from new construction within the County. The County assesses all real property every four years. The most recent reassessed values were effective January 1, 2016.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$10 million, which was an increase of \$0.3 million from FY 2017. Operating grants and contributions totaled \$15.2 million, reflecting a \$1.2 million increase from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY 09-10, almost all of the County's water systems were transferred to the Western Virginia Water Authority - a regional provider of water and sewer services. The County receives a small amount of water revenue from a system located in one of the County's industrial parks.

Component unit revenues total \$90.4 million, including a \$39.4 million payment from the general government. The increase in revenues was due to operating grants and contributions and additional funding from the County.

Expenses

For the fiscal year ended June 30, 2018, expenses for governmental activities totaled \$87.0 million. Expenses contain the local county support of the school system.

Business-type activities account for the expenses of the County's small water system at the Commerce Center Industrial Park which serves approximately four commercial customers.

Education is a high priority in the Franklin County community; consequently the County contributed \$39.4 million to the operation of the Franklin County Public Schools. This amount represented about 45% of the County's governmental activities expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2018, the County's general fund reflects total fund balances of \$22.4 million, roughly a decrease of \$.8 million from the fiscal year ended June 30, 2017. The decrease is mainly from additional transfers out to the Capital Projects Fund.

The County Capital Projects fund balance decreased from fiscal year 2017 as the County spent proceeds from lease revenue bonds for the development of the Summit View business park, development of a new cell at the County's landfill, and construction of a new fire station.

Other Governmental Funds are comprised of the E911 fund. This fund balance increased slightly from FY 2017 to FY 2018.

General Fund Budgetary Highlights

The County's budget is prepared in accordance with the Code of Virginia. During the year, the County amended the original budget primarily for the following purposes:

- To reappropriate grants and other revenues authorized in the prior fiscal year but not expended as of June 30, 2017.
- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2017 but not paid by that date.
- To appropriate grants and other revenues received in the current fiscal year.

The following table presents revenues and expenditures for the General Fund only for FY 2018 (in millions):

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	$ 49.7	$ 49.7	$ 49.9
Other	14.0	14.5	15.3
Intergovernmental	18.9	20.3	20.0
Total revenues	$ 82.6	$ 84.5	$ 85.3
Expenditures:			
Expenditures	$ 79.6	$ 82.2	$ 79.8
Total expenditures	$ 79.6	$ 82.2	$ 79.8
Other financing sources (uses):	$ (3.9)	$ (6.2)	$ (6.2)
Net change in fund balance	$ (0.9)	$ (3.9)	$ (0.8)
Fund balance - beginning	0.9	3.9	23.2
Fund balance - ending	$ -	$ -	$ 22.4

A discussion of the budgetary variances between the original budget and the final budget and of the variance between the final budget and the actual results follows.

The increase in comparing original budget to final budget in the revenues is found in the budget for intergovernmental revenue and other revenue. Intergovernmental revenues were increased during the year from grants being received by the County.

The increase in the final budget for expenditures over the original budget is primarily due to budgeting additional revenues from grants and increased tax collections. The County attempts to move some general fund excess revenues to the capital fund to help fund new and existing projects with cash instead of borrowed funds.

Actual revenues were more than anticipated due to the County collecting additional tax revenues generated by small growth in the value of all county property and in other non-property taxes.

Actual expenditures were less than the final amended budget because of general savings in department budgets, debt service savings, and a reduced contribution to the County School Board due to operational savings.

Capital Assets

The following table displays the County's and Schools' (Component Unit) capital assets at June 30, 2018, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Non-Depreciable Assets:								
Land	$ 18.9	$ 18.7	$ -	$ -	$ 18.9	$ 18.7	$ 0.7	$ 0.7
Construction in Progress	17.6	15.3	-	-	17.6	15.3	0.1	0.3
Other Capital Assets:								
Buildings and Improvements	60.6	72.3	-	-	60.6	72.3	51.5	38.9
Infrastructure	6.4	6.2	1.3	1.3	7.7	7.5	-	-
Machinery and Equipment	42.7	31.2	-	-	42.7	31.2	20.5	19.9
Accumulated Depreciation	(50.4)	(52.3)	(0.3)	(0.3)	(50.7)	(52.6)	(48.1)	(39.9)
Total	$ 95.8	$ 91.4	$ 1.0	$ 1.0	$ 96.8	$ 92.4	$ 24.7	$ 19.9

The table below shows the change in capital assets for the fiscal year ended June 30, 2018 in millions of dollars:

	Balance June 30, 2017	Additions/ Deletions	Balance June 30, 2018
Non-Depreciable Assets:			
Land	$ 19.4	$ 0.2	$ 19.6
Construction in Progress	15.6	2.1	17.7
Other Capital Assets:			
Buildings and Improvements	111.2	0.9	112.1
Infrastructure	7.5	0.2	7.7
Machinery and Equipment	51.1	12.1	63.2
Accumulated Depreciation	(92.5)	(6.3)	(98.8)
Total	$ 112.3	$ 9.1	$ 121.5

During the FY 2018 budget process, the Board of Supervisors approved a ten-year Capital Improvement Program (CIP) that totaled $16.1 million for FY 2018. Various projects have been funded in the plan and include Summit View Business Park development, new landfill cell construction, construction of a new animal shelter and fire station, software and hardware upgrades for the Information Technology department, trail, park and field development for the Parks and Recreation department, vehicle and equipment replacement for the Sheriff's Office and Public Safety department, and $1.2 million for various school projects. Smaller projects make up the balance of the funding and include such items as capital maintenance and landfill engineering and development.

Additional detailed capital asset information can be found in Note 15 in the "Notes to Financial Statements" section of the report.

Long Term Obligations

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2018 and at June 30, 2017, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
General Obligation Bonds	$ 44.4	$ 49.1	$ -	$ -	$ 44.4	$ 49.1	$ -	$ -
Capital Leases	2.4	-	-	-	2.4	-	-	-
Landfill Closure/Post Closure Liability	10.6	10.3	-	-	10.6	10.3	-	-
Compensated Absences	1.4	1.4	-	-	1.4	1.4	1.0	0.9
Other Post Employment Benefits	2.8	2.8	-	-	2.8	2.8	15.2	15.4
Net Pension Liability	2.7	6.1			2.7	6.1	65.7	75.0
Total	$ 64.3	$ 69.7	$ -	$ -	$ 64.3	$ 69.7	$ 81.9	$ 91.3

Additional detailed information on long-term debt activity can be found in Note 7 and Note 8 in the "Notes to Financial Statements" section of the report.

The Franklin County Board of Supervisors adopted the following debt policy on October 10, 1994 (revised September 18, 2018):

1. Financing should be considered for County assets that are designed to serve the citizens for a period of time in excess of five years with debt issued for a similar period and designed to spread the cost of the asset to all users, both current and future, unless a more feasible alternative exists (grants, gifts, etc.); and
2. Debt issued for the purpose of financing water and sewer projects or other enterprise fund projects will primarily be supported by revenues generated by those projects; and
3. The County's tax-supported debt outstanding shall not exceed 3.5% of total assessed value during a five year planning window; and
4. The County's tax-supported debt service shall not exceed 10% of general government expenditures, including operational expenditures of the school component unit, during a five year planning window; and
5. Capital leases of longer than three (3) years duration will be included as debt for the purpose of computing the ratios expressed herein.

Franklin County maintains bond ratings of Aa2 from Moody's, AA+ from Standard & Poor's, and AA from Fitch.

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing some revenue growth but is still dealing with an economic slowdown due to reduced spending from the Federal government. Although Franklin County's population growth continues to be one of the fastest in the State of Virginia, the County is still very dependent on the State for support of the school system and constitutional officers including the Sheriff's office. Approximately 43% of total County and School Board revenues are from the State of Virginia.

Factors that are expected to impact future budgets include:

- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System.
- Funding for the Capital Improvement Plan.
- Uncertainty regarding the local and national economy especially including new housing starts.
- Future State funding for local Constitutional Officers and the School division.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 1255 Franklin Street, Suite 111, Rocky Mount, Virginia 24151, telephone (540) 483-6664. The County's website address is www.franklincountyva.gov.

Basic Financial Statements

Exhibit 1

County of Franklin, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	$ 28,015,712	$ 159,704	$ 28,175,416	$ 859,417
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,687,504	-	1,687,504	-
Accounts receivable	-	1,650	1,650	76,553
Other local taxes receivable	384,878	-	384,878	-
Due from other governmental units	5,656,199	-	5,656,199	1,211,223
Inventories	-	-	-	119,536
Prepaid expenses	4,184,291	-	4,184,291	1,425,647
Restricted assets:				
Cash and cash equivalents (in custody of others)	5,033,698	-	5,033,698	630,387
Capital assets (net of accumulated depreciation):				
Land	18,850,895	-	18,850,895	725,315
Buildings and improvements	37,519,086	-	37,519,086	19,254,456
Machinery and equipment	18,398,827	-	18,398,827	4,645,481
Infrastructure	3,352,767	970,706	4,323,473	-
Construction in progress	17,631,778	-	17,631,778	77,498
Total assets	$ 140,715,635	$ 1,132,060	$ 141,847,695	$ 29,025,513
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 1,234,209	$ -	$ 1,234,209	$ 9,267,426
OPEB related items	175,897	-	175,897	1,172,308
Total deferred outflows of resources	$ 1,410,106	$ -	$ 1,410,106	$ 10,439,734
LIABILITIES				
Accounts payable	$ 1,313,056	$ 8,719	$ 1,321,775	$ 4,057,762
Accrued liabilities	-	-	-	974,112
Construction accounts payable	1,273,939	-	1,273,939	-
Customers' deposits	-	-	-	-
Accrued interest payable	487,384	-	487,384	-
Unearned revenue	22,123	-	22,123	-
Long-term liabilities:				
Due within one year	5,803,500	-	5,803,500	752,570
Due in more than one year	58,460,949	-	58,460,949	81,123,816
Total liabilities	$ 67,360,951	$ 8,719	$ 67,369,670	$ 86,908,260
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - prepaid property taxes	$ 323,582	$ -	$ 323,582	$ -
Pension related items	2,415,390	-	2,415,390	7,665,051
OPEB related items	127,000	-	127,000	528,000
Total deferred inflows of resources	$ 2,865,972	$ -	$ 2,865,972	$ 8,193,051
NET POSITION				
Net investment in capital assets	$ 54,940,545	$ 970,706	$ 55,911,251	$ 24,702,750
Restricted:				
E-911	384,083	-	384,083	-
Law Library	132,743	-	132,743	-
Forfeited Assets	132,391	-	132,391	-
Courthouse maintenance	183,193	-	183,193	-
Tourism initiatives	7,500	-	7,500	-
School cafeteria programs	-	-	-	630,387
Unrestricted (deficit)	16,118,363	152,635	16,270,998	(80,969,201)
Total net position	$ 71,898,818	$ 1,123,341	$ 73,022,159	$ (55,636,064)

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

Exhibit 2

County of Franklin, Virginia
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	$ 4,037,345	$ 17,761	$ 474,641	$ -	$ (3,544,943)	$ -	$ (3,544,943)	$ -
Judicial administration	2,625,816	81,650	1,007,071	-	(1,537,095)	-	(1,537,095)	-
Public safety	15,199,187	1,886,658	3,737,530	191,209	(9,383,790)	-	(9,383,790)	-
Public works	5,777,535	1,057,377	15,032	-	(4,705,126)	-	(4,705,126)	-
Health and welfare	13,349,808	17,863	9,538,774	-	(3,793,171)	-	(3,793,171)	-
Education	39,361,738	-	-	-	(39,361,738)	-	(39,361,738)	-
Parks, recreation, and cultural	2,869,781	262,204	158,038	-	(2,449,539)	-	(2,449,539)	-
Community development	2,587,937	-	227,140	13,795	(2,347,002)	-	(2,347,002)	-
Interest on long-term debt	1,151,364	-	-	-	(1,151,364)	-	(1,151,364)	-
Total governmental activities	$ 86,960,511	$ 3,323,513	$ 15,158,226	$ 205,004	$ (68,273,768)	$ -	$ (68,273,768)	$ -
Business-type activities:								
Utility Fund	$ 44,286	$ 60,697	$ -	$ -	$ -	$ 16,411	$ 16,411	$ -
Total primary government	$ 87,004,797	$ 3,384,210	$ 15,158,226	$ 205,004	$ (68,273,768)	$ 16,411	$ (68,257,357)	$ -
COMPONENT UNITS:								
School Board	$ 86,260,351	$ 2,366,597	$ 48,709,841	$ -	$ -	$ -	$ -	$ (35,183,913)
Total component units	$ 86,260,351	$ 2,366,597	$ 48,709,841	$ -	$ -	$ -	$ -	$ (35,183,913)
General revenues:								
General property taxes					$ 49,934,797	$ -	$ 49,934,797	$ -
Other local taxes:								
Local sales and use taxes					4,733,806	-	4,733,806	-
Consumers' utility taxes					992,508	-	992,508	-
Business license taxes					4,744	-	4,744	-
Utility license taxes					249,841	-	249,841	-
Motor vehicle licenses					2,011,649	-	2,011,649	-
Bank stock taxes					214,619	-	214,619	-
Taxes on recordation and wills					523,550	-	523,550	-
Hotel and motel room taxes					124,704	-	124,704	-
Restaurant food taxes					1,140,684	-	1,140,684	-
Unrestricted revenues from use of money and property					1,002,611	-	1,002,611	2
Miscellaneous					280,591	-	280,591	18,885
Payments from the County of Franklin, Virginia					-	-	-	39,361,738
Grants and contributions not restricted to specific programs					5,195,015	-	5,195,015	-
Transfers					(15,000)	15,000	-	-
Total general revenues and transfers					$ 66,394,119	$ 15,000	$ 66,409,119	$ 39,380,625
Change in net position					$ (1,879,649)	$ 31,411	$ (1,848,238)	$ 4,196,712
Net position - beginning, as restated					73,778,467	1,091,930	74,870,397	(59,832,776)
Net position - ending					$ 71,898,818	$ 1,123,341	$ 73,022,159	$ (55,636,064)

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	General	County Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 20,051,974	$ 7,596,204	$ 367,534	$ 28,015,712
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,687,504	-	-	1,687,504
Other local taxes receivable	384,878	-	-	384,878
Due from other governmental units	5,536,620	100,000	19,579	5,656,199
Prepaid items	-	4,184,291	-	4,184,291
Restricted assets:				
Investments (in custody of others)	-	5,033,698	-	5,033,698
Total assets	$ 27,660,976	$ 16,914,193	$ 387,113	$ 44,962,282
LIABILITIES				
Accounts payable	$ 1,310,026	$ -	$ 3,030	$ 1,313,056
Construction accounts payable	-	1,273,939	-	1,273,939
Deferred revenue	-	22,123	-	22,123
Total liabilities	$ 1,310,026	$ 1,296,062	$ 3,030	$ 2,609,118
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - prepaid property taxes	$ 323,582	$ -	$ -	$ 323,582
Unavailable revenue - due from other governments	2,329,336	-	-	2,329,336
Unavailable revenue - property taxes	1,343,274	-	-	1,343,274
Total deferred inflows of resources	$ 3,996,192	$ -	$ -	$ 3,996,192
FUND BALANCES				
Nonspendable	$ -	$ 4,184,291	$ -	$ 4,184,291
Restricted:				
E-911	-	-	384,083	384,083
Law Library	132,743	-	-	132,743
Forfeited Assets	132,391	-	-	132,391
Capital projects	-	5,033,698	-	5,033,698
Courthouse maintenance	183,193	-	-	183,193
Tourism initiatives	7,500	-	-	7,500
Assigned:				
Debt service	1,014,989	-	-	1,014,989
Capital projects	-	6,400,142	-	6,400,142
Unassigned	20,883,942	-	-	20,883,942
Total fund balances	$ 22,354,758	$ 15,618,131	$ 384,083	$ 38,356,972
Total liabilities, deferred inflows of resources and fund balance	$ 27,660,976	$ 16,914,193	$ 387,113	$ 44,962,282

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

County of Franklin, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 38,356,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 18,850,895	
Buildings and improvements	37,519,086	
Machinery and equipment	18,398,827	
Infrastructure	3,352,767	
Construction in progress	17,631,778	95,753,353
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue-Western Virginia Water Authority	$ 2,329,336	
Unavailable revenue-property taxes	1,343,274	3,672,610
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 1,234,209	
OPEB related items	175,897	1,410,106
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and capital leases	$ (46,767,368)	
Accrued interest payable	(487,384)	
Unamortized bond premium	(110,199)	
Landfill closure/postclosure liability	(10,608,750)	
Compensated absences	(1,361,554)	
Net OPEB liabilties	(2,764,000)	
Net pension liability	(2,652,578)	(64,751,833)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (2,415,390)	
OPEB related items	(127,000)	(2,542,390)
Net position of governmental activities		$ 71,898,818

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

Exhibit 5

County of Franklin, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	County Capital Projects	Other Governmental Funds	Total
REVENUES				
General property taxes	$ 49,888,025	$ -	$ -	$ 49,888,025
Other local taxes	9,996,105	-	-	9,996,105
Permits, privilege fees, and regulatory licenses	442,699	-	-	442,699
Fines and forfeitures	57,918	-	-	57,918
Revenue from the use of money and property	847,728	154,883	-	1,002,611
Charges for services	2,822,896	-	-	2,822,896
Miscellaneous	240,092	131,614	-	371,706
Recovered costs	922,698	-	-	922,698
Intergovernmental	20,048,615	395,809	113,821	20,558,245
Total revenues	$ 85,266,776	$ 682,306	$ 113,821	$ 86,062,903
EXPENDITURES				
Current:				
General government administration	$ 4,285,933	$ -	$ -	$ 4,285,933
Judicial administration	2,687,211	-	-	2,687,211
Public safety	13,587,998	-	954,010	14,542,008
Public works	3,519,675	-	-	3,519,675
Health and welfare	13,509,837	-	-	13,509,837
Education	31,294,282	1,220,000	-	32,514,282
Parks, recreation, and cultural	2,221,751	-	-	2,221,751
Community development	2,870,399	-	-	2,870,399
Capital projects	-	15,781,187	-	15,781,187
Debt service:				
Principal retirement	4,646,542	-	-	4,646,542
Interest and other fiscal charges	1,218,120	-	-	1,218,120
Total expenditures	$ 79,841,748	$ 17,001,187	$ 954,010	$ 97,796,945
Excess (deficiency) of revenues over (under) expenditures	$ 5,425,028	$ (16,318,881)	$ (840,189)	$ (11,734,042)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 70,306	$ 5,336,554	$ 953,663	$ 6,360,523
Transfers out	(6,305,217)	(70,306)	-	(6,375,523)
Issuance of capital leases	-	2,396,299	-	2,396,299
Total other financing sources (uses)	$ (6,234,911)	$ 7,662,547	$ 953,663	$ 2,381,299
Net change in fund balances	$ (809,883)	$ (8,656,334)	$ 113,474	$ (9,352,743)
Fund balances - beginning	23,164,641	24,274,465	270,609	47,709,715
Fund balances - ending	$ 22,354,758	$ 15,618,131	$ 384,083	$ 38,356,972

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

Exhibit 6

County of Franklin, Virginia
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, 2018

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

Net change in fund balances - total governmental funds		$ (9,352,743)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 14,984,728	
Depreciation expenses	(4,332,677)	10,652,051
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.		
Sale of assets	$ (42,798)	
Transfer of asset to School Board	(6,256,053)	(6,298,851)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ 46,772	
Receivable from Western Virginia Water Authority - long term	(91,115)	(44,343)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Increase in capital leases	$ (2,396,299)	
Principal repayments:		
General obligation bonds and literary loans	4,646,542	
Decrease (increase) in estimated liability:		
Landfill closure/postclosure liability	(310,356)	1,939,887
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absenses	$ 45,617	
Change in accrued interest payable	49,550	
Amortization of bond premium	17,206	
OPEB expense	(52,624)	
Pension expense	1,164,601	1,224,350
Change in net position of governmental activities		$ (1,879,649)

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

Exhibit 7

County of Franklin, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 159,704
Accounts receivable, net of allowance for uncollectibles	1,650
Total current assets	$ 161,354
Noncurrent assets:	
Capital assets:	
Infrastructure	$ 1,319,774
Accumulated depreciation	(349,068)
Total capital assets	$ 970,706
Total noncurrent assets	$ 970,706
Total assets	$ 1,132,060
LIABILITIES	
Current liabilities:	
Accounts payable	$ 8,719
Total current liabilities	$ 8,719
Total liabilities	$ 8,719
NET POSITION	
Investment in capital assets	$ 970,706
Unrestricted	152,635
Total net position	$ 1,123,341

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

Exhibit 8

County of Franklin, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	$ 37,447
Connection fees (operating)	23,250
Total operating revenues	$ 60,697
OPERATING EXPENSES	
Utilities	$ 3,684
Repairs and maintenance	3,196
Professional services	4,561
Depreciation	32,845
Total operating expenses	$ 44,286
Operating income (loss)	$ 16,411
Income before transfers	$ 16,411
Transfers in	$ 15,000
Total transfers	$ 15,000
Change in net position	$ 31,411
Total net position - beginning	1,091,930
Total net position - ending	$ 1,123,341

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

Exhibit 9

County of Franklin, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 60,210
Payments for materials and supplies	(2,722)
Net cash provided by (used for) operating activities	$ 57,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	$ 15,000
Net cash provided by (used for) noncapital financing activities	$ 15,000
Net increase (decrease) in cash and cash equivalents	$ 72,488
Cash and cash equivalents - beginning	87,216
Cash and cash equivalents - ending	$ 159,704
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	$ 16,411
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	$ 32,845
(Increase) decrease in accounts receivable	(487)
Increase (decrease) in accounts payable	8,719
Total adjustments	$ 41,077
Net cash provided by (used for) operating activities	$ 57,488

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

Exhibit 10

County of Franklin, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

		Agency Funds
ASSETS		
Cash and cash equivalents	$	481,627
Cash in custody of others		64,339
Total assets	$	545,966
LIABILITIES		
Amounts held for social services clients	$	72,413
Amounts held for performance bonds		405,214
Amounts held for court systems		32,530
Amounts held for Library		4,000
Amounts held for inmates		31,809
Total liabilities	$	545,966

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

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Franklin, Virginia ("the County") conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Franklin, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit column in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Franklin County School Board ("the School Board") operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations - None

Jointly governed organizations to which the County and School Board makes appointments and contributions are listed below:

County:		
Roanoke Valley Economic Development Partnership	$	126,962
Piedmont Community Services		65,753
Roanoke Valley Detention Commission		148,050
Western Virginia Regional Jail		2,251,687
Western Virginia Water Authority		N/A
School Board:		
Roanoke Valley Regional Board		1,228,119

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

B. Government-wide and fund financial statements

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

The statement of net position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital position 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.

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

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

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

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 and fiduciary fund financial statements. Agency funds, which are a type of fiduciary fund do not have a measurement focus and therefore do not use the economic resource measurement focus. 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.

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

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes the activities of the Courthouse Maintenance Fund, the Asset Forfeiture Funds and the Debt Service Fund.

The County reports the following major capital projects funds:

The County capital projects fund accounts for and reports the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the Proprietary Fund and the School Construction Fund. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

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

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The County reports the following major proprietary fund:

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

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Utility Fund. Activity associated with the County's water system is accounted for in the Utility Fund.

The government reports the following nonmajor governmental funds:

Special Revenue Funds account for and report the proceeds of specific revenue sources (other than those dedicated for debt service or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The E-911 Fund is reported as a nonmajor special revenue fund.

Additionally, the government reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Escrow Fund for Soil and Erosion Control Agreement, Seized Assets, Library, and Inmate Trust and Canteen Account Funds.

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 departments of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

1. Cash and Cash Equivalents

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

2. 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 costs. All other investments are reported at fair value.

3. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, if any, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Property Taxes

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

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $555,793 at June 30, 2018 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year 2018.

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

Assets	Years
Buildings	40
Building improvements	10-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. 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 (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

10. Pensions

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

11. Other Postemployment Benefits (OPEB)

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

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

<u>Note 1-Summary of Significant Accounting Policies</u>: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

12. Long-term obligations

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

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

13. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2018 and classified fund balance into the following five categories:

<u>Nonspendable</u> -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to maintained intact (corpus of a permanent fund).

<u>Restricted</u> -items that are restricted by external parties such as creditors or imposed by grants, law or legislation

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

<u>Assigned</u> -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

13. Fund equity (continued)

Unassigned -this category is for any balances that have no restrictions placed upon them; 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.

Minimum fund balance policy - The governing body has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at two months of general fund annual revenues (approximately 16.7%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If unassigned fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

14. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

15. Net Position Flow Assumption

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

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

16. Prepaid Items

    Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

17. Inventories

    All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

18. Cash in the Custody of Others

    Certain bond proceeds, held by trustee(s) pursuant to the County's bond agreements, are reported in the financial statements as cash in the custody of others. These funds, totaling $5,033,698 year end, are expected to be used for capital projects during the next two years.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.

2. Public hearings are conducted to obtain citizen comments.

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

4. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability: (continued)

A. Budgetary information (continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

8. Budgetary data presented in the accompanying financial statements is the revised budget as of June 30, and the original budget adopted by the Board of Supervisors.

9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations for the director of public safety and youth services agency (CSA) in the General Fund. In addition, expenditures exceeded appropriations in the School Fund.

C. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

Note 3-Deposits and Investments: (continued)

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2018, the County and the Component Unit – School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2018, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	$ 5,033,698

External Investment Pools

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

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)

Investment Type	**Fair Value**	**1 Year**
SNAP	$ 5,033,698	$ 5,033,698

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit-School Board
Local Government:		
Western Virginia Water Authority	$ 2,329,336	$ -
Commonwealth of Virginia:		
Local sales tax	970,861	-
State sales tax	-	709,849
Noncategorical aid	445,922	-
Categorical aid-shared expenses	343,608	-
Categorical aid-VPA funds	161,097	-
Categorical aid-CSA funds	897,464	-
Other categorical aid	198,832	22,114
Federal Government:		
Categorical aid-VPA funds	258,308	-
Other categorical aid	50,771	479,260
Totals	$ 5,656,199	$ 1,211,223

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ 70,306	$ 6,305,217
Utility Fund	15,000	-
County Capital Projects Fund	5,336,554	70,306
E-911 Fund	953,663	-
Total	$ 6,375,523	$ 6,375,523

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. The County transfers funds to the Capital Projects Fund and the E-911 Fund as funds are needed to cover capital programs of those funds. Transfers to the Utility Fund are required to cover operating expenses of the fund.

There were no interfund obligations at June 30, 2018.

Note 6-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2018, consisted of the following:

Component Unit:	
School Board	$ 32,514,282
Total	$ 32,514,282

There were no component-unit obligations at June 30, 2018.

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds and notes	$ 49,017,611	$ -	(4,646,542)	$ 44,371,069
Premiums on general obligation bonds	127,405	-	(17,206)	110,199
Capital leases	-	2,396,299	-	2,396,299
Landfill closure/postclosure liability	10,298,394	310,356	-	10,608,750
Compensated absences	1,407,171	1,009,761	(1,055,378)	1,361,554
Net OPEB liabilities	2,792,000	226,000	(254,000)	2,764,000
Net pension liability	6,127,970	5,698,572	(9,173,964)	2,652,578
Total	$ 69,770,551	$ 9,640,988	$ (15,147,090)	$ 64,264,449

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

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

Year Ending	General Obligation Bonds and Notes	
June 30,	Principal	Interest
2019	$ 4,577,649	$ 1,057,554
2020	4,218,210	950,052
2021	4,312,296	842,585
2022	4,211,338	739,696
2023	4,300,817	642,736
2024-2028	12,860,759	2,003,026
2029-2033	5,734,000	886,415
2034-2037	4,156,000	191,688
Totals	$ 44,371,069	$ 7,313,752

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond[2]	5.0-5.9%	11/16/2000	2021	$ 6,285,526	$ 1,091,388	$ 356,556
GO bond[2]	5.1-6.35%	5/18/2000	2021	3,400,000	510,000	170,000
GO bond[2]	4.1-5.6%	11/10/2004	2025	2,500,000	875,000	125,000
GO bond[2]	4.225-5.1%	11/9/2006	2027	6,760,943	3,173,681	336,093
GO bond[3]	4.68%	6/12/2009	2035	2,905,000	2,305,000	90,000
Note Payable - VWCC[1]	0.00%	12/15/2009	2019	1,000,000	100,000	100,000
GO bond[1]	1.73%	2/26/2015	2025	12,500,000	8,969,000	1,216,000
GO bond[1]	1.45%	12/12/2016	2023	5,186,000	4,297,000	913,000
GO refunding bond[1]	2.00%	1/18/2017	2029	7,677,000	6,896,000	804,000
GO bond[1]	2.50%	12/27/2016	2037	10,000,000	10,000,000	-
GO refunding bond[1]	2.40%	1/27/2017	2037	6,154,000	6,154,000	467,000
Total General Obligation Bonds and Notes					$ 44,371,069	$ 4,577,649
Other Obligations:						
Capital lease	3.02%	11/28/2017	2028	$ 958,702	$ 958,702	$ 83,551
Capital lease	3.75%	2/15/2018	2028	1,437,597	1,437,597	121,134
Landfill Closure/Postclosure Liability					10,608,750	-
Premiums on GO Bonds					110,199	-
Compensated Absences					1,361,554	1,021,166
Net OPEB Liabilities					2,764,000	-
Net Pension Liability					2,652,578	-
Total Other Obligations					$ 19,893,380	$ 1,225,851
Total Long-term obligations					$ 64,264,449	$ 5,803,500

[1] Denotes debt issued for General Government Projects

[2] Denotes debt issued for School Construction

[3] Denotes debt issued for Utility Assets transferred to the Western Virginia Water Authority (Operating Debt)

For the governmental activities, landfill closure and postclosure liability, compensated absences, net OPEB liabilities, and net pension liability are generally liquidated by the General Fund. At year end, unspent bond proceeds totaled $5,033,698.

Note 8-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2018.

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Compensated absences	$ 921,630	$ 773,019	$ (691,223)	$ 1,003,427
Net OPEB liabilities	15,462,000	1,154,000	(1,445,000)	15,171,000
Net pension liability	74,951,414	11,268,993	(20,518,448)	65,701,959
Total	$ 91,335,044	$ 13,196,012	$ (22,654,671)	$ 81,876,386

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Compensated absences	$ 1,003,427	$ 752,570
Net OPEB liabilities	15,171,000	-
Net pension liability	65,701,959	-
Total Long-Term Obligations	$ 81,876,386	$ 752,570

For the governmental activities of the discretely presented component unit-School Board, compensated absences, and net OPEB liabilities are generally liquidated by the School fund.

Note 9-Pension Plan:

Plan Description

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

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

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

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • 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.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. 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.	**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.	**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.

Note 9-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. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 9-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 Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 9-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>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.</td>
<td>Vesting
Same as Plan 1.</td>
<td>Vesting
<u>Defined Benefit Component:</u>
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

<u>Defined Contribution Component:</u>
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.</td>
</tr>
</table>

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **<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.
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.

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

<u>Note 9-Pension Plan</u>: (continued)

Plan Description (continued)

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

Note 9-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 COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**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.

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

Pension Plan Data

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

Note 9-Pension Plan: (continued)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	166	174
Inactive members:		
Vested inactive members	50	29
Non-vested inactive members	84	72
Inactive members active elsewhere in VRS	91	30
Total inactive members	225	131
Active members	330	257
Total covered employees	721	562

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 employer contribution rate for the year ended June 30, 2018 was 8.91% 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 $1,234,209 and $1,205,273 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 9-Pension Plan: (continued)

Contributions (continued)

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 7.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $390,342 and $383,934 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Note 9-Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

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

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

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

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

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

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

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

Largest 10 – Non-Hazardous Duty:

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

Note 9-Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Note 9-Pension Plan: (continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)

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

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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

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

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

Largest 10 – Hazardous Duty:

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

Note 9-Pension Plan: (continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

Note 9-Pension Plan: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 59,637,722	$ 53,509,752	$ 6,127,970
Changes for the year:			
Service cost	$ 1,582,705	$ -	$ 1,582,705
Interest	4,072,411	-	4,072,411
Changes of assumptions	(254,052)	-	(254,052)
Differences between expected and actual experience	(554,510)	-	(554,510)
Contributions - employer	-	1,205,273	(1,205,273)
Contributions - employee	-	677,313	(677,313)
Net investment income	-	6,482,816	(6,482,816)
Benefit payments, including refunds of employee contributions	(2,920,845)	(2,920,845)	-
Administrative expenses	-	(37,699)	37,699
Other changes	-	(5,757)	5,757
Net changes	$ 1,925,709	$ 5,401,101	$ (3,475,392)
Balances at June 30, 2017	$ 61,563,431	$ 58,910,853	$ 2,652,578

Note 9-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, 2016	$ 20,937,004	$ 17,904,590	$ 3,032,414
Changes for the year:			
Service cost	$ 479,271	$ -	$ 479,271
Interest	1,433,243	-	1,433,243
Changes of assumptions	(191,482)	-	(191,482)
Differences between expected and actual experience	(328,537)	-	(328,537)
Contributions - employer	-	383,934	(383,934)
Contributions - employee	-	258,203	(258,203)
Net investment income	-	2,170,292	(2,170,292)
Benefit payments, including refunds of employee contributions	(924,207)	(924,207)	-
Administrative expenses	-	(12,546)	12,546
Other changes	-	(1,933)	1,933
Net changes	$ 468,288	$ 1,873,743	$ (1,405,455)
Balances at June 30, 2017	$ 21,405,292	$ 19,778,333	$ 1,626,959

Note 9-Pension Plan: (continued)

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 would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	$ 10,504,767	$ 2,652,578	$ (3,874,944)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ 4,163,690	$ 1,626,959	$ (510,366)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of $66,537 and $(73,256), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	$ -	$ 1,404,124	$ -	$ 388,851
Changes of assumptions	-	183,872	-	128,287
Net difference between projected and actual earnings on pension plan investments	-	827,394	-	282,913
Employer contributions subsequent to the measurement date	1,234,209	-	390,342	-
Total	$ 1,234,209	$ 2,415,390	$ 390,342	$ 800,051

Note 9-Pension Plan: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$1,234,209 and $390,342 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	$ (1,246,898)	$ (484,247)
2020	(450,206)	(126,053)
2021	(163,289)	(4,281)
2022	(554,997)	(185,470)
Thereafter	-	-

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were $6,865,084 and $5,966,307 for the years ended June 30, 2018 and June 30, 2017, respectively.

<u>Note 9-Pension Plan</u>: (continued)

<u>Component Unit School Board (professional)</u> (continued)

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

At June 30, 2018, the school division reported a liability of $64,075,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.52102% as compared to 0.51319% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of $4,999,000. 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 9-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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,537,000
Net difference between projected and actual earnings on pension plan investments	-	2,328,000
Changes of assumptions	935,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,077,000	-
Employer contributions subsequent to the measurement date	6,865,084	-
Total	$ 8,877,084	$ 6,865,000

$6,865,084 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	$ (2,245,000)
2020	73,000
2021	(601,000)
2022	(1,963,000)
Thereafter	(117,000)

Note 9-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

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

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

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

Mortality rates:

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

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

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

Note 9-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (continued)

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

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

Net Pension Liability

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

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

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

Note 9-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

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

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

Note 9-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	$ 95,686,000	$ 64,075,000	$ 37,927,000

Pension Plan Fiduciary Net Position

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

Note 10-Other Postemployment Benefits-Health Insurance:

Plan Description

In addition to the pension benefits described in Note 9, the County and Component Unit School Board administer a single-employer defined benefit healthcare plan, The Franklin County Postemployment Benefits Plan and the Franklin County Public Schools Postemployment Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and School Board's pension plans. The plan does not issue a publicly available financial report.

Primary Government

Benefits Provided

The County administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 15 years of service with the County and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Active employees	290
Total	300

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was $57,000.

Total OPEB Liability

The County's total OPEB liability was measured as of July 1, 2017. The total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation date as of July 1, 2016.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017 2.50% per year as of June 30, 2018
Salary Increases	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

Mortality rates were based on RP-2017 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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

Discount Rate

The discount rate should be the single rate that reflects the following:

a. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return.
b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at July 1, 2016	$	1,523,000
Changes for the year:		
Service cost		103,000
Interest		57,000
Benefit payments		(57,000)
Net changes		103,000
Balances at June 30, 2017	$	1,626,000

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate				
	1% Decrease (2.56%)		Current Discount Rate (3.56%)		1% Increase (4.56%)
$	1,792,000	$	1,626,000	$	1,477,000

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (1.60% decreasing to an ultimate rate of 4.00%) or one percentage point higher (3.60% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (1.60% decreasing to 4.00%)	Healthcare Cost Trend (2.60% decreasing to 5.00%)	1% Increase (3.60% decreasing to 6.00%)
$ 1,421,000	$ 1,626,000	$ 1,870,000

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of $160,000. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 57,000	$ -
Total	$ 57,000	$ -

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

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit School Board

Benefits Provided

The Component Unit School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 15 years of service with the School Board and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Active employees	1,124
Total	1,177

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Boad for OPEB as the benefits came due during the year ended June 30, 2018 was $198,000.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2017. The total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation date as of July 1, 2016.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit School Board (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017 2.50% per year as of June 30, 2018
Salary Increases	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

Mortality rates were based on RP-2017 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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

Discount Rate

The discount rate should be the single rate that reflects the following:

c. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return.
d. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit School Board (continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at July 1, 2016	$	4,407,000
Changes for the year:		
Service cost		200,000
Interest		161,000
Benefit payments		(198,000)
Net changes		163,000
Balances at June 30, 2017	$	4,570,000

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate	
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
$ 5,006,000	$ 4,570,000	$ 4,171,000

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.33% decreasing to an ultimate rate of 4.00%) or one percentage point higher (8.33% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.33% decreasing to 4.00%)	Healthcare Cost Trend (7.33% decreasing to 5.00%)	1% Increase (8.33% decreasing to 6.00%)
$ 4,014,000	$ 4,570,000	$ 5,228,000

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit School Board (continued)

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of $361,000. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 198,000	$ -
Total	$ 198,000	$ -

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

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

Contributions to the Group Life Insurance Program from the County were $73,897 and $72,521 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were $28,764 and $27,796 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were $224,337 and $214,115 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

Primary Government

At June 30, 2018, the entity reported a liability of $1,138,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0756% as compared to 0.0726% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $21,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional)

At June 30, 2018, the entity reported a liability of $436,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0289% as compared to 0.0290% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $6,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (professional)

At June 30, 2018, the entity reported a liability of $3,359,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.2232% as compared to 0.2184% at June 30, 2016.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

Component Unit School Board (professional) (continued)

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $51,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,000	$ -	$ 11,000	$ -	$ 75,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	43,000	-	16,000	-	126,000
Change in assumptions	-	59,000	-	22,000	-	173,000
Changes in proportion	45,000	-	7,000	-	71,000	-
Employer contributions subsequent to the measurement date	73,897	-	28,764	-	224,337	-
Total	$ 118,897	$ 127,000	$ 35,764	$ 49,000	$ 295,337	$ 374,000

$73,897, $28,764, and $224,337 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	$ (18,000)	$ (9,000)	$ (64,000)
2020	(18,000)	(9,000)	(64,000)
2021	(18,000)	(9,000)	(64,000)
2022	(18,000)	(9,000)	(64,000)
2023	(7,000)	(5,000)	(32,000)
Thereafter	(3,000)	(1,000)	(15,000)

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions

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

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

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

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – General State Employees (continued)

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

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

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Teachers (continued)

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

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

Mortality Rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – SPORS Employees (continued)

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

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

Mortality Rates – VaLORS Employees

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

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – VaLORS Employees (continued)

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

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

Mortality Rates – JRS Employees

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

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

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – JRS Employees (continued)

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

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

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

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

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

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (continued)

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

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

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

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

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

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

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

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

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

NET GLI OPEB Liability

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

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

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

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

		Rate	
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,472,000	$ 1,138,000	$ 867,000
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 564,000	$ 436,000	$ 332,000
Component Unit School Board (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 4,345,000	$ 3,359,000	$ 2,560,000

Group Life Insurance Program Fiduciary Net Position

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

Note 12-Health Insurance Credit (HIC) Program:

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. • **Disability Retirement**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 12-Health Insurance Credit (HIC) Program: (continued)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	61
Inactive members:	
Vested inactive members	4
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	4
Active members	257
Total covered employees	322

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 0.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board (nonprofessional) to the Health Insurance Credit Program were $25,354 and $24,500 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Actuarial Assumptions

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

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Actuarial Assumptions: (continued)

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (continued)

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

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

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

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

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

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (continued)

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

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

Long-Term Expected Rate of Return

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

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

Note 12-Health Insurance Credit (HIC) Program: (continued)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

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

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 512,000	$ 287,000	$ 225,000
Changes for the year:			
Service cost	$ 10,000	$ -	$ 10,000
Interest	35,000	-	35,000
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(18,000)	-	(18,000)
Contributions - employer	-	25,000	(25,000)
Net investment income	-	33,000	(33,000)
Benefit payments	(20,000)	(20,000)	-
Administrative expenses	-	(1,000)	1,000
Other changes	-	2,000	(2,000)
Net changes	$ 7,000	$ 39,000	$ (32,000)
Balances at June 30, 2017	$ 519,000	$ 326,000	$ 193,000

Note 12-Health Insurance Credit (HIC) Program: (continued)

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net HIC OPEB Liability	$ 244,000	$ 193,000	$ 149,000

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

For the year ended June 30, 2018, the School Board (nonprofessional) recognized Health Insurance Credit Program OPEB expense of $18,000. At June 30, 2018, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board's (nonprofessional) Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 11,000
Change in assumptions	-	14,000
Employer contributions subsequent to the measurement date	25,354	-
Total	$ 25,354	$ 25,000

Note 12-Health Insurance Credit (HIC) Program: (continued)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (continued)

$25,354 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(6,000)
2020		(6,000)
2021		(6,000)
2022		(6,000)
2023		(1,000)
Thereafter		-

Health Insurance Credit Program Plan Data

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts
 	
The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:
• **<u>At Retirement</u>** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
• **<u>Disability Retirement</u>** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  o $4.00 per month, multiplied by twice the amount of service credit, or
  o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $528,853 and $456,669 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $6,613,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.5213% as compared to 0.5132% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $552,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 12,000
Change in assumptions	-	68,000
Change in proportion	89,000	-
Employer contributions subsequent to the measurement date	528,853	-
Total	$ 617,853	$ 80,000

$528,853 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ 1,000
2020	1,000
2021	1,000
2022	1,000
2023	4,000
Thereafter	1,000

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions

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

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

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

Mortality Rates – Teachers

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

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

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Mortality Rates – Teachers: (continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

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

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

	Rate		
	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 7,381,000	$ 6,613,000	$ 5,961,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 14-Unearned and Deferred/Unavailable Revenue:

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

Primary Government:

	Government-wide Statements	Balance Sheet
Deferred/Unavailable revenue:	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of currect expenditures	$ -	$ 1,343,274
Prepaid property taxes due after June 30 but paid in advance by taxpayers	323,582	323,582
Unavailable revenue representing locality compensation payments that are note available for funding current expenditures	-	2,329,336
	$ 323,582	$ 3,996,192

Note 15-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 18,659,772	$ 191,123	$ -	$ 18,850,895
Construction in progress	15,277,424	13,385,397	(11,031,043)	17,631,778
Total capital assets not being depreciated	$ 33,937,196	$ 13,576,520	$ (11,031,043)	$ 36,482,673
Capital assets, being depreciated:				
Buildings and improvements	$ 72,268,448	$ 644,602	$ (12,275,000)	$ 60,638,050
Machinery and equipment	31,226,982	11,641,735	(195,081)	42,673,636
Infrastructure	6,222,655	152,914	-	6,375,569
Total capital assets being depreciated	$ 109,718,085	$ 12,439,251	$ (12,470,081)	$ 109,687,255
Accumulated depreciation:				
Buildings and improvements	$ (27,562,821)	$ (1,575,090)	$ 6,018,947	$ (23,118,964)
Machinery and equipment	(22,429,727)	(1,997,365)	152,283	(24,274,809)
Infrastructure	(2,262,580)	(760,222)	-	(3,022,802)
Total accumulated depreciation	$ (52,255,128)	$ (4,332,677)	$ 6,171,230	$ (50,416,575)
Total capital assets being depreciated, net	$ 57,462,957	$ 8,106,574	$ (6,298,851)	$ 59,270,680
Governmental activities capital assets, net	$ 91,400,153	$ 21,683,094	$ (17,329,894)	$ 95,753,353

During the fiscal year, the County transferred assets to the School Board with an original cost of $12,275,000 and accumulated depreciation of $6,018,947 (net book value of $6,256,053). The transfer is shown as current year deletions above.

Note 15-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	$ 1,319,774	$ -	$ -	$ 1,319,774
Total capital assets being depreciated	$ 1,319,774	$ -	$ -	$ 1,319,774
Accumulated depreciation:				
Infrastructure	$ (316,223)	$ (32,845)	$ -	$ (349,068)
Total accumulated depreciation	$ (316,223)	$ (32,845)	$ -	$ (349,068)
Total capital assets being depreciated, net	$ 1,003,551	$ (32,845)	$ -	$ 970,706
Business-type activities capital assets, net	$ 1,003,551	$ (32,845)	$ -	$ 970,706

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	$ 398,816
Judicial administration	123,933
Public safety	1,049,962
Public works	1,569,031
Health and welfare	45,251
Education	591,403
Parks, recreation, and cultural	358,460
Community development	195,821
Total depreciation expense-governmental activities	$ 4,332,677
Business-type activities	
Utility fund	$ 32,845

Note 15-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 725,315	$ -	$ -	$ 725,315
Construction in progress	278,770	159,981	(361,253)	77,498
Total capital assets not being depreciated	$ 1,004,085	$ 159,981	$ (361,253)	$ 802,813
Capital assets, being depreciated:				
Buildings and improvements	$ 38,895,648	$ 12,636,253	$ -	$ 51,531,901
Machinery and equipment	19,865,523	671,184	(44,084)	20,492,623
Total capital assets being depreciated	$ 58,761,171	$ 13,307,437	$ (44,084)	$ 72,024,524
Accumulated depreciation:				
Buildings and improvements	$ (25,032,972)	$ (7,244,473)	$ -	$ (32,277,445)
Machinery and equipment	(14,818,923)	(1,072,303)	44,084	(15,847,142)
Total accumulated depreciation	$ (39,851,895)	$ (8,316,776)	$ 44,084	$ (48,124,587)
Total capital assets being depreciated, net	$ 18,909,276	$ 4,990,661	$ -	$ 23,899,937
Governmental activities capital assets, net	$ 19,913,361	$ 5,150,642	$ (361,253)	$ 24,702,750

During the fiscal year, the County transferred assets to the School Board with an original cost of $12,275,000 and accumulated depreciation of $6,018,947 (net book value of $6,256,053). The transfer is shown as current year additions above.

All depreciation of the component-unit School Board is posted to the education function in the financial statements.

Note 16-Capital Leases:

The County has entered into two capital leases for the purchase of a pumper truck and fire truck. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

The capital assets acquired through capital leases have not been received as of June 30, 2018 and have been recorded as prepaid items.

Present value of future minimum lease payments:

Year Ending June 30,		Capital Leases
2019	$	287,548
2020		287,548
2021		287,548
2022		287,548
2023		287,548
2024-2028		1,437,736
Total minimum lease payments	$	2,875,476
Less: amount representing interest		(479,177)
Present value of future minimum lease payments	$	2,396,299

Note 17-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay the Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 18-Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 19-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:	
Teresa J. Brown, Clerk of the Circuit Court	$ 500,000
Susan J. Wray, Treasurer	500,000
Margaret S. Torrence, Commissioner of the Revenue	3,000
Bill Overton, Jr., Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
All Social Services employees-blanket bond	100,000

Component Unit – School Board:

The Netherlands Insurance Company	
All School Board employees-Public Employee Dishonesty coverage	$ 100,000

Note 20-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at each site after closure. The County maintains two landfill sites (permit site 72 and permit site 577). The estimated total costs necessary to close and monitor sites 72 and 577 are $10,453,494 and $4,435,872, respectively. The estimated closure and post-closure care liability for sites 72 and 577 are $10,453,494 and $155,256, respectively, based on capacity used as of June 30, 2018. Landfill site 72 has reached 100% of capacity and no additional waste will be accepted at the site. The County will recognize the remaining closure and post-closure care totaling $4,280,616 over the remaining useful life of site 577. The estimated remaining life for landfill site 577 is 41.8 years and the landfill has reached 3.5% of its useful life. The cost presented above represent what it would cost to perform closure and post-closure care in 2018. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

Note 20-Landfill Closure and Post-closure Care Cost: (continued)

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 21-Commitments and Contingencies:

The County was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

Project	Contract Amount	Contract Amount Outstanding at June 30, 2018	Funding Source
Summit View Business Park	$ 149,848	$ 10,659	Local Funds
Summit View Business Park	11,317,485	1,437,860	Local Funds
Summit View Business Park	45,320	29,953	Local Funds
Summit View Business Park	383,000	204,635	Local Funds
Summit View Business Park	29,100	23,850	Local Funds
Ferrum Bridge Project	232,500	84,009	Local Funds
School Board Asphalt Paving	52,670	10,491	Local Funds
School Board Asphalt Paving	663,808	143,865	Local Funds

Note 22-Arbitrage Rebate Compliance:

As of June 30, 2018 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 23-Adoption of Accounting Principles:

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

	Primary Government Governmental Activities	Component Unit School Board
Net Position, July 1, 2017, as previously stated	$ 75,525,786	$ (48,082,036)
Remove prior year OPEB - health insurance liability	915,160	2,790,180
GASB 75 implementation - health insurance	(1,466,000)	(4,209,000)
GASB 75 implementation - group life insurance (GLI) program	(1,196,479)	(4,079,089)
GASB 75 implementation - health insurance credit (HIC) programs	-	(6,252,831)
Net Position, July 1, 2017, as restated	$ 73,778,467	$ (59,832,776)

Note 24-Upcoming Pronouncements:

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

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

<u>Note 24-Upcoming Pronouncements</u>: (continued)

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

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

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

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

Required Supplementary Information

Exhibit 11

County of Franklin, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

		2017		2016		2015		2014
Total pension liability								
Service cost	$	1,582,705	$	1,596,251	$	1,591,346	$	1,541,854
Interest		4,072,411		4,022,691		3,833,934		3,634,557
Changes of assumptions		(254,052)		-		-		-
Differences between expected and actual experience		(554,510)		(1,935,754)		(74,392)		-
Benefit payments, including refunds of employee contributions		(2,920,845)		(3,024,968)		(2,283,746)		(2,372,581)
Net change in total pension liability	$	1,925,709	$	658,220	$	3,067,142	$	2,803,830
Total pension liability - beginning		59,637,722		58,979,502		55,912,360		53,108,530
Total pension liability - ending (a)	$	61,563,431	$	59,637,722	$	58,979,502	$	55,912,360
Plan fiduciary net position								
Contributions - employer	$	1,205,273	$	1,480,199	$	1,463,447	$	1,571,032
Contributions - employee		677,313		646,070		641,611		639,291
Net investment income		6,482,816		919,931		2,345,600		7,019,995
Benefit payments, including refunds of employee contributions		(2,920,845)		(3,024,968)		(2,283,746)		(2,372,581)
Administrative expense		(37,699)		(33,293)		(31,880)		(37,649)
Other		(5,757)		(392)		(498)		370
Net change in plan fiduciary net position	$	5,401,101	$	(12,453)	$	2,134,534	$	6,820,458
Plan fiduciary net position - beginning		53,509,752		53,522,205		51,387,671		44,567,213
Plan fiduciary net position - ending (b)	$	58,910,853	$	53,509,752	$	53,522,205	$	51,387,671
County's net pension liability - ending (a) - (b)	$	2,652,578	$	6,127,970	$	5,457,297	$	4,524,689
Plan fiduciary net position as a percentage of the total pension liability		95.69%		89.72%		90.75%		91.91%
Covered payroll	$	13,878,181	$	13,038,257	$	12,814,396	$	12,688,971
County's net pension liability as a percentage of covered payroll		19.11%		47.00%		42.59%		35.66%

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

Exhibit 12

County of Franklin, Virginia
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, 2018

		2017		2016		2015		2014
Total pension liability								
Service cost	$	479,271	$	481,215	$	504,997	$	511,225
Interest		1,433,243		1,393,998		1,334,350		1,273,433
Changes of assumptions		(191,482)		-		-		-
Differences between expected and actual experience		(328,537)		(411,768)		(67,675)		-
Benefit payments, including refunds of employee contributions		(924,207)		(881,382)		(957,755)		(871,073)
Net change in total pension liability	$	468,288	$	582,063	$	813,917	$	913,585
Total pension liability - beginning		20,937,004		20,354,941		19,541,024		18,627,439
Total pension liability - ending (a)	$	21,405,292	$	20,937,004	$	20,354,941	$	19,541,024
Plan fiduciary net position								
Contributions - employer	$	383,934	$	403,517	$	393,215	$	395,872
Contributions - employee		258,203		249,885		244,347		247,003
Net investment income		2,170,292		308,412		788,531		2,390,492
Benefit payments, including refunds of employee contributions		(924,207)		(881,382)		(957,755)		(871,073)
Administrative expense		(12,546)		(11,060)		(10,964)		(12,959)
Other		(1,933)		(131)		(168)		126
Net change in plan fiduciary net position	$	1,873,743	$	69,241	$	457,206	$	2,149,461
Plan fiduciary net position - beginning		17,904,590		17,835,349		17,378,143		15,228,682
Plan fiduciary net position - ending (b)	$	19,778,333	$	17,904,590	$	17,835,349	$	17,378,143
School Division's net pension liability - ending (a) - (b)	$	1,626,959	$	3,032,414	$	2,519,592	$	2,162,881
Plan fiduciary net position as a percentage of the total pension liability		92.40%		85.52%		87.62%		88.93%
Covered payroll	$	5,338,148	$	5,110,248	$	4,950,850	$	4,945,841
School Division's net pension liability as a percentage of covered payroll		30.48%		59.34%		50.89%		43.73%

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

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.52102%	0.51319%	0.51253%	0.51106%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 64,075,000	$ 71,919,000	$ 64,509,000	$ 61,760,000
Employer's Covered Payroll	41,110,236	39,107,172	38,098,804	37,343,508
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.86%	183.90%	169.32%	165.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

Exhibit 14

County of Franklin, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 1,234,209	$ 1,234,209	$ -	$ 14,190,626	8.70%
2017	1,205,273	1,205,273	-	13,878,181	8.68%
2016	1,480,199	1,480,199	-	13,038,257	11.35%
2015	1,463,447	1,463,447	-	12,814,396	11.42%
2014	1,571,032	1,571,032	-	12,688,971	12.38%
2013	1,493,503	1,493,503	-	12,132,435	12.31%
2012	1,060,487	1,060,487	-	11,590,022	9.15%
2011	1,052,278	1,052,278	-	11,500,304	9.15%
2010	862,940	862,940	-	11,645,612	7.41%
2009	898,225	898,225	-	12,121,792	7.41%
Component Unit School Board (nonprofessional)					
2018	$ 390,342	$ 390,342	$ -	$ 5,511,781	7.08%
2017	383,934	383,934	-	5,338,148	7.19%
2016	480,874	409,331	71,543	5,110,248	8.01%
2015	465,863	396,553	69,310	4,950,850	8.01%
2014	495,573	396,162	99,411	4,945,841	8.01%
2013	492,154	393,429	98,725	4,911,717	8.01%
2012	393,266	393,266	-	4,909,687	8.01%
2011	395,172	395,172	-	4,933,482	8.01%
2010	462,124	462,124	-	5,123,326	9.02%
2009	460,607	460,607	-	5,106,513	9.02%
Component Unit School Board (professional)					
2018	$ 6,865,084	$ 6,865,084	$ -	$ 42,999,994	15.97%
2017	5,966,307	5,966,307	-	41,110,236	14.51%
2016	5,456,224	5,456,224	-	39,107,172	13.95%
2015	5,506,000	5,506,000	-	38,098,804	14.45%
2014	4,354,253	4,354,253	-	37,343,508	11.66%
2013	4,266,094	4,266,094	-	36,587,427	11.66%
2012	2,325,721	2,325,721	-	36,741,248	6.33%
2011	1,441,558	1,441,558	-	36,680,865	3.93%
2010	2,407,049	2,407,049	-	27,321,782	8.81%
2009	3,369,227	3,369,227	-	38,243,212	8.81%

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

*The difference relates to the School Board using an agreed upon reduced rate from VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

County of Franklin, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Exhibit 16

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

		2017
Total OPEB liability		
Service cost	$	103,000
Interest		57,000
Benefit payments		(57,000)
Net change in total OPEB liability	$	103,000
Total OPEB liability - beginning		1,523,000
Total OPEB liability - ending	$	1,626,000
Covered-employee payroll	$	12,311,000
County's total OPEB liability (asset) as a percentage of covered-employee payroll		13.21%

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

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

		2017
Total OPEB liability		
Service cost	$	200,000
Interest		161,000
Benefit payments		(198,000)
Net change in total OPEB liability	$	163,000
Total OPEB liability - beginning		4,407,000
Total OPEB liability - ending	$	4,570,000
Covered-employee payroll	$	43,002,000
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll		10.63%

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

County of Franklin, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Primary Government

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	Decreasing 2.82% from 2016 to 2017, and increasing 2.60% from 2017 to 2018 (to reflect actual experience). This rate reverst back to 7.00% and decreases 0.333% per year to an ulitmate rate of 5.00%
Salary Increase Rates	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2017 Mortaility Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Component Unit School Board

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	0.00% for fiscal year end 2017 (to reflect actual experience), reverting back to 7.33% for fiscal year end 2018, decreasing 0.33% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2017 Mortaility Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

County of Franklin, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.0756%	$ 1,138,000	$ 13,878,181	8.20%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.0289%	$ 436,000	$ 5,338,148	8.17%	48.86%
Component Unit School Board (professional)					
2017	0.2232%	$ 3,359,000	$ 41,110,236	8.17%	48.86%

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

Exhibit 20

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 73,897	$ 73,897	$ -	$ 14,190,626	0.52%
2017	72,521	72,521	-	13,878,181	0.52%
2016	62,584	62,584	-	13,038,257	0.48%
2015	61,632	61,632	-	12,814,396	0.48%
2014	60,972	60,972	-	12,688,971	0.48%
2013	58,236	58,236	-	12,132,435	0.48%
2012	32,452	32,452	-	11,590,022	0.28%
2011	32,211	32,211	-	11,500,304	0.28%
2010	23,675	23,675	-	11,645,612	0.20%
2009	32,729	32,729	-	12,121,792	0.27%
Component Unit School Board (nonprofessional)					
2018	$ 28,764	$ 28,764	$ -	$ 5,511,781	0.52%
2017	27,796	27,796	-	5,338,148	0.52%
2016	24,629	24,629	-	5,110,248	0.48%
2015	23,872	23,872	-	4,950,850	0.48%
2014	23,948	23,948	-	4,945,841	0.48%
2013	23,650	23,650	-	4,911,717	0.48%
2012	13,799	13,799	-	4,909,687	0.28%
2011	13,822	13,822	-	4,933,482	0.28%
2010	10,074	10,074	-	5,123,326	0.20%
2009	13,845	13,845	-	5,106,513	0.27%
Component Unit School Board (professional)					
2018	$ 224,337	$ 224,337	$ -	$ 42,999,994	0.52%
2017	214,115	214,115	-	41,110,236	0.52%
2016	188,419	188,419	-	39,107,172	0.48%
2015	183,496	183,496	-	38,098,804	0.48%
2014	179,808	179,808	-	37,343,508	0.48%
2013	175,982	175,982	-	36,587,427	0.48%
2012	103,044	103,044	-	36,741,248	0.28%
2011	103,054	103,054	-	36,680,865	0.28%
2010	73,843	73,843	-	27,321,782	0.27%
2009	105,112	105,112	-	38,243,212	0.27%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Exhibit 22

County of Franklin, Virginia
Schedule of Changes in the Net OPEB Liability and Related Ratios
Component Unit School Board (nonprofessional)
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

		2017
Total HIC OPEB Liability		
Service cost	$	10,000
Interest		35,000
Changes in assumptions		(18,000)
Benefit payments		(20,000)
Net change in total HIC OPEB liability	$	7,000
Total HIC OPEB Liability - beginning		512,000
Total HIC OPEB Liability - ending (a)	$	519,000
Plan fiduciary net position		
Contributions - employer	$	25,000
Net investment income		33,000
Benefit payments		(20,000)
Administrative expense		(1,000)
Other		2,000
Net change in plan fiduciary net position	$	39,000
Plan fiduciary net position - beginning		287,000
Plan fiduciary net position - ending (b)	$	326,000
School Division's net HIC OPEB liability - ending (a) - (b)	$	193,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability		62.81%
Covered payroll	$	5,338,148
School Division's net HIC OPEB liability as a percentage of covered payroll		3.62%

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.5213%	$ 6,613,000	$ 41,110,236	16.09%	7.04%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2018	$ 25,354	$ 25,354	$ -	$ 5,511,781	0.46%
2017	24,500	24,500	-	5,338,148	0.46%
2016	24,018	24,018	-	5,110,248	0.47%
2015	23,268	23,268	-	4,950,850	0.47%
2014	28,191	28,191	-	4,945,841	0.57%
2013	28,011	28,011	-	4,911,717	0.57%
2012	28,975	28,975	-	4,909,687	0.59%
2011	29,108	29,108	-	4,933,482	0.59%
2010	56,855	56,855	-	5,123,326	1.11%
2009	56,682	56,682	-	5,106,513	1.11%
Component Unit School Board (professional)					
2018	$ 528,853	$ 528,853	$ -	$ 42,999,994	1.23%
2017	456,669	456,669	-	41,110,236	1.11%
2016	414,766	414,766	-	39,107,172	1.06%
2015	403,923	403,923	-	38,098,804	1.06%
2014	414,849	414,849	-	37,343,508	1.11%
2013	406,120	406,120	-	36,587,427	1.11%
2012	220,447	220,447	-	36,741,248	0.60%
2011	220,085	220,085	-	36,680,865	0.60%
2010	284,146	284,146	-	27,321,782	1.04%
2009	419,393	419,393	-	38,243,212	1.10%

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

Component Unit School Board (nonprofessional)

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Component Unit School Board (professional)

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

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

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

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
General property taxes	$ 49,716,878	$ 49,716,878	$ 49,888,025	$ 171,147
Other local taxes	9,391,527	9,391,527	9,996,105	604,578
Permits, privilege fees, and regulatory licenses	349,928	349,928	442,699	92,771
Fines and forfeitures	41,892	41,892	57,918	16,026
Revenue from the use of money and property	649,200	651,319	847,728	196,409
Charges for services	2,737,069	2,804,856	2,822,896	18,040
Miscellaneous	89,186	105,835	240,092	134,257
Recovered costs	715,650	1,146,252	922,698	(223,554)
Intergovernmental	18,864,687	20,269,065	20,048,615	(220,450)
Total revenues	$ 82,556,017	$ 84,477,552	$ 85,266,776	$ 789,224
EXPENDITURES				
General government administration				
Legislative	$ 430,537	$ 448,440	$ 447,944	$ 496
General and financial administration	3,784,427	3,752,136	3,584,554	167,582
Board of elections	292,811	323,391	253,435	69,956
Total general government administration	$ 4,507,775	$ 4,523,967	$ 4,285,933	$ 238,034
Judicial administration				
Courts	$ 1,983,637	$ 2,072,027	$ 1,960,168	$ 111,859
Commonwealth's attorney	760,201	760,201	727,043	33,158
Total judicial administration	$ 2,743,838	$ 2,832,228	$ 2,687,211	$ 145,017
Public safety				
Law enforcement and traffic control	$ 4,123,069	$ 4,606,261	$ 4,345,279	$ 260,982
Correction and detention	4,112,067	4,217,888	3,961,514	256,374
Inspections	483,470	483,470	478,646	4,824
Other protection	4,802,959	5,048,516	4,802,559	245,957
Total public safety	$ 13,521,565	$ 14,356,135	$ 13,587,998	$ 768,137
Public works				
Sanitation and waste removal	$ 2,146,302	$ 2,157,103	$ 2,136,046	$ 21,057
Maintenance of general buildings and grounds	1,541,369	1,569,764	1,383,629	186,135
Total public works	$ 3,687,671	$ 3,726,867	$ 3,519,675	$ 207,192
Health and welfare				
Health	$ 370,000	$ 370,000	$ 370,000	$ -
Mental health and mental retardation	40,000	40,000	40,000	-
Welfare	11,885,507	12,957,118	13,099,837	(142,719)
Total health and welfare	$ 12,295,507	$ 13,367,118	$ 13,509,837	$ (142,719)

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Education				
Other instructional costs	$ 31,339,342	$ 31,783,480	$ 31,294,282	$ 489,198
Total education	$ 31,339,342	$ 31,783,480	$ 31,294,282	$ 489,198
Parks, recreation, and cultural				
Parks and recreation	$ 1,125,940	$ 1,205,365	$ 1,203,538	$ 1,827
Library	968,647	1,035,859	1,018,213	17,646
Total parks, recreation, and cultural	$ 2,094,587	$ 2,241,224	$ 2,221,751	$ 19,473
Community development				
Planning and community development	$ 2,568,918	$ 2,738,313	$ 2,569,554	$ 168,759
Environmental management	233,619	233,619	190,916	42,703
Cooperative extension program	114,433	114,433	109,929	4,504
Total community development	$ 2,916,970	$ 3,086,365	$ 2,870,399	$ 215,966
Nondepartmental	$ 530,599	$ 320,237	$ -	$ 320,237
Debt service				
Principal retirement	$ 4,697,927	$ 4,697,927	$ 4,646,542	$ 51,385
Interest and other fiscal charges	1,219,422	1,219,422	1,218,120	1,302
Total debt service	$ 5,917,349	$ 5,917,349	$ 5,864,662	$ 52,687
Total expenditures	$ 79,555,203	$ 82,154,970	$ 79,841,748	$ 2,313,222
Excess (deficiency) of revenues over (under) expenditures	$ 3,000,814	$ 2,322,582	$ 5,425,028	$ 3,102,446
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 70,306	$ 70,306	$ -
Transfers out	(3,904,164)	(6,305,217)	(6,305,217)	-
Total other financing sources (uses)	$ (3,904,164)	$ (6,234,911)	$ (6,234,911)	$ -
Net change in fund balances	$ (903,350)	$ (3,912,329)	$ (809,883)	$ 3,102,446
Fund balances - beginning	903,350	3,912,329	23,164,641	19,252,312
Fund balances - ending	$ -	$ -	$ 22,354,758	$ 22,354,758

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Other Supplementary Information

Exhibit 27

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Capital Projects Fund - Major Fund
For the Year Ended June 30, 2018

	County Capital Projects			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 154,883	$ 154,883
Miscellaneous	-	15,862	131,614	115,752
Intergovernmental	-	1,704,770	395,809	(1,308,961)
Total revenues	$ -	$ 1,720,632	$ 682,306	$ (1,038,326)
EXPENDITURES				
Capital projects	$ 1,715,501	$ 28,833,358	$ 15,781,187	$ 13,052,171
Education:				
Contribution to County School Board	1,220,000	1,248,300	1,220,000	28,300
Total expenditures	$ 2,935,501	$ 30,081,658	$ 17,001,187	$ 13,080,471
Excess (deficiency) of revenues over (under) expenditures	$ (2,935,501)	$ (28,361,026)	$ (16,318,881)	$ 12,042,145
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 2,935,501	$ 5,336,554	$ 5,336,554	$ -
Transfers out	-	(70,306)	(70,306)	-
Issuance of capital leases	-	-	2,396,299	2,396,299
Total other financing sources (uses)	$ 2,935,501	$ 5,266,248	$ 7,662,547	$ 2,396,299
Net change in fund balances	$ -	$ (23,094,778)	$ (8,656,334)	$ 14,438,444
Fund balances - beginning	-	23,094,778	24,274,465	1,179,687
Fund balances - ending	$ -	$ -	$ 15,618,131	$ 15,618,131

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2018

	E-911 Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ 60,000	$ 60,000	$ 113,821	$ 53,821
Total revenues	$ 60,000	$ 60,000	$ 113,821	$ 53,821
EXPENDITURES				
Current:				
Public safety	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Total expenditures	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Excess (deficiency) of revenues over (under) expenditures	$ (953,663)	$ (1,004,817)	$ (840,189)	$ 164,628
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 953,663	$ 953,663	$ 953,663	$ -
Total other financing sources (uses)	$ 953,663	$ 953,663	$ 953,663	$ -
Net change in fund balances	$ -	$ (51,154)	$ 113,474	$ 164,628
Fund balances - beginning	-	51,154	270,609	219,455
Fund balances - ending	$ -	$ -	$ 384,083	$ 384,083

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

FIDUCIARY FUNDS

Special Welfare – The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Escrow Fund for Soil and Erosion Control Agreement– The Soil and Erosion Control Agreement fund accounts for those funds held by the County on behalf of developers, corporations, or individuals to ensure performance under requirements set forth by the County.

Library Fund – The Library Fund is used to account for contributions made by donors to the Library.

Inmate Trust and Canteen – The Jail Inmate Trust and Canteen fund accounts for the inmate commissary, inmate trust, and inmate monitoring funds.

Seized Assets – Sheriff's Office – The Seized Assets – Sheriff's Office fund accounts for funds that have been confiscated by the courts. These fund are held by the Sheriff until the courts rule on the return or distribution of same.

Exhibit 29

County of Franklin, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds					
	Special Welfare Fund	Escrow Fund for Soil and Erosion Control Agreement	Seized Assets	Library Fund	Inmate Trust and Canteen Account Fund	Total
ASSETS						
Cash and cash equivalents	$ 72,413	$ 405,214	$ -	$ 4,000	$ -	$ 481,627
Cash in custody of others	-	-	32,530	-	31,809	64,339
Total assets	$ 72,413	$ 405,214	$ 32,530	$ 4,000	$ 31,809	$ 545,966
LIABILITIES						
Amounts held for social services clients	$ 72,413	$ -	$ -	$ -	$ -	$ 72,413
Amounts held for performance bonds	-	405,214	-	-	-	405,214
Amounts held for court systems	-	-	32,530	-	-	32,530
Amounts held for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	31,809	31,809
Total liabilities	$ 72,413	$ 405,214	$ 32,530	$ 4,000	$ 31,809	$ 545,966

Exhibit 30

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Agency Funds			
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	$ 13,625	$ 131,971	$ 73,183	$ 72,413
LIABILITIES				
Amounts held for social services clients	$ 13,625	$ 131,971	$ 73,183	$ 72,413
Escrow Fund for Soil and Erosion Control Agreement				
ASSETS				
Cash and cash equivalents	$ 416,580	$ 173,682	$ 185,048	$ 405,214
LIABILITIES				
Amounts held for performance bonds	$ 416,580	$ 173,682	$ 185,048	$ 405,214
Library Fund				
ASSETS				
Cash and cash equivalents	$ 4,000	$ -	$ -	$ 4,000
LIABILITIES				
Amounts held for library	$ 4,000	$ -	$ -	$ 4,000
Inmate Trust and Canteen Account Fund				
ASSETS				
Cash in custody of others	$ 29,337	$ 141,491	$ 139,019	$ 31,809
LIABILITIES				
Amounts held for inmates	$ 29,337	$ 141,491	$ 139,019	$ 31,809
Seized Assets - Sheriff's Office				
ASSETS				
Cash in custody of others	$ 33,660	$ 50,800	$ 51,930	$ 32,530
LIABILITIES				
Amounts held for court system	$ 33,660	$ 50,800	$ 51,930	$ 32,530
TOTAL ASSETS				
Cash and cash equivalents	$ 434,205	$ 305,653	$ 258,231	$ 481,627
Cash in custody of others	62,997	192,291	190,949	64,339
Total Assets	$ 497,202	$ 497,944	$ 449,180	$ 545,966
TOTAL LIABILITIES				
Amounts held for others	$ 497,202	$ 497,944	$ 449,180	$ 545,966

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

Exhibit 31

County of Franklin, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

		School Operating Fund
ASSETS		
Cash and cash equivalents		$ 859,417
Accounts receivable		76,553
Due from other governmental units		1,211,223
Inventories		119,536
Prepaid items		1,425,647
Restricted assets:		
Temporarily restricted:		
Cash and cash equivalents		630,387
Total assets		$ 4,322,763
LIABILITIES		
Accounts payable		$ 4,057,762
Accrued liabilities		974,112
Total liabilities		$ 5,031,874
FUND BALANCES		
Nonspendable		$ 1,545,183
Restricted		
Cafeteria program		630,387
Unassigned		(2,884,681)
Total fund balances		$ (709,111)
Total liabilities and fund balances		$ 4,322,763
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above		$ (709,111)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 725,315	
Buildings and improvements	19,254,456	
Machinery and equipment	4,645,481	
Construction in progress	77,498	24,702,750
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 9,267,426	
OPEB related items	1,172,308	10,439,734
Long-term liabilities, including compensated absenses, net OPEB liabilities, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (1,003,427)	
Net OPEB liabilities	(15,171,000)	
Net pension liability	(65,701,959)	(81,876,386)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (7,665,051)	
OPEB related items	(528,000)	(8,193,051)
Net position of governmental activities		$ (55,636,064)

Exhibit 32

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

			School Operating Fund
REVENUES			
Revenue from the use of money and property		$	2
Charges for services			2,366,597
Miscellaneous			8,575
Recovered costs			1,431,351
Intergovernmental			81,224,123
Total revenues		$	85,030,648
EXPENDITURES			
Current:			
Education		$	86,533,575
Capital projects			1,322,418
Total expenditures		$	87,855,993
Excess (deficiency) of revenues over (under) expenditures		$	(2,825,345)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets		$	10,310
Total other financing sources (uses)		$	10,310
Net change in fund balances		$	(2,815,035)
Fund balances - beginning			2,105,924
Fund balances - ending		$	(709,111)
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		$	(2,815,035)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.			
Capital outlays	$ 831,165		
Depreciation expense	(2,297,829)		(1,466,664)
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.			
Transfer of asset from County			6,256,053
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Change in compensated absenses	$ (81,797)		
OPEB expense	14,228		
Pension expense	2,289,927		2,222,358
Change in net position of governmental activities		$	4,196,712

Exhibit 33

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 2	$ 2
Charges for services	2,352,305	2,352,305	2,366,597	14,292
Miscellaneous	8,500	8,500	8,575	75
Recovered costs	1,591,109	1,591,109	1,431,351	(159,758)
Itergovernmental	80,126,942	82,352,270	81,224,123	(1,128,147)
Total revenues	$ 84,078,856	$ 86,304,184	$ 85,030,648	$ (1,273,536)
EXPENDITURES				
Current:				
Education	$ 84,114,856	$ 84,898,994	$ 86,533,575	$ (1,634,581)
Capital projects	-	1,441,190	1,322,418	118,772
Total expenditures	$ 84,114,856	$ 86,340,184	$ 87,855,993	$ (1,515,809)
Excess (deficiency) of revenues over (under) expenditures	$ (36,000)	$ (36,000)	$ (2,825,345)	$ (2,789,345)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	$ 36,000	$ 36,000	$ 10,310	$ (25,690)
Total other financing sources (uses)	$ 36,000	$ 36,000	$ 10,310	$ (25,690)
Net change in fund balances	$ -	$ -	$ (2,815,035)	$ (2,815,035)
Fund balances - beginning	-	-	2,105,924	2,105,924
Fund balances - ending	$ -	$ -	$ (709,111)	$ (709,111)

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 36,105,791	$ 36,105,791	$ 35,971,437	$ (134,354)
Real and personal public service corporation taxes	1,008,877	1,008,877	1,033,068	24,191
Personal property taxes	10,131,448	10,131,448	10,417,159	285,711
Mobile home taxes	220,000	220,000	216,817	(3,183)
Machinery and tools taxes	853,988	853,988	890,159	36,171
Merchant's capital	737,369	737,369	712,216	(25,153)
Penalties	475,192	475,192	463,707	(11,485)
Interest	184,213	184,213	183,462	(751)
Total general property taxes	$ 49,716,878	$ 49,716,878	$ 49,888,025	$ 171,147
Other local taxes:				
Local sales and use taxes	$ 4,420,737	$ 4,420,737	$ 4,733,806	$ 313,069
Consumers' utility taxes	904,937	904,937	992,508	87,571
Business license taxes	3,114	3,114	4,744	1,630
Utility license taxes	219,264	219,264	249,841	30,577
Motor vehicle licenses	2,051,260	2,051,260	2,011,649	(39,611)
Bank stock taxes	150,778	150,778	214,619	63,841
Taxes on recordation and wills	455,147	455,147	510,322	55,175
Hotel and motel room taxes	110,741	110,741	124,704	13,963
Local probate tax	12,350	12,350	13,228	878
Restaurant food taxes	1,063,199	1,063,199	1,140,684	77,485
Total other local taxes	$ 9,391,527	$ 9,391,527	$ 9,996,105	$ 604,578
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 27,355	$ 27,355	$ 24,082	$ (3,273)
Zoning and planning fees	39,021	39,021	45,550	6,529
Erosion and sediment control	11,566	11,566	9,820	(1,746)
Building permits	237,802	237,802	307,527	69,725
Land use application fees	16,875	16,875	18,348	1,473
Transfer fees	2,138	2,138	2,234	96
Other permits and licenses	15,171	15,171	35,138	19,967
Total permits, privilege fees, and regulatory licenses	$ 349,928	$ 349,928	$ 442,699	$ 92,771
Fines and forfeitures:				
Court fines and forfeitures	$ 41,892	$ 41,892	$ 57,918	$ 16,026
Total fines and forfeitures	$ 41,892	$ 41,892	$ 57,918	$ 16,026
Revenue from use of money and property:				
Revenue from use of money	$ 499,575	$ 501,694	$ 698,412	$ 196,718
Revenue from use of property	149,625	149,625	149,316	(309)
Total revenue from use of money and property	$ 649,200	$ 651,319	$ 847,728	$ 196,409

Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)								
General Fund: (Continued)								
Revenue from local sources: (Continued)								
Charges for services:								
Charges for courthouse security	$	58,047	$	58,047	$	62,788	$	4,741
Charges for courthouse maintenance		44,000		44,000		42,206		(1,794)
Charges for law enforcement and traffic control		97,023		97,023		105,858		8,835
Excess Clerk of Court fees		8,777		8,777		5,497		(3,280)
Charges for Commonwealth's Attorney		6,637		6,637		5,979		(658)
Miscellaneous jail and inmate fees		-		-		974		974
Miscellaneous animal fees		3,289		3,289		3,633		344
Charges for private landfills		90,000		90,000		113,670		23,670
Charges for sale of maps and codes and copies		5,816		5,816		17,761		11,945
Charges for emergency medical services billing		1,350,000		1,350,000		1,224,655		(125,345)
Charges for sanitation and waste removal		800,000		800,000		853,332		53,332
Charges for parks and recreation		151,133		197,984		207,772		9,788
Charges for aging services		21,421		21,421		17,863		(3,558)
Charges for library		35,000		55,936		54,432		(1,504)
Charges for law library		10,000		10,000		12,256		2,256
Charges for concealed weapons permits		42,928		42,928		46,051		3,123
Sale of recycled goods		12,998		12,998		48,169		35,171
Total charges for services	$	2,737,069	$	2,804,856	$	2,822,896	$	18,040
Miscellaneous:								
Miscellaneous	$	89,186	$	105,835	$	240,092	$	134,257
Total miscellaneous	$	89,186	$	105,835	$	240,092	$	134,257
Recovered costs:								
Health department	$	52,346	$	52,346	$	30,751	$	(21,595)
Court reporting fees		48,870		48,870		49,427		557
School resource officer		86,658		86,658		-		(86,658)
Blue ridge soil and water		228,763		228,763		183,175		(45,588)
Jail payphone commissions		13,566		13,566		29,247		15,681
Other recovered costs		285,447		716,049		630,098		(85,951)
Total recovered costs	$	715,650	$	1,146,252	$	922,698	$	(223,554)
Total revenue from local sources	$	63,691,330	$	64,208,487	$	65,218,161	$	1,009,674
Intergovernmental:								
Revenue from the Commonwealth:								
Noncategorical aid:								
Motor vehicle carrier tax (rolling stock)	$	34,890	$	34,890	$	38,960	$	4,070
Mobile home titling tax		77,032		77,032		109,997		32,965
Grantor's tax		138,072		138,072		161,335		23,263
Motor vehicle rental tax		37,622		37,622		40,940		3,318
Communications tax		2,122,040		2,122,040		2,029,782		(92,258)
State recordation tax		158,677		158,677		168,246		9,569
Personal property tax relief funds		2,626,618		2,626,618		2,626,618		-
Total noncategorical aid	$	5,194,951	$	5,194,951	$	5,175,878	$	(19,073)

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 597,015	$ 597,015	$ 588,362	$ (8,653)
Sheriff	3,245,625	3,245,625	3,235,036	(10,589)
Commissioner of revenue	169,211	169,211	169,724	513
Treasurer	155,509	155,509	155,894	385
Registrar/electoral board	46,399	46,399	49,903	3,504
Clerk of the Circuit Court	375,563	387,894	397,377	9,483
Total shared expenses	$ 4,589,322	$ 4,601,653	$ 4,596,296	$ (5,357)
Other categorical aid:				
Public assistance and welfare administration	$ 1,751,527	$ 1,897,870	$ 1,849,419	$ (48,451)
Comprehensive services act	3,362,674	4,321,134	4,138,934	(182,200)
Office on youth-juvenile	21,332	21,332	21,332	-
Family resource center-family violence prevention	150,000	150,000	148,128	(1,872)
Asset forfeiture funds	5,000	33,583	33,584	1
Library grants	153,449	153,449	155,538	2,089
Workforce development grants	81,000	81,000	26,177	(54,823)
Litter control grant	-	15,032	15,032	-
Drug enhancement grant	30,557	30,557	-	(30,557)
Park and recreation grants	-	2,500	2,500	-
Transportation grant	10,000	10,000	10,308	308
Victim witness	70,000	70,000	-	(70,000)
DCJS grant	136,890	130,046	-	(130,046)
Hurrican Harvey (EMAC)	-	-	10,158	10,158
Bulletproof vest grant	-	5,810	5,810	-
Other categorical aid	39,017	241,327	99,120	(142,207)
Total other categorical aid	$ 5,811,446	$ 7,163,640	$ 6,516,040	$ (647,600)
Total categorical aid	$ 10,400,768	$ 11,765,293	$ 11,112,336	$ (652,957)
Total revenue from the Commonwealth	$ 15,595,719	$ 16,960,244	$ 16,288,214	$ (672,030)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	$ 18,336	$ 18,336	$ 19,137	$ 801
Total noncategorical aid	$ 18,336	$ 18,336	$ 19,137	$ 801

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Department of Health and Human Services payments	$ 3,169,089	$ 3,115,649	$ 3,346,208	$ 230,559
Violence against women grant	-	62,659	36,140	(26,519)
State and highway safety grant	-	24,595	22,226	(2,369)
Equitable sharing program	5,000	909	909	-
State homeland security program	34,584	44,714	36,498	(8,216)
Title III	41,959	41,959	45,777	3,818
Crime victim assistance grant	-	-	161,659	161,659
Edward bryne memorial grant	-	-	41,847	41,847
Homeland security grant	-	-	50,000	50,000
Total categorical aid	$ 3,250,632	$ 3,290,485	$ 3,741,264	$ 450,779
Total revenue from the federal government	$ 3,268,968	$ 3,308,821	$ 3,760,401	$ 451,580
Total General Fund	$ 82,556,017	$ 84,477,552	$ 85,266,776	$ 789,224
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 154,883	$ 154,883
Total revenue from use of money and property	$ -	$ -	$ 154,883	$ 154,883
Miscellaneous:				
Miscellaneous	$ -	$ 15,862	$ 131,614	$ 115,752
Total miscellaneous	$ -	$ 15,862	$ 131,614	$ 115,752
Total revenue from local sources	$ -	$ 15,862	$ 286,497	$ 270,635
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission funds	$ -	$ 13,795	$ 13,795	$ -
Virginia fire programs	-	170,905	170,905	-
Economic development grants	-	1,486,837	177,877	(1,308,960)
Public safety grants	-	20,304	20,304	-
VDOT grant	-	12,929	12,928	(1)
Total categorical aid	$ -	$ 1,704,770	$ 395,809	$ (1,308,961)
Total revenue from the Commonwealth	$ -	$ 1,704,770	$ 395,809	$ (1,308,961)
Total County Capital Projects Fund	$ -	$ 1,720,632	$ 682,306	$ (1,038,326)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
E-911 Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Wireless board reimbursement	$ 60,000	$ 60,000	$ 88,848	$ 28,848
RSAF grant	-	-	24,973	24,973
Total categorical aid	$ 60,000	$ 60,000	$ 113,821	$ 53,821
Total revenue from the Commonwealth	$ 60,000	$ 60,000	$ 113,821	$ 53,821
Total E-911 Fund	$ 60,000	$ 60,000	$ 113,821	$ 53,821
Total Primary Government	$ 82,616,017	$ 86,258,184	$ 86,062,903	$ (195,281)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 2	$ 2
Total revenue from use of money and property	$ -	$ -	$ 2	$ 2
Charges for services:				
Other charges for education	$ -	$ -	$ 118,691	$ 118,691
Cafeteria sales	1,136,378	1,136,378	1,101,054	(35,324)
Payments from other localities	1,200,000	1,200,000	1,044,212	(155,788)
Cannery fees	15,927	15,927	16,223	296
Transportation of pupils	-	-	86,417	86,417
Total charges for services	$ 2,352,305	$ 2,352,305	$ 2,366,597	$ 14,292
Miscellaneous:				
Miscellaneous	$ 8,500	$ 8,500	$ 8,575	$ 75
Total miscellaneous	$ 8,500	$ 8,500	$ 8,575	$ 75
Recovered costs:				
Insurance recoveries and rebates	$ 38,568	$ 38,568	$ 82,927	$ 44,359
Sale of supplies	10,050	10,050	6,004	(4,046)
Famis/Medicare reimbursement	250,000	250,000	409,661	159,661
E-rate program	388,929	388,929	342,342	(46,587)
JROTC	53,562	53,562	28,145	(25,417)
Other recovered costs	850,000	850,000	562,272	(287,728)
Total recovered costs	$ 1,591,109	$ 1,591,109	$ 1,431,351	$ (159,758)
Total revenue from local sources	$ 3,951,914	$ 3,951,914	$ 3,806,525	$ (145,389)

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Franklin, Virginia	$ 30,778,152	$ 33,003,480	$ 32,514,282	$ (489,198)
Total revenues from local governments	$ 30,778,152	$ 33,003,480	$ 32,514,282	$ (489,198)
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	$ -	$ -	$ 56,278	$ 56,278
Algebra readiness	91,930	91,930	91,930	-
At risk four-year olds	725,869	725,869	611,630	(114,239)
At risk payments	611,630	611,630	749,292	137,662
Basic school aid	18,616,663	18,616,663	18,616,942	279
Breakfast after the bell	-	-	8,403	8,403
Compensation supplements	191,721	191,721	192,060	339
English as a second language	85,668	85,668	100,343	14,675
Early reading intervention	75,092	75,092	126,470	51,378
Gifted and talented	198,990	198,990	199,235	245
GED funds	23,576	23,576	108,814	85,238
Group life	82,912	82,912	83,015	103
Homebound education	39,866	39,866	38,575	(1,291)
Mentor teacher program	7,161	7,161	10,341	3,180
National board certification	-	-	30,246	30,246
Primary class size	850,480	850,480	824,825	(25,655)
Project graduation	9,814	9,814	-	(9,814)
Race to GED	119,537	119,537	-	(119,537)
Regional specialist	125,000	125,000	51,588	(73,412)
Regular foster care	320,366	320,366	152,060	(168,306)
Remedial education	737,920	737,920	738,831	911
Remedial summer education	117,947	117,947	96,116	(21,831)
Retirement fringe benefits	2,756,837	2,756,837	2,760,238	3,401
School food	57,371	57,371	61,410	4,039
Share of state sales tax	8,544,125	8,544,125	8,599,303	55,178
Social security fringe benefits	1,202,230	1,202,230	1,203,713	1,483
Special education	2,752,692	2,752,692	2,756,087	3,395
Special education - foster children	-	-	168,775	168,775
Special education-regional program	892,406	892,406	810,317	(82,089)
State lottery payments	1,136,397	1,136,397	1,147,953	11,556
Textbook payment	455,106	455,106	455,668	562
Vocational standards of quality education	378,136	378,136	362,027	(16,109)
Vocational education - equipment	-	-	11,441	11,441
VPSA technology grant	466,000	466,000	9,887	(456,113)
Other state funds	113,235	113,235	59,772	(53,463)
Total categorical aid	$ 41,786,677	$ 41,786,677	$ 41,293,585	$ (493,092)
Total revenue from the Commonwealth	$ 41,786,677	$ 41,786,677	$ 41,293,585	$ (493,092)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Adult literacy	$ 531,000	$ 531,000	$ 456,979	$ (74,021)
School food program	2,245,646	2,245,646	2,488,231	242,585
Title I funds	2,100,552	2,100,552	2,064,536	(36,016)
Title II Teacher improvement	250,000	250,000	298,479	48,479
Title VI-B, special education flow-through	2,290,000	2,290,000	1,720,199	(569,801)
Title VI-B, special education pre-school	34,915	34,915	34,915	-
Vocational education	110,000	110,000	131,178	21,178
Title VI rural and low income	-	-	51,942	51,942
Student support and academic enrichment	-	-	26,087	26,087
Summer feeding	-	-	102,046	102,046
Child and adult care food program	-	-	41,664	41,664
Total categorical aid	$ 7,562,113	$ 7,562,113	$ 7,416,256	$ (145,857)
Total revenue from the federal government	$ 7,562,113	$ 7,562,113	$ 7,416,256	$ (145,857)
Total School Operating Fund	$ 84,078,856	$ 86,304,184	$ 85,030,648	$ (1,273,536)
Total Discretely Presented Component Unit-School Board	$ 84,078,856	$ 86,304,184	$ 85,030,648	$ (1,273,536)

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 430,537	$ 448,440	$ 447,944	$ 496
Total legislative	$ 430,537	$ 448,440	$ 447,944	$ 496
General and financial administration:				
County administrator	$ 446,197	$ 452,227	$ 377,071	$ 75,156
Risk management	420,727	420,727	411,775	8,952
Human resources	134,574	152,174	145,673	6,501
Commissioner of revenue	588,036	588,036	571,535	16,501
Reassessment	150,000	-	-	-
Land use	43,082	43,082	875	42,207
Treasurer	517,225	541,411	539,644	1,767
Director of finance	270,178	316,621	311,744	4,877
Information technology	1,128,657	1,152,107	1,149,687	2,420
Telecommunications and Postage	85,751	85,751	76,550	9,201
Total general and financial administration	$ 3,784,427	$ 3,752,136	$ 3,584,554	$ 167,582
Board of elections:				
Registrar	$ 200,135	$ 210,915	$ 187,414	$ 23,501
Electoral board	92,676	112,476	66,021	46,455
Total board of elections	$ 292,811	$ 323,391	$ 253,435	$ 69,956
Total general government administration	$ 4,507,775	$ 4,523,967	$ 4,285,933	$ 238,034
Judicial administration:				
Courts:				
Circuit court	$ 105,789	$ 105,789	$ 99,686	$ 6,103
General district court	7,080	10,560	9,434	1,126
Law library	10,000	10,000	-	10,000
Special magistrates	2,000	2,000	1,008	992
Juvenile and domestic relations court	17,750	17,750	16,667	1,083
Juvenile court services	430,901	430,901	377,419	53,482
Sheriff-courts	769,811	785,811	746,912	38,899
Clerk of the circuit court	640,306	709,216	709,042	174
Total courts	$ 1,983,637	$ 2,072,027	$ 1,960,168	$ 111,859
Commonwealth's attorney:				
Commonwealth's attorney	$ 760,201	$ 760,201	$ 727,043	$ 33,158
Total commonwealth's attorney	$ 760,201	$ 760,201	$ 727,043	$ 33,158
Total judicial administration	$ 2,743,838	$ 2,832,228	$ 2,687,211	$ 145,017
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 4,123,069	$ 4,606,261	$ 4,345,279	$ 260,982
Total law enforcement and traffic control	$ 4,123,069	$ 4,606,261	$ 4,345,279	$ 260,982
Correction and detention:				
County operated institutions and regional jail	$ 4,112,067	$ 4,217,888	$ 3,961,514	$ 256,374
Total correction and detention	$ 4,112,067	$ 4,217,888	$ 3,961,514	$ 256,374

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	$ 483,470	$ 483,470	$ 478,646	$ 4,824
Total inspections	$ 483,470	$ 483,470	$ 478,646	$ 4,824
Other protection:				
Director of public safety	$ 2,766,968	$ 2,989,227	$ 2,989,842	$ (615)
Animal control	277,385	300,683	299,516	1,167
Department of forestry	24,000	24,000	23,299	701
EMS career billing	1,043,446	1,043,446	1,016,001	27,445
EMS volunteer billing	303,850	303,850	117,530	186,320
Radio system	317,310	317,310	299,845	17,465
Victim witness	70,000	70,000	56,526	13,474
Total other protection	$ 4,802,959	$ 5,048,516	$ 4,802,559	$ 245,957
Total public safety	$ 13,521,565	$ 14,356,135	$ 13,587,998	$ 768,137
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 1,575,364	$ 1,534,430	$ 1,526,905	$ 7,525
Recycling program	116,002	144,002	136,228	7,774
Collection and recycling center	112,650	112,650	111,182	1,468
Scale house	60,759	69,664	65,375	4,289
Public works	281,527	296,357	296,356	1
Total sanitation and waste removal	$ 2,146,302	$ 2,157,103	$ 2,136,046	$ 21,057
Maintenance of general buildings and grounds:				
General properties	$ 1,274,800	$ 1,270,304	$ 1,130,546	$ 139,758
Mechanic	222,569	255,460	253,083	2,377
Courthouse maintenance	44,000	44,000	-	44,000
Total maintenance of general buildings and grounds	$ 1,541,369	$ 1,569,764	$ 1,383,629	$ 186,135
Total public works	$ 3,687,671	$ 3,726,867	$ 3,519,675	$ 207,192
Health and welfare:				
Health:				
Supplement of local health department	$ 370,000	$ 370,000	$ 370,000	$ -
Total health	$ 370,000	$ 370,000	$ 370,000	$ -
Mental health and mental retardation:				
Development center of Franklin	$ 40,000	$ 40,000	$ 40,000	$ -
Total mental health and mental retardation	$ 40,000	$ 40,000	$ 40,000	$ -
Welfare:				
Public assistance and welfare administration	$ 6,215,926	$ 6,308,829	$ 6,227,070	$ 81,759
Youth services agency (CSA)	5,025,361	5,986,409	6,283,183	(296,774)
Family resource center	345,924	363,584	330,520	33,064
Area agency on aging	224,150	224,150	189,553	34,597
Contribution to health and welfare organizations	69,511	69,511	69,511	-

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Assistance - institutions	$ 4,635	$ 4,635	$ -	$ 4,635
Total welfare	$ 11,885,507	$ 12,957,118	$ 13,099,837	$ (142,719)
Total health and welfare	$ 12,295,507	$ 13,367,118	$ 13,509,837	$ (142,719)
Education:				
Other instructional costs:				
Contribution to County School Board	$ 31,339,342	$ 31,783,480	$ 31,294,282	$ 489,198
Total education	$ 31,339,342	$ 31,783,480	$ 31,294,282	$ 489,198
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	$ 1,125,940	$ 1,205,365	$ 1,203,538	$ 1,827
Total parks and recreation	$ 1,125,940	$ 1,205,365	$ 1,203,538	$ 1,827
Library:				
Library administration	$ 780,349	$ 938,001	$ 920,356	$ 17,645
Westlake branch library	188,298	97,858	97,857	1
Total library	$ 968,647	$ 1,035,859	$ 1,018,213	$ 17,646
Total parks, recreation, and cultural	$ 2,094,587	$ 2,241,224	$ 2,221,751	$ 19,473
Community development:				
Planning and community development:				
Community development	$ 553,911	$ 553,911	$ 526,545	$ 27,366
Economic development	1,009,637	944,949	923,351	21,598
Tourism	276,021	402,037	340,220	61,817
GIS and mapping	158,384	188,384	180,059	8,325
4-H youth	3,750	3,750	3,750	-
Planning	228,623	238,658	221,813	16,845
Franklin career center	198,650	225,617	212,374	13,243
Stormwater	-	25,623	11,009	14,614
Contributions to other entities	139,942	155,384	150,433	4,951
Total planning and community development	$ 2,568,918	$ 2,738,313	$ 2,569,554	$ 168,759
Environmental management:				
Contribution to soil and water district	$ 233,619	$ 233,619	$ 190,916	$ 42,703
Total environmental management	$ 233,619	$ 233,619	$ 190,916	$ 42,703
Cooperative extension program:				
Extension office	$ 114,433	$ 114,433	$ 109,929	$ 4,504
Total cooperative extension program	$ 114,433	$ 114,433	$ 109,929	$ 4,504
Total community development	$ 2,916,970	$ 3,086,365	$ 2,870,399	$ 215,966
Nondepartmental:				
Contingencies	$ 530,599	$ 320,237	$ -	$ 320,237
Total nondepartmental	$ 530,599	$ 320,237	$ -	$ 320,237

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Debt service:				
Principal retirement	$ 4,697,927	$ 4,697,927	$ 4,646,542	$ 51,385
Interest and other fiscal charges	1,219,422	1,219,422	1,218,120	1,302
Total debt service	$ 5,917,349	$ 5,917,349	$ 5,864,662	$ 52,687
Total General Fund	$ 79,555,203	$ 82,154,970	$ 79,841,748	$ 2,313,222
County Capital Projects Fund:				
Capital projects:				
General government	$ 40,000	$ 294,164	$ 53,583	$ 240,581
Information technology	125,500	547,422	255,786	291,636
Public safety	911,001	7,197,366	1,507,152	5,690,214
Public works	-	2,600,080	284,689	2,315,391
General property improvements	285,000	3,815,180	1,194,534	2,620,646
Parks and recreation	179,000	895,038	480,508	414,530
Community development	175,000	13,484,108	12,004,935	1,479,173
Total capital projects	$ 1,715,501	$ 28,833,358	$ 15,781,187	$ 13,052,171
Education:				
Other instructional costs:				
Contribution to County School Board	$ 1,220,000	$ 1,248,300	$ 1,220,000	$ 28,300
Total education	$ 1,220,000	$ 1,248,300	$ 1,220,000	$ 28,300
Total County Capital Projects Fund	$ 2,935,501	$ 30,081,658	$ 17,001,187	$ 13,080,471
Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Total other protection	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Total public safety	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Total E-911 Fund	$ 1,013,663	$ 1,064,817	$ 954,010	$ 110,807
Total Primary Government	$ 83,504,367	$ 113,301,445	$ 97,796,945	$ 15,504,500
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	$ 3,150,433	$ 3,150,433	$ 3,583,670	$ (433,237)
Total administration of schools	$ 3,150,433	$ 3,150,433	$ 3,583,670	$ (433,237)
Instruction costs:				
Instruction cost	$ 64,641,330	$ 64,789,235	$ 65,329,132	$ (539,897)
Total instruction costs	$ 64,641,330	$ 64,789,235	$ 65,329,132	$ (539,897)

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	$ 5,580,722	$ 5,920,722	$ 6,409,628	$ (488,906)
Operation and maintenance of school plant	7,276,008	7,572,241	7,645,570	(73,329)
School food and non-instructional	3,466,363	3,466,363	3,565,575	(99,212)
Total operating costs	$ 16,323,093	$ 16,959,326	$ 17,620,773	$ (661,447)
Total education	$ 84,114,856	$ 84,898,994	$ 86,533,575	$ (1,634,581)
Capital projects:				
Capital projects	$ -	$ 1,441,190	$ 1,322,418	$ 118,772
Total capital projects	$ -	$ 1,441,190	$ 1,322,418	$ 118,772
Total School Operating Fund	$ 84,114,856	$ 86,340,184	$ 87,855,993	$ (1,515,809)
Total Discretely Presented Component Unit - School Board	$ 84,114,856	$ 86,340,184	$ 87,855,993	$ (1,515,809)

Note 1: School Board appropriations occur at the fund level

STATISTICAL SECTION

Statistical Section

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

COUNTY OF FRANKLIN, VIRGINIA **Table 1**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	33,598,908	37,125,995	38,512,330	40,509,583	47,333,389	47,869,639	50,269,458	55,268,337	60,976,383	54,940,545
Restricted	159,656	295,455	202,014	295,849	388,906	373,539	365,467	540,757	685,889	839,910
Unrestricted	24,972,606	25,245,759	25,353,580	23,388,187	19,852,817	20,000,997	16,603,986	16,208,679	13,863,514	16,118,363
Total governmental activities net position	58,731,170	62,667,209	64,067,924	64,193,619	67,575,112	68,244,175	67,238,911	72,017,773	75,525,786	71,898,818
Business-type activities										
Net investment in capital assets	1,640,981	1,056,539	1,026,877	1,167,776	1,134,931	1,102,086	1,069,241	1,036,396	1,003,551	970,706
Unrestricted	721,629	296,579	294,773	944,367	182,806	210,379	241,149	259,552	88,379	152,635
Total business-type activities net position	2,362,610	1,353,118	1,321,650	2,112,143	1,317,737	1,312,465	1,310,390	1,295,948	1,091,930	1,123,341
Primary government										
Net investment in capital assets	35,239,889	38,182,534	39,539,207	41,677,359	48,468,320	48,971,725	51,338,699	56,304,733	61,979,934	55,911,251
Restricted	159,656	295,455	202,014	295,849	388,906	373,539	365,467	540,757	685,889	839,910
Unrestricted	25,694,235	25,542,338	25,648,353	24,332,554	20,035,623	20,211,376	16,845,135	16,468,231	13,951,893	16,270,998
Total primary government net position	61,093,780	64,020,327	65,389,574	66,305,762	68,892,849	69,556,640	68,549,301	73,313,721	76,617,716	73,022,159

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government administration	4,027,157	3,934,191	4,171,457	4,851,681	4,297,357	4,618,400	4,197,118	4,470,418	4,239,321	4,037,345
Judicial administration	2,670,402	2,354,044	2,327,750	2,344,133	2,535,881	2,317,632	2,471,939	2,615,409	2,687,951	2,625,816
Public safety	12,737,913	14,444,078	14,252,682	14,445,531	14,590,942	14,813,690	14,616,834	14,292,437	15,633,686	15,199,187
Public works	3,135,781	5,397,533	4,966,247	6,855,118	4,728,017	5,018,567	4,911,210	5,136,964	5,258,525	5,777,535
Health and welfare	9,952,103	10,201,556	10,367,270	10,430,549	10,269,099	10,968,715	11,009,049	11,324,474	12,182,639	13,349,808
Education	29,621,387	27,011,085	31,797,712	29,873,835	31,912,383	32,492,221	33,439,404	33,018,170	33,293,793	39,361,738
Parks, recreation and cultural	2,310,267	2,132,551	2,013,395	2,165,867	2,071,985	1,952,891	2,287,730	2,513,834	2,509,282	2,869,781
Community development	5,190,199	5,126,182	4,875,629	3,029,603	3,003,651	3,572,124	3,298,671	3,091,287	3,272,246	2,587,937
Interest on long-term debt	1,541,431	1,496,120	1,480,039	1,171,325	946,745	1,046,709	1,071,097	1,061,631	1,391,894	1,151,364
Total governmental activities expenses	71,186,640	72,097,340	76,252,181	75,167,642	74,356,060	76,800,949	77,303,052	77,524,624	80,469,337	86,960,511
Business-type activities:										
Utility fund	2,630,752	615,957	56,909	41,741	42,490	47,643	45,390	42,039	46,549	44,286
Total business-type activities expenses	2,630,752	615,957	56,909	41,741	42,490	47,643	45,390	42,039	46,549	44,286
Total primary government expenses	73,817,392	72,713,297	76,309,090	75,209,383	74,398,550	76,848,592	77,348,442	77,566,663	80,515,886	87,004,797
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	16,548	22,775	13,445	12,989	7,980	12,224	7,104	6,009	19,490	17,761
Judicial administration	122,518	144,054	111,612	49,506	103,748	162,402	128,609	69,044	65,325	81,650
Public safety	1,276,255	1,561,354	1,466,223	1,601,892	1,781,500	1,943,658	1,781,811	1,815,624	1,896,279	1,886,658
Public works	665,917	637,029	776,572	740,686	952,990	942,265	888,773	889,386	961,582	1,057,377
Health and welfare	16,737	22,198	16,986	19,056	13,425	18,731	23,630	22,071	20,997	17,863
Parks, recreation and cultural	114,806	107,936	103,406	100,043	194,202	188,675	251,127	225,093	215,302	262,204
Community development	97,971	-	-	-	-	-	-	-	-	-
Operating grants and contributions	12,047,519	11,858,743	12,230,679	11,722,367	11,412,589	12,501,912	12,667,126	13,275,673	13,963,045	15,158,226
Capital grants and contributions	2,003,393	2,259,154	2,461,498	994,357	864,885	299,810	832,390	543,093	798,442	205,004
Total governmental activities program revenues	16,361,664	16,613,243	17,180,421	15,240,896	15,331,319	16,069,677	16,580,570	16,845,993	17,940,462	18,686,743
Business-type activities:										
Charges for services:										
Water	190,471	26,031	8,096	112,522	31,084	25,371	26,315	23,576	27,531	60,697
Capital grants and contributions	63,055	-	-	164,456	-	-	-	-	-	-
Total business-type activities program revenues	253,526	26,031	8,096	276,978	31,084	25,371	26,315	23,576	27,531	60,697
Total primary government program revenues	16,615,190	16,639,274	17,188,517	15,517,874	15,362,403	16,095,048	16,606,885	16,869,569	17,967,993	18,747,440

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 2 of 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense) / revenue										
Governmental activities	(54,824,976)	(55,484,097)	(59,071,760)	(59,926,746)	(59,024,741)	(60,731,272)	(60,722,482)	(60,678,631)	(62,528,875)	(68,273,768)
Business-type activities	(2,377,226)	(589,926)	(48,813)	235,237	(11,406)	(22,272)	(19,075)	(18,463)	(19,018)	16,411
Total primary government net expense	(57,202,202)	(56,074,023)	(59,120,573)	(59,691,509)	(59,036,147)	(60,753,544)	(60,741,557)	(60,697,094)	(62,547,893)	(68,257,357)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	43,374,361	42,935,336	45,616,322	45,783,087	46,330,843	46,505,312	48,388,606	49,225,877	49,452,460	49,934,797
Local sales and use taxes	3,742,268	3,634,351	3,795,733	3,867,957	4,029,528	4,087,355	4,222,615	4,355,903	4,550,334	4,733,806
Taxes on recordation and wills	581,797	507,081	513,861	465,882	513,088	468,085	469,299	470,807	547,449	523,550
Motor vehicle licenses taxes	1,227,296	1,207,504	1,182,088	1,159,789	1,148,502	833,472	1,930,605	2,100,109	2,024,297	2,011,649
Consumers' utility taxes	969,161	970,934	972,419	971,693	973,782	976,804	979,527	982,747	987,461	992,508
Business licenses taxes	4,444	4,440	3,829	4,585	4,798	13,745	4,079	3,314	3,986	4,744
Other local taxes (1)	3,522,927	1,342,836	1,297,445	1,294,561	1,429,674	1,465,873	1,560,260	1,558,683	1,587,171	1,729,848
Unrestricted grants and contributions	3,134,606	5,483,807	5,463,983	5,379,777	5,478,612	5,371,657	5,313,289	5,243,473	5,232,245	5,195,015
Unrestricted revenues from use of money and property	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792	907,931	1,012,753	1,147,211	1,002,611
Miscellaneous	257,613	1,849,101	572,545	541,242	584,600	552,240	2,928,292	507,848	319,274	280,591
Transfers	(400,479)	419,940	(17,345)	(555,256)	783,000	(17,000)	(17,000)	(4,021)	185,000	(15,000)
Total governmental activities	57,992,528	59,420,136	60,472,475	60,052,441	62,406,234	61,400,335	66,687,503	65,457,493	66,036,888	66,394,119
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Transfers	400,479	(419,940)	17,345	555,256	(783,000)	17,000	17,000	4,021	(185,000)	15,000
Unrestricted revenues from use of money and property	8,481	374	-	-	-	-	-	-	-	-
Total business-type activities	408,960	(419,566)	17,345	555,256	(783,000)	17,000	17,000	4,021	(185,000)	15,000
Total primary government	58,401,488	59,000,570	60,489,820	60,607,697	61,623,234	61,417,335	66,704,503	65,461,514	65,851,888	66,409,119
Change in Net Position										
Governmental activities	3,167,552	3,936,039	1,400,715	125,695	3,381,493	669,063	5,965,021	4,778,862	3,508,013	(1,879,649)
Business-type activities	(1,968,266)	(1,009,492)	(31,468)	790,493	(794,406)	(5,272)	(2,075)	(14,442)	(204,018)	31,411
Total primary government	1,199,286	2,926,547	1,369,247	916,188	2,587,087	663,791	5,962,946	4,764,420	3,303,995	(1,848,238)

(1) Beginning in 2010, communications tax is classified as revenue from the Commonwealth
Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA **Table 3**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	159,656	-	-	-	-	-	-	-	-	-
Unreserved	16,769,417	19,872,220	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	148,078	-	-	-	-	-	-
Restricted	-	-	173,399	243,920	253,224	246,039	207,076	319,373	415,280	455,827
Assigned	-	-	92,994	210,233	277,289	2,681,011	2,942,604	2,098,960	1,865,429	1,014,989
Unassigned	-	-	19,653,231	19,963,500	20,397,311	18,430,083	18,056,775	19,831,096	20,883,932	20,883,942
Total general fund	16,929,073	19,872,220	19,919,624	20,565,731	20,927,824	21,357,133	21,206,455	22,249,429	23,164,641	22,354,758
All other governmental funds										
Reserved	5,049,690	295,455	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	51,955	46,367	-	-	-	-	-	-	-	-
Capital projects funds	11,665,266	13,037,850	-	-	-	-	-			
Nonspendable	-	-	-	-	-	-	-	-	474,741	4,184,291
Restricted, reported in:										
Special revenue funds	-	-	28,615	51,929	135,682	7,430,713	18,038,826	7,844,074	16,571,821	5,417,781
Assigned, reported in:										
Capital projects funds	-	-	14,021,993	14,779,718	11,776,528	11,831,695	12,850,860	11,136,278	7,498,512	6,400,142
Total all other governmental funds	16,766,911	13,379,672	14,050,608	14,831,647	11,912,210	19,262,408	30,889,686	18,980,352	24,545,074	16,002,214

Provisions of Governmental Accounting Standards Board Statement 54 (GASB 54) were implemented in the 2011 fiscal year.
Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA **Table 4**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	43,289,214	42,515,165	45,277,434	46,118,184	46,529,172	46,773,366	48,823,104	49,308,192	49,398,702	49,888,025
Other local taxes	10,047,893	7,667,146	7,765,375	7,764,467	8,099,372	7,845,334	9,166,385	9,471,563	9,700,698	9,996,105
Permits, privilege fees and regulatory licenses	413,467	359,451	359,111	319,277	356,552	381,133	498,402	335,137	399,129	442,699
Fines and forfeitures	10,082	15,002	13,032	17,076	67,474	110,411	110,271	43,159	43,499	57,918
Revenue from use of money and property	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792	907,931	1,012,753	1,147,211	1,002,611
Charges for services	1,887,203	2,120,893	2,116,101	2,187,819	2,629,819	2,776,411	2,472,381	2,648,931	2,736,347	2,822,896
Miscellaneous	257,613	1,849,101	572,545	541,242	584,600	552,240	327,376	599,515	408,072	371,706
Recovered costs	744,082	646,857	683,734	609,920	515,589	466,701	999,921	897,113	974,192	922,698
Intergovernmental	17,185,518	17,277,424	20,156,160	18,096,501	17,756,086	18,173,379	18,742,805	19,062,239	19,993,732	20,558,245
Total revenues	75,413,606	73,515,845	78,015,087	76,793,610	77,668,471	78,221,767	82,048,576	83,378,602	84,801,582	86,062,903
Expenditures										
General government administration	3,678,190	3,703,759	4,254,794	4,194,731	4,201,866	3,847,437	4,324,399	4,344,882	4,175,626	4,285,933
Judicial administration	2,647,224	2,406,096	2,273,717	2,310,288	2,401,013	2,289,679	2,574,462	2,729,767	2,822,828	2,687,211
Public safety	13,619,580	13,705,018	13,035,802	14,065,589	13,882,120	14,095,220	13,749,080	13,615,077	14,543,850	14,542,008
Public works	2,759,763	3,293,949	3,722,272	3,315,563	3,679,291	3,597,660	3,639,061	3,449,535	3,282,687	3,519,675
Health and welfare	10,188,370	10,357,762	10,854,862	10,670,106	10,357,775	11,053,119	11,525,467	11,475,912	12,320,671	13,509,837
Education	26,734,619	26,058,965	30,813,204	28,249,720	30,878,312	31,546,956	31,726,479	32,117,432	32,395,515	32,514,282
Parks, recreation and cultural	2,056,206	1,868,801	1,733,929	1,814,823	1,915,968	1,950,171	1,936,652	2,003,765	2,088,565	2,221,751
Community development	5,447,836	2,044,767	3,021,430	2,471,002	3,157,331	3,598,642	3,338,880	3,060,972	3,230,670	2,870,399
Nondepartmental	77,718	-	135	-	46,897	3,978	26,674	-	-	-
Capital projects	12,784,491	9,752,250	3,084,911	3,408,090	7,103,074	4,090,825	5,171,761	15,726,566	13,993,574	15,781,187
Debt service										
Principal	2,753,602	2,960,922	3,122,020	3,028,681	6,304,484	3,122,132	3,810,068	4,566,202	4,660,578	4,646,542
Interest and other fiscal charges	1,582,736	1,602,618	1,362,326	1,293,215	1,040,602	852,941	1,103,561	1,150,831	1,053,422	1,218,120
Bond Issuance costs	73,424	58,250	-	-	14,958	120,500	131,432	-	246,657	-
Total expenditures	84,403,759	77,813,157	77,279,402	74,821,808	84,983,691	80,169,260	83,057,976	94,240,941	94,814,643	97,796,945
Excess of revenues over (under) expenditures	(8,990,153)	(4,297,312)	735,685	1,971,802	(7,315,220)	(1,947,493)	(1,009,400)	(10,862,339)	(10,013,061)	(11,734,042)
Other financing sources (uses)										
Transfers in	7,635,878	2,585,653	2,719,846	3,078,179	9,373,684	7,245,011	8,255,667	6,684,586	5,124,099	6,360,523
Transfers out	(8,036,357)	(2,165,713)	(2,737,191)	(3,633,435)	(8,590,684)	(7,262,011)	(8,272,667)	(6,688,607)	(4,939,099)	(6,375,523)
Bonds and notes issued	2,905,000	1,109,000	-	-	3,068,750	9,744,000	12,500,000	-	16,154,000	-
Premium on debt issuance	130,152	-	-	-	-	-	-	-	-	-
Refunded bonds issued	-	-	-	-	-	-	-	-	12,863,000	-
Debt service-current refunding-principal	-	-	-	-	-	-	-	-	(12,709,005)	-
Capital leases	54,978	-	-	-	655,000	-	-	-	-	2,396,299
Sale of capital assets	-	-	-	10,600	251,124	-	3,000	-	-	-
Total other financing sources (uses)	2,689,651	1,528,940	(17,345)	(544,656)	4,757,874	9,727,000	12,486,000	(4,021)	16,492,995	2,381,299
Net change in fund balances	(6,300,502)	(2,768,372)	718,340	1,427,146	(2,557,346)	7,779,507	11,476,600	(10,866,360)	6,479,934	(9,352,743)
Debt service as a percentage of noncapital expenditures	6%	7%	6%	6%	10%	5%	6%	8%	8%	8%
Total Debt Service Expenditures	4,336,338	4,563,540	4,484,346	4,321,896	7,345,086	3,975,073	4,913,629	5,717,033	5,714,000	5,864,662
Total Governmental Non-capital Expenditures	71,619,268	69,101,331	74,194,491	71,337,431	76,621,759	76,370,977	77,062,524	73,034,098	75,458,176	76,947,555

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA **Table 5**

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Hotel & Motel Tax	Utility License Tax	Bank Stock Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Other Tax	Total
2018	49,934,797	4,733,806	992,508	1,140,684	124,704	249,841	214,619	2,011,649	523,550	4,744	59,930,902
2017	49,398,702	4,550,334	987,461	1,059,248	117,111	235,453	175,334	2,024,297	531,590	19,845	59,099,375
2016	49,308,192	4,355,903	982,747	1,070,833	109,213	227,848	150,779	2,100,109	455,147	18,984	58,779,755
2015	48,823,104	4,222,615	979,527	1,043,851	88,041	239,118	188,100	1,930,605	469,299	5,229	57,989,489
2014	46,505,312	4,087,355	976,804	990,322	86,010	231,095	156,590	833,472	468,085	15,601	54,350,646
2013	46,330,843	4,029,528	973,782	962,596	85,124	250,098	128,791	1,148,502	513,088	7,863	54,430,215
2012	45,783,087	3,867,957	971,693	912,380	91,628	168,980	119,639	1,159,789	465,882	4,585	53,545,620
2011	45,277,434	3,795,733	972,419	843,382	97,056	231,833	123,267	1,182,088	500,736	3,829	53,027,777
2010	42,515,165	3,634,351	1,254,157	834,617	98,194	283,223	125,681	1,207,504	497,231	4,440	50,454,563
2009	43,289,214	3,742,268	969,161	829,982	103,696	166,457	107,361	1,227,296	581,797	4,444	51,021,676

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Merchants' Capital	Machinery & Tools	Common Carrier	Public Service	Total Taxable Assessed Value
2018	6,667,834,790	567,350,019	69,884,565	127,061,318	5,736,714	185,338,191	7,623,205,597
2017	6,610,954,647	554,082,419	68,274,969	121,998,334	5,258,877	183,953,800	7,544,523,046
2016	6,648,979,758	532,899,913	67,089,476	118,962,981	4,200,962	180,796,084	7,552,929,174
2015	6,586,125,690	516,358,663	63,154,482	100,793,265	-	174,799,137	7,441,231,237
2014	6,563,692,254	499,419,869	62,141,114	91,386,941	-	160,408,641	7,377,048,819
2013	6,512,213,873	478,922,754	62,392,929	97,259,640	-	161,030,712	7,311,819,908
2012	7,714,753,492	466,053,799	61,116,302	87,420,378	-	163,682,723	8,493,026,694
2011	7,658,949,539	452,339,636	58,454,412	85,551,282	-	151,199,948	8,406,494,817
2010	7,606,214,950	448,673,632	63,385,820	83,369,833	-	162,132,199	8,363,776,434
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	-	148,209,734	8,292,525,331

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Common Carrier Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2018	0.55	2.36	1.08	0.70	0.70	0.69	7,457,191,898	102.23%
2017	0.55	2.36	1.08	0.70	0.70	0.69	7,370,533,186	102.36%
2016	0.55	2.36	1.08	0.70	0.70	0.68	7,372,387,521	102.45%
2015	0.55	2.36	1.08	0.70	-	0.68	7,309,902,429	101.80%
2014	0.54	2.34	1.08	0.70	-	0.67	7,198,027,786	102.49%
2013	0.54	2.34	1.08	0.70	-	0.66	7,100,025,919	102.98%
2012	0.48	2.04	1.08	0.60	-	0.57	8,492,757,485	100.00%
2011	0.48	2.04	1.08	0.60	-	0.57	8,147,764,905	103.18%
2010	0.46	1.89	1.08	0.60	-	0.54	8,074,239,188	103.59%
2009	0.46	1.89	1.08	0.60	-	0.55	8,027,547,143	103.30%

Source: Commissioner of Revenue

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates						Overlapping Rates Town of Rocky Mount	
Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier	Total Direct Rate Weighted Average	Real Estate	Personal Property
2018	0.55	2.36	0.70	1.08	0.70	0.69	0.13	0.51
2017	0.55	2.36	0.70	1.08	0.70	0.69	0.13	0.51
2016	0.55	2.36	0.70	1.08	0.70	0.68	0.13	0.51
2015	0.55	2.36	0.70	1.08	-	0.68	0.13	0.51
2014	0.54	2.34	0.70	1.08	-	0.67	0.13	0.51
2013	0.54	2.34	0.70	1.08	-	0.66	0.13	0.51
2012	0.48	2.04	0.60	1.08	-	0.57	0.12	0.51
2011	0.48	2.04	0.60	1.08	-	0.57	0.12	0.51
2010	0.46	1.89	0.60	1.08	-	0.54	0.12	0.51
2009	0.46	1.89	0.60	1.08	-	0.55	0.12	0.51

(1) Per $100 of assessed value
Source: Franklin County Commissioner of Revenue, Town of Rocky Mount Finance Department

COUNTY OF FRANKLIN, VIRGINIA **Table 8**

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

		Fiscal Year 2018		Fiscal Year 2009	
Taxpayer	Type Business	2018 Assessed Valuation (Millions)	% of Total Assessed Valuation	2009 Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	130	1.75%	105	1.98%
Willard Construction Company of Roanoke Valley, Inc	Construction	25	0.34%	17	0.32%
Central Telephone Company	Telephone Utility	22	0.30%	32	0.60%
Willard Construction Company of Smith Mountain Lane LLC	Construction	13	0.17%	-	0.00%
McAirlaids	Manufacturing	11	0.15%	-	0.00%
Norfolk & Western Railway	Railroad	11	0.15%	-	0.00%
Wal Mart	Retail	10	0.13%	-	0.00%
Rocky Mount Development Co	Real Estate	10	0.13%	-	0.00%
R & P SML Facility LLc	Real Estate	9	0.12%	-	0.00%
USCOC of Va, RSA #3	Cellular	8	0.00%	-	0.00%
Bridgewater Pointe Partners LLC	Real Estate	-	0.00%	38	0.72%
Lake Watch LLc	Real Estate	-	0.00%	22	0.42%
Windstar Properties LLC	Real Estate	-	0.00%	16	0.30%
Franklin Real Estate Company	Real Estate	-	0.00%	48	0.91%
RKL Holdings	Real Estate	-	0.00%	16	0.30%
Bayview Holdings LLC	Real Estate	-	0.00%	15	0.28%
Edward C. Park, III	Real Estate	-	0.00%	12	0.23%
		249	3.24%	321	6.06%

Source: Franklin County Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA **Table 9**

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2018	49,697,299	48,336,185	97.26%	-	48,336,185	97.26%
2017	48,928,808	47,636,981	97.36%	877,455	48,514,436	99.15%
2016	48,533,373	47,269,739	97.40%	1,066,008	48,335,747	99.59%
2015	47,787,435	46,494,790	97.30%	1,150,218	47,645,008	99.70%
2014	46,835,889	45,285,604	96.69%	1,441,516	46,727,120	99.77%
2013	45,660,712	44,159,107	96.71%	1,494,284	45,653,391	99.98%
2012	45,722,994	45,007,522	98.44%	710,027	45,717,549	99.99%
2011	45,237,044	43,561,279	96.30%	1,675,105	45,236,384	100.00%
2010	42,642,755	41,035,249	96.23%	1,606,913	42,642,162	100.00%
2009	43,103,676	41,569,680	96.44%	1,533,246	43,102,926	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities			Business-Type Activities				
Fiscal Years	General Obligation Bonds and Notes	Literary Fund Loans (2)	Capital Leases	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2018	44,481,268	-	2,396,299	-	-	46,877,567	0.08%	831
2017	49,145,015	-	-	-	-	49,145,015	0.08%	874
2016	37,383,914	-	133,345	-	-	37,517,259	0.00%	666
2015	41,841,733	-	264,911	-	-	42,106,644	0.08%	741
2014	33,164,494	-	394,723	-	-	33,559,217	0.10%	593
2013	26,429,558	-	534,770	-	-	26,964,328	0.13%	476
2012	25,339,439	3,702,750	163,141	-	-	29,205,330	0.11%	518
2011	27,583,771	4,316,500	333,741	-	-	32,234,012	0.10%	573
2010	29,877,385	4,930,250	548,397	-	-	35,356,032	0.09%	634
2009	30,874,271	5,544,000	789,682	-	-	37,207,953	0.09%	673

Note: Details regarding the County's outstanding debt can be found in note 7 in the notes to the financial statements.
Amounts above include any unamortized discounts or premiums.
(1) See the Schedule of Demographic and Economic Statistics - Table 14
(2) Literary fund loans were fully defeased in FY2013.

Source: County financial reports

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Gross and Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2018	44,481,268	-	44,481,268	0.58%	788.30
2017	49,145,015	-	49,145,015	0.65%	874.39
2016	37,383,914	-	37,383,914	0.49%	663.15
2015	41,841,733	-	41,841,733	0.56%	736.74
2014	33,164,494	-	33,164,494	0.45%	585.78
2013	26,429,558	-	26,429,558	0.36%	466.82
2012	29,042,189	-	29,042,189	0.34%	514.76
2011	31,900,271	-	31,900,271	0.38%	567.37
2010	34,807,635	-	34,807,635	0.42%	624.55
2009	36,418,271	-	36,418,271	0.44%	658.75

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

COUNTY OF FRANKLIN, VIRGINIA **Table 12**

Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Rocky Mount	1,867,000	100%	1,867,000
Subtotal, overlapping debt			1,867,000
County of Franklin, direct debt			46,877,567
Total direct and overlapping debt			48,744,567

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the County of Franklin. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.

COUNTY OF FRANKLIN, VIRGINIA **Table 13**

Legal Debt Margin Information
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	749,561,108	760,621,495	765,894,954	771,475,349	651,221,387	656,369,225	658,612,569	664,897,976	661,095,465	666,783,479
Total net debt applicable to limit	36,938,539	34,807,635	31,900,271	29,042,189	26,429,558	33,164,494	41,841,733	37,383,914	49,145,015	44,481,268
Legal debt margin	712,622,569	725,813,860	733,994,683	742,433,160	624,791,829	623,204,731	616,770,836	627,514,062	611,950,450	622,302,211
Total net debt applicable to the limit as a percentage of debt limit	4.93%	4.58%	4.17%	3.76%	4.06%	5.05%	6.35%	5.62%	7.43%	6.67%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value of real estate	6,667,834,790
Debt limit (10% of total assessed value)	666,783,479
Net debt applicable to limit	44,481,268
Legal debt margin	622,302,211

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Total Personal Income (thousands)	Median Age	School Enrollment	Unemployment Rate
2018	56,427	$ 37,300	$ 2,104,727	45	6,832	3.90%
2017	56,205	37,035	2,081,552	45	6,885	4.10%
2016	56,373	34,586	1,949,717	44	6,952	4.20%
2015	56,793	35,374	2,008,996	40	7,098	5.20%
2014	56,616	34,614	1,959,706	40	7,037	5.20%
2013	56,616	34,028	1,926,513	40	7,095	4.90%
2012	56,419	32,626	1,840,735	40	7,080	6.20%
2011	56,225	31,096	1,748,378	40	7,069	6.40%
2010	55,732	30,701	1,711,035	40	7,200	7.50%
2009	55,284	32,145	1,777,109	40	7,166	8.40%

Souce: Weldon Cooper Center, Annual school report - prepared by the County School Board, www.fedstats.gov
Bureau of Economic Analysis

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2018 Employees	Fiscal Year 2018 Rank	Fiscal Year 2018 % of Total County Employment	Fiscal Year 2009 Employees	Fiscal Year 2009 Rank	Fiscal Year 2009 % of Total County Employment
Franklin County Public Schools	1,288	1	8.21%	1,097	1	4.02%
Ply Gem Windows	1,178	2	7.51%	1,000	2	3.67%
Ferrum College	382	3	2.43%	0		0.00%
Franklin County	359	4	2.29%	328	4	1.47%
Trinity Packaging, Inc.	347	5	2.21%	300	5	1.10%
Wal-Mart	248	6	1.58%	400	3	1.47%
Carilion Franklin Memorial Hospital	224	7	1.43%	270	7	0.99%
Uttermost Company	169	8	1.08%	168	8	0.62%
McAirlaid's	155	9	0.99%	0		0.00%
Medical Facilities of America, Inc.	138	10	0.88%	0		0.00%
Ronile, Inc.				300	6	1.10%
Mod-U Kraf Homes, Inc				100	9	0.37%
Fleetwood Homes of Virginia				65	10	0.24%
Totals	4,488		28.61%	4,028		15.05%

Source: Virginia Employment Commission, Individual companies

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	36	34	34	34	34	34	34	35	35	36
Judicial Administration										
Courts	11	11	11	10	8	6	9	9	9	9
Clerk of Court	11	10	10	10	10	10	10	10	10	10
Commonwealth Attorney	8	8	8	9	9	9	9	9	9	10
Public Safety										
Sheriff: Law Enforcement	38	36	34	34	39	43	54	54	54	55
Correction and Detention	37	36	39	39	37	35	21	21	21	20
Building inspections	7	7	7	7	8	8	9	9	9	8
Animal control	4	3	3	3	3	3	3	3	3	3
Public Safety	24	24	24	24	28	29	29	30	39	39
E911	14	14	15	15	15	14	14	14	14	14
Public Works										
Solid Waste	16	15	15	16	18	18	16	16	16	18
General buildings and grounds	7	7	7	7	7	8	8	8	9	10
Public Works	4	4	3	3	3	3	3	3	3	4
Health and Welfare										
Department of social services	62	58	59	64	64	64	72	72	74	78
CSA	2	2	2	2	2	2	2	2	2	2
Family Resources	5	3	2	2	3	3	5	5	5	6
Aging Services	2	2	2	2	2	2	1	1	1	1
Recreation and Cultural										
Parks and recreation	10	10	10	10	11	10	10	10	11	12
Library	8	8	8	8	8	8	8	8	8	8
Community Development										
GIS and Mapping	2	1	2	2	2	2	2	2	2	2
Economic Development	1	1	1	1	1	2	2	2	2	3
Work Force Consortium	3	3	3	3	3	3	3	3	3	3
Planning	9	8	8	8	8	9	9	8	8	8
Totals	322	306	308	314	324	326	334	335	348	360

Source: Franklin County Adopted Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General and financial administration										
Commissioner of Revenue:										
Personal Property tax assessments	98,719	106,470	171,742	181,850	195,080	196,000	196,000	338,869	342,257	344,762
Real Estate tax assessments	55,080	54,307	64,465	66,717	65,742	65,000	65,000	127,529	128,931	129,256
Finance:										
GFOA Award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GFOA Award for Adopted Budget Book	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information Technology:										
Tech support (In Days)	5	5	5	5	5	3	4	2	2	2
Voter Registrar:										
Number of Registered Voters	34,003	34,034	34,406	35,026	35,282	35,235	35,363	35,805	35,786	36,023
Judicial Administration										
Clerk of Court:										
Criminal Cases Commenced	2,250	2,070	1,661	1,517	1,837	1,900	1,635	1,950	1,024	1,830
Deeds Recorded	10,832	11,280	9,581	9,789	9,521	9,600	7,481	8,200	8,459	8,375
Public safety										
Sheriffs department: calls for service	18,877	19,237	20,768	21,837	27,969	35,935	41,137	38,203	41,744	40,110
Fire and rescue: number of fire calls	1,115	1,309	1,462	1,729	3,917	3,065	1,541	2,021	2,012	2,083
Number of rescue calls	5,989	4,947	5,123	5,540	6,484	6,625	6,714	6,479	7,021	6,057
Fire Investigations	132	96	200	157	148	129	212	$6.2M	51	44
Building inspections: Permits issued	1,042	974	980	1,029	1,137	1,024	1,050	978	1,003	1,058
Total Value of Permits	133,737,342	58,752,602	60,857,340	54,910,190	51,347,040	62,465,201	60,805,382	53,556,958	68,046,885	76,119,496
Public works										
Landfill: Refuse collected (tons)	55,491	49,355	54,398	52,908	52,910	51,646	46,784	49,142	50,627	52,363
Mulch Recycled (tons)	1,463	1,331	1,227	1,349	1,352	1,459	1,804	1,057	622	2,427
Health and Welfare										
Social Services: Children in Foster Care	88	77	95	94	116	107	105	97%	107	102
SNAP Applications	2,072	2,422	2,282	2,226	2,126	2,006	2,068	55%	2,047	1,787
On-going Medicaid Participants	6,767	7,021	7,189	9,931	8,535	7,820	8,707	46%	8,723	9,467
CSA: Case Load - Number of Children	279	284	280	256	235	249	270	311	298	366
Aging Services:										
Transportation Clients	553	614	621	465	466	444	326	8,228	343	257
Culture and recreation										
Parks and recreation:										
Sports registration/classes	5,746	5,449	5,451	5,350	4,537	4,527	3,685	3,685	3,783	3,751
Shelter reservations	301	358	268	278	167	160	3,670	235	249	315
Park Acreage	696	696	696	696	696	696	11,179	1,140	996	1,140
Library:										
Program Attendance	24,928	25,700	25,987	24,871	25,013	24,117	7,872	8,500	10,833	8,750
Circulation	191,267	233,626	230,280	236,758	254,099	242,338	218,037	233,598	227,519	201,533
Community development										
Planning and Community Development:										
Zoning permits issued	941	714	1,165	1,251	256	250	94	98	141	245
Component Unit - School Board										
Education:										
Local expenditures per pupil	4,326	4,203	4,478	3,990	4,498	4,603	4,605	4,670	4,679	4,670

Source: Individual County departments and the Franklin County School Board

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial administration										
Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Patrol units	58	58	58	58	58	58	58	58	58	59
Building inspections:										
Vehicles	6	6	6	6	6	6	6	6	6	6
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works										
Landfill:										
Collection Trucks	7	7	7	7	7	7	7	7	11	11
Green Box Sites	74	74	74	74	74	74	69	69	66	68
Health and welfare										
Department of Social Services:										
Vehicles	8	10	12	13	13	13	13	16	17	16
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	10	15
Libraries	2	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	14	15	15	15	15	15	15	15	15	15
School buses	162	162	162	162	162	162	162	162	162	178

Source: Individual County departments

COMPLIANCE SECTION

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 Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Franklin, 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 Franklin, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. (2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Franklin, 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.*

County of Franklin, Virginia's Response to Findings

County of Franklin, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Franklin, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Blacksburg, Virginia
December 5, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Franklin, 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 Franklin, Virginia's major federal programs for the year ended June 30, 2018. County of Franklin, 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 Franklin, 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 Franklin, 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 Franklin, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the County of Franklin, 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 Franklin, 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 Franklin, 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 a 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

Blacksburg, Virginia
December 5, 2018

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:						
Pass Through Payments:						
Department of Social Services:						
Promoting Safe and Stable Families	93.556	0950116/0950117			$ 48,180	
Temporary Assistance for Needy Families (TANF)	93.558	0400117/0400118			355,160	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118			551	
Low Income Home Energy Assistance	93.568	0600417/0600418			43,571	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118/ 0770117			54,136	
Chafee Education and Training Vouchers Program	93.599	9160117			7,371	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	090116/0900117			953	
Adoption Assistance	93.659	1120117/1120118			664,662	
Social Services Block Grant	93.667	1000117/1000118			481,672	
Chafee Foster Care Independence Program	93.674	9150117/9150118			10,711	
Foster Care - Title IV-E	93.658	1100118			516,248	
Children's Health Insurance Program	93.767	0540117/0540118			22,383	
Medical Assistance Program	93.778	1200117/1200118			576,876	
Southern Area Agency on Aging:						
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers	93.044	Not available			45,777	
Total Department of Health and Human Services					$ 2,828,251	
Department of Agriculture:						
Pass Through Payments:						
Department of Agriculture:						
Child and Adult Care Food Program	10.558	Not available			$ 41,664	
Child Nutrition Cluster:						
Summer Food Services Program for Children	10.559	Not available		$ 102,046		
Food Distribution (Note C)	10.555	40623	$ 230,350			
Department of Education:						
National School Lunch Program	10.555	40623	1,499,768	1,730,118		
School Breakfast Program	10.553	40591		758,113		
Total Child Nutrition Cluster					2,590,277	
Department of Social Services:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118/ 0040117/0040118			563,734	
Total Department of Agriculture					$ 3,195,675	
Department of the Justice:						
Pass Through Payments:						
Office of the Virginia Attorney General:						
Equitable Sharing Program	16.922	Not available			$ 909	
Department of Criminal Justice Services:						
Violence Against Women Formula Grants	16.588	10WFAX0041			36,140	
Office for Victims of Crime:						
Crime Victim Assistance	16.575	Not available			161,659	
Bureau of Justice Assistance:						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available			41,847	
Total Department of Justice					$ 240,555	
Department of Homeland Security:						
Pass Through Payments:						
Department of Emergency Management:						
Emergency Management Performance Grants	97.042	52749			$ 36,498	
Homeland Security Grant Program	97.067	Not available			50,000	
Total Department of Homeland Security					$ 86,498	

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures	Expenditures to Subrecipients
Department of Transportation:					
Pass Through Payments:					
Department of Motor Vehicles:					
Alcohol Open Container Requirements	20.607	52208		$ 14,816	
State and Community Highway Safety	20.600	57033		7,410	
Total Department of Transportation				$ 22,226	
Department of Education:					
Pass Through Payments:					
Department of Education:					
Adult Education - Basic Grants to States	84.002	42801		$ 456,979	$ 399,975
Title I, Grants to Local Educational Agencies	84.010	42901		2,064,536	
Special Education Cluster					
Special Education_Grants to States	84.027	73071	$ 1,720,199		
Special Education_Preschool Grants	84.173	87063A	34,915		
Total Special Education Cluster				1,755,114	
Career and Technical Education -- Basic Grants to States	84.048	61095		131,178	
Supporting Effective Instruction State Grant	84.367	61480		298,479	
Rural Education	84.358	Not available		51,942	
Student Support and Academic Enrichment Program	84.424	Not available		26,087	
Total Department of Education				$ 4,784,315	$ 399,975
Total Expenditures of Federal Awards				$ 11,157,520	$ 399,975

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Franklin, Virginia under programs of the federal government for the year ended June 30, 2018. The information in the 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 Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note C-Food Distribution

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

Note D-Outstanding Balance of Federal Loans

The County has not received any federal funding through loans.

Note E-Relationship to Financial Statements

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

Primary government:	
General Fund - Intergovernmental	$ 20,048,615
Less: Revenue from the Commonwealth	(16,288,214)
Less: Payments in Lieu of Taxes	(19,137)
Capital Projects Fund - Intergovernmental	395,809
Less: Revenue from the Commonwealth	(395,809)
E-911 Fund - Intergovernmental	113,821
Less: Revenue from the Commonwealth	(113,821)
Component Unit School Board:	
School Operating Fund - Intergovernmental	81,224,123
Less: Revenue from Local Governments	(32,514,282)
Less: Revenue from the Commonwealth	(41,293,585)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 11,157,520

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Finding 2018-001
(Material Weakness)

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The audit recommended material entries for the financial statements to be presented in accordance with current reporting standards.
Cause of Condition:	The County and School Board did not identify all end of the year entries that were necessary for the books to be presented in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County and School Board should review proposed audit adjustments and consider same as they close out the books for the 2018/2019 fiscal year. County finance staff should review all accrual entries and balances (County and School Board) against subsidiary ledgers and supporting documentation going forward.
Managements Response:	Management will implement the procedures recommended by the Auditor above.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

Finding 2017-001
(Material Weakness)

Finding 2017-001 was recurring in fiscal year 2018 as 2018-001.

Finding 2017-002
(Material Weakness)

Condition	The School Board did not reconcile Title I expenditures to reimbursement requests and requested funds in excess of amounts reported in the general ledger.
Recommendation	The School System should reconcile actual expenditures as posted in the Title 1 Department(s) to their reimbursement requests to ensure reimbursements are correct. In addition, the School Board should refund overrequested amounts to the State Department of Education.
Current Status	The School System implemented the recommendation listed above.

Section IV - Status of Prior Audit Findings (continued)

Finding 2017-003 (Compliance Finding)	
Condition	The School Board did not reconcile Title I expenditures to reimbursement requests and requested funds in excess of amounts reported in the general ledger.
Recommendation	The School System should reconcile actual expenditures as posted in the Title 1 Department(s) to their reimbursement requests to ensure reimbursements are correct. In addition, the School Board should refund overrequested amounts to the State Department of Education.
Current Status	The School System implemented the recommendation listed above.