COUNTY OF LUNENBURG, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

County of Lunenburg, Virginia

Board of Supervisors

Charles R. Slayton, Chairperson

Robert G. Zava	J. Mike Hankins
Dr. Frank W. Bacon	Alvester L. Edmonds
T. Wayne Hoover	Edward W. Pennington

Department of Social Services

Charles R. Slayton	Luther Drummond, Jr.
Patricia Harper-Tunley	Mary Beth Gregory
Linda Chumney	

County School Board

Donald B. Carnes, Chairperson

Kathy P. Coffee	Amy McClure
Doug Aubel	Beverley P. Hawthorne
Ada A. Whitehead	Elizabeth R. Williams

Other Officials

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

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FOR THE YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY *CERTIFIED PUBLIC ACCOUNTANTS*

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg, 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 21 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 98-99, and 100-113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Lunenburg, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* 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 other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of County of Lunenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Lunenburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lunenburg, Virginia's internal control over financial reporting and compliance.

Richmond, Virginia
November 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Lunenburg, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $13,572,489 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of $1,332,456 (Exhibit 5) after making contributions totaling $3,540,000 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of $10,197,564, an increase of $1,332,456 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $7,792,036 or 65% of total general fund expenditures and other uses.

- The combined long-term obligations decreased by $1,667,493 during the current fiscal year.

Overview of the Financial Statements

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

1. Government-wide financial statements,

2. Fund financial statements, and

3. Notes to the financial statements.

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units - School Board and Industrial Development Authority. Neither issues separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by $13,572,489 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lunenburg, Virginia's Net Position

	Governmental Activities	
	2018	**2017**
Current and other assets	$ 14,146,172	$ 12,903,266
Capital assets	15,997,464	17,902,112
Total assets	$ 30,143,636	$ 30,805,378
Deferred outflows of resources	$ 279,982	$ 563,081
Current liabilities	$ 459,720	$ 1,644,064
Long-term liabilities outstanding	12,971,294	13,306,827
Total liabilities	$ 13,431,014	$ 14,950,891
Deferred inflows of resources	$ 3,420,115	$ 3,245,810
Net position:		
Net investment in capital assets	$ 5,161,854	$ 6,005,649
Unrestricted	8,410,635	7,166,109
Total net position	$ 13,572,489	$ 13,171,758

*Restatement of Total net position for 2017 not reflected in this table. Please see Note 21

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Government-wide Financial Analysis (Continued)

The County's net position increased by $601,473 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lunenburg, Virginia's Changes in Net Position

	Governmental Activities	
	2018	**2017**
Revenues:		
Program revenues:		
Charges for services	$ 307,852	$ 324,967
Operating grants and contributions	3,661,994	3,503,832
Capital grants and contributions	149,463	418,367
General property taxes	6,439,308	5,905,263
Other local taxes	972,692	920,475
Grants and other contributions not restricted	1,287,127	1,281,236
Other general revenues	772,977	138,850
Payment from Lunenburg County School Board	459,896	772,257
Total revenues	$ 14,051,309	$ 13,265,247
Expenses:		
General government administration	$ 2,156,747	$ 1,063,344
Judicial administration	962,327	932,939
Public safety	2,228,083	2,290,208
Public works	502,266	418,352
Health and welfare	2,301,659	2,447,789
Education	3,941,309	4,012,355
Community development	483,415	517,514
Interest and other fiscal charges	407,364	419,389
Transfers	466,666	-
Total expenses	$ 13,449,836	$ 12,101,890
Change in net position	$ 601,473	$ 1,163,357
Net position, beginning of year, as restated	12,971,016	12,008,401
Net position, end of year	$ 13,572,489	$ 13,171,758

*2018 Net position, beginning differs from 2017 Net position, ending, due to a restatement of net position from an accounting change. Please see Note 21.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of $10,197,564, an increase of $1,332,456 in comparison with the prior year. Approximately 76% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other sources exceeded budgetary estimates by $1,695,129 and budgetary estimates were greater than expenditures and other uses by $172,754. The resulting positive variance for change in fund balance was $1,867,883.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounts to $15,997,464 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of $10,828,016. Of this amount, $7,497,016 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease revenue bonds).

The County's total debt decreased by $1,060,009 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

There was and 1.6% increase in the overall FY19 budget and all tax rates remained the same as in 2018.

Requests for Information

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

Exhibit 1

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

	Primary Government	Component Units	
	Governmental Activities	School Board	IDA
ASSETS			
Cash and cash equivalents	$ 8,450,452	$ 102,981	$ 556,936
Investments	1,164,222	-	-
Inventory	-	-	80,000
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,578,864	-	-
Accounts receivable	160,192	10,015	-
Due from other governmental units	792,442	227,878	32,349
Net pension asset	-	342,045	-
Capital assets (net of accumulated depreciation):			
Land	260,582	37,807	-
Buildings and improvements	7,471,130	22,500	-
Intangible	95,970	-	-
Machinery and equipment	553,544	270,790	-
Jointly owned assets	7,497,015	3,944,899	-
Construction in progress	119,223	-	-
Total assets	$ 30,143,636	$ 4,958,915	$ 669,285
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	$ 268,986	$ 1,680,358	$ -
OPEB related items	10,996	139,914	-
Total deferred outflow of resources	$ 279,982	$ 1,820,272	$ -
LIABILITIES			
Accounts payable	$ 152,721	$ 26,292	$ 32,349
Accrued liabilities	153,278	-	-
Accrued interest payable	121,372	-	-
Due to other governmental units	32,349	147,129	-
Long-term liabilities:			
Due within one year	1,196,930	8,848	-
Due in more than one year	11,774,364	14,700,288	-
Total liabilities	$ 13,431,014	$ 14,882,557	$ 32,349
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	$ 3,154,021	$ -	$ -
Pension related items	241,094	2,781,831	
OPEB related items	25,000	302,245	-
Total deferred inflows of resources	$ 3,420,115	$ 3,084,076	$ -
NET POSITION			
Net investment in capital assets	$ 5,161,854	$ 4,250,395	$ -
Unrestricted	8,410,635	(15,437,841)	636,936
Total net position	$ 13,572,489	$ (11,187,446)	$ 636,936

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

Exhibit 2

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**School Board**	**IDA**
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	$ 2,156,747	$ -	$ 226,796	$ -	$ (1,929,951)	$ -	$ -
Judicial administration	962,327	24,267	434,058	-	(504,002)	-	-
Public safety	2,228,083	77,442	913,699	149,463	(1,087,479)	-	-
Public works	502,266	203,015	-	-	(299,251)	-	-
Health and welfare	2,301,659	-	1,938,713	-	(362,946)	-	-
Education	3,941,309	-	141,634	-	(3,799,675)	-	-
Community development	483,415	3,128	7,094	-	(473,193)	-	-
Interest on long-term debt	407,364	-	-	-	(407,364)	-	-
Total governmental activities	$ 12,983,170	$ 307,852	$ 3,661,994	$ 149,463	$ (8,863,861)	$ -	$ -
Total primary government	$ 12,983,170	$ 307,852	$ 3,661,994	$ 149,463	$ (8,863,861)	$ -	$ -
COMPONENT UNITS:							
School Board	$ 16,095,451	$ 311,847	$ 12,686,842	$ -	$ -	$ (3,096,762)	$ -
IDA	40,968	18,000	-	-	-	-	(22,968)
Total component units	$ 16,136,419	$ 329,847	$ 12,686,842	$ -	$ -	$ (3,096,762)	$ (22,968)
General revenues:							
General property taxes					$ 6,439,308	$ -	$ -
Local sales and use taxes					427,425	-	-
Motor vehicle licenses					237,977	-	-
Utility taxes					184,613	-	-
Other local taxes					122,677	-	-
Unrestricted revenues from use of money and property					688,340	553	1,311
Miscellaneous					84,637	-	32,349
Grants and contributions not restricted to specific programs					1,287,127	-	-
Contribution from Lunenburg County					-	3,592,593	-
Contribution from Lunenburg County School Board					459,896	-	-
Transfers					(466,666)	-	466,666
Total general revenues and transfers					$ 9,465,334	$ 3,593,146	$ 500,326
Change in net position					$ 601,473	$ 496,384	$ 477,358
Net position - beginning, as restated					12,971,016	(11,683,830)	159,578
Net position - ending					$ 13,572,489	$ (11,187,446)	$ 636,936

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

Exhibit 3

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

	General	County Special Revenue	County Debt Service	County Capital Projects	Total
ASSETS					
Cash and cash equivalents	$ 7,806,116	$ 279,214	$ 280,000	$ 91,653	$ 8,456,983
Investments	1,164,222	-	-	-	1,164,222
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,578,789	75	-	-	3,578,864
Accounts receivable	159,192	1,000	-	-	160,192
Due from other governmental units	792,442	-	-	-	792,442
Total assets	$ 13,500,761	$ 280,289	$ 280,000	$ 91,653	$ 14,152,703
LIABILITIES					
Accounts payable	$ 152,673	$ 48	$ -	$ -	$ 152,721
Accrued liabilities	153,278	-	-	-	153,278
Reconciled overdraft payable	-	6,531	-	-	6,531
Due to other governmental units	32,349				32,349
Total liabilities	$ 338,300	$ 6,579	$ -	$ -	$ 344,879
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	$ 3,610,260	$ -	$ -	$ -	$ 3,610,260
Total deferred inflows of resources	$ 3,610,260	$ -	$ -	$ -	$ 3,610,260
FUND BALANCES					
Committed	$ 1,710,448	$ 273,710	$ 280,000	$ 91,653	$ 2,355,811
Assigned	49,717	-	-	-	49,717
Unassigned	7,792,036	-	-	-	7,792,036
Total fund balances	$ 9,552,201	$ 273,710	$ 280,000	$ 91,653	$ 10,197,564
Total liabilities, deferred inflows of resources and fund balances	$ 13,500,761	$ 280,289	$ 280,000	$ 91,653	$ 14,152,703

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

Exhibit 4

County of Lunenburg, 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		$ 10,197,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	$ 27,493,768	
Accumulated depreciation	(11,496,304)	15,997,464
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes		456,239
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 268,986	
OPEB related items	10,996	279,982
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Lease revenue bond	$ (3,331,000)	
General obligation bonds	(7,497,016)	
Bond premium	(7,594)	
Compensated absences	(90,208)	
Net pension liability	(1,869,476)	
Net OPEB liability	(176,000)	
Accrued interest payable	(121,372)	(13,092,666)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (241,094)	
OPEB related items	(25,000)	(266,094)
Net position of governmental activities		$ 13,572,489

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

Exhibit 5

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

	General	County Special Revenue	County Debt Service	County Capital Projects	Total
REVENUES					
General property taxes	$ 6,423,501	$ -	$ -	$ -	$ 6,423,501
Other local taxes	972,692	-	-	-	972,692
Permits, privilege fees, and regulatory licenses	43,207	-	-	-	43,207
Fines and forfeitures	31,517	-	-	-	31,517
Revenue from the use of money and property	540,864	147,476	-	-	688,340
Charges for services	232,460	668	-	-	233,128
Miscellaneous	81,485	3,152	-	-	84,637
Recovered costs	13,234	-	-	-	13,234
Intergovernmental:					
Local Government	-	-	459,896	-	459,896
Commonwealth	4,148,736	30,382	-	-	4,179,118
Federal	777,832	-	141,634	-	919,466
Total revenues	$ 13,265,528	$ 181,678	$ 601,530	$ -	$ 14,048,736
EXPENDITURES					
Current:					
General government administration	$ 1,235,277	$ -	$ -	$ -	$ 1,235,277
Judicial administration	750,567	1,654	-	-	752,221
Public safety	1,991,259	2,243	-	-	1,993,502
Public works	375,851	-	-	-	375,851
Health and welfare	2,270,648	-	-	-	2,270,648
Education	3,540,000	-	-	-	3,540,000
Community development	374,995	32,152	-	-	407,147
Capital projects	172,850	-	-	8,347	181,197
Debt service:					
Principal retirement	-	-	1,060,009	-	1,060,009
Interest and other fiscal charges	-	-	433,762	-	433,762
Total expenditures	$ 10,711,447	$ 36,049	$ 1,493,771	$ 8,347	$ 12,249,614
Excess (deficiency) of revenues over (under) expenditures	$ 2,554,081	$ 145,629	$ (892,241)	$ (8,347)	$ 1,799,122
OTHER FINANCING SOURCES (USES)					
Transfers in	$ -	$ 1,005	$ 892,241	$ 100,000	$ 993,246
Transfers out	(893,246)	-	(100,000)	-	(993,246)
Transfer to Industrial Development Authority	(466,666)	-	-	-	(466,666)
Total other financing sources (uses)	$ (1,359,912)	$ 1,005	$ 792,241	$ 100,000	$ (466,666)
Net change in fund balances	$ 1,194,169	$ 146,634	$ (100,000)	$ 91,653	$ 1,332,456
Fund balances - beginning	8,358,032	127,076	380,000	-	8,865,108
Fund balances - ending	$ 9,552,201	$ 273,710	$ 280,000	$ 91,653	$ 10,197,564

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

Exhibit 6

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

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ 1,332,456
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:		
Capital asset additions	$ 158,008	
Transfer of joint tenancy assets	(52,593)	
Depreciation expense	(934,347)	(828,932)
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, disposals and donations) is to decrease net position.		(1,075,716)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		15,807
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:		
Principal retirement on lease revenue bonds	$ 432,000	
Principal retirement on general obligation bonds	628,009	1,060,009
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase) decrease in accrued interest payable	$ 25,554	
Amortization of bond issuance premium	844	
Pension expense	91,413	
OPEB expense	10,738	
(Increase) decrease in compensated absences	(30,700)	97,849
Change in net position of governmental activities		$ 601,473

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

Exhibit 7

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

		Agency Funds
ASSETS		
Cash and cash equivalents	$	34,529
LIABILITIES		
Amounts held for others	$	32,459
Amounts held for social services clients		2,070
Total liabilities	$	34,529

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

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units at June 30, 2018.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lunenburg County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

The Industrial Development Authority of Lunenburg County is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Industrial Development Authority of Lunenburg County does not issue a separate financial report.

C. Other Related Organizations

Jointly Governed Organizations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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

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

2. Fiduciary Funds (Trust and Agency Funds) – account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County reports the following Fiduciary Funds: Special Welfare and Cell Tower Escrow.

E. Cash and Cash Equivalents

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

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $307,813 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

H. Capital Assets (Continued)

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

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

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as expenses in the Statement of Activities and long-term obligations in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Use of Estimates

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

K. Net Position

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

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

L. Net Position Flow Assumption

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has 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 measurement date. For more detailed information, 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

N. Fund Equity

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

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

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

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

N. Fund Equity (Continued)

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

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

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

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

N. Fund Equity (Continued)

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

	General Fund	Major Special Revenue Fund — County Special Revenue Fund	Major Debt Service Fund — County Debt Service Fund	Major Capital Projects Fund — County Capital Projects	Total
Fund Balances:					
Committed:					
Landfill	$ 995,099	$ -	$ -	$ -	$ 995,099
Project lifesaver	-	4,872	-	-	4,872
Law library	-	21,763	-	-	21,763
Forfeited assets	-	10,172	-	-	10,172
Airport	-	29,331	-	-	29,331
Debt service	-	-	280,000	-	280,000
County capital projects	-	-	-	91,653	91,653
Land sale unclaimed funds	99,033	-	-	-	99,033
E-911	616,316	-	-	-	616,316
Economic Development	-	207,572	-	-	207,572
Total Committed	$ 1,710,448	$ 273,710	$ 280,000	$ 91,653 $	$ 2,355,811
Assigned:					
Reassessment	$ 24,034	$ -	$ -	$ - $	$ 24,034
Emergency Services	25,683	-	-	-	25,683
Total Assigned	$ 49,717	$ -	$ -	$ - $	$ 49,717
Unassigned	$ 7,792,036	$ -	$ -	$ - $	$ 7,792,036
Total Fund Balances	$ 9,552,201	$ 273,710	$ 280,000	$ 91,653 $	$ 10,197,564

O. Pensions

For purposes of measuring the net pension liability (asset), 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.

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

P. 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.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher 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 Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's 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.

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the School Board's Medical and Dental Pay-As-You-Go Plan and the additions to/deductions from the School Board's OPEB 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.

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

Q. Long-term Obligations

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

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

R. Inventory

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

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

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

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

6. All appropriations expire as of June 30 each year.

Expenditures and Appropriations

Expenditures exceeded appropriations in the Debt Service Fund at June 30, 2018.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

	Fair Quality Ratings		
Rated Debt Investments	**AAA**	**AA**	**Unrated**
Money Market Mutual Fund	$ -	$	$ 73,475
Corporate Issues	-	153,190	-
U.S. Government Issues	937,557	-	-
Total	$ 937,557	$ 153,190	$ 73,475

Interest Rate Risk

	Investment Maturities (in years)		
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
Money Market Mutual Fund	$ 73,475	$ 73,475	$ -
Corporate Issues	153,190	153,190	-
U.S. Government Issues	937,557	601,318	336,239
Total	$ 1,164,222	$ 827,983	$ 336,239

Note 4—Due to/from Other Governments:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board	Component Unit IDA
Other Local Governments:			
Lunenburg County School Board	$ 147,129	$ -	$ 32,349
Commonwealth of Virginia:			
Local sales tax	72,099	-	-
Welfare	27,023	-	-
Mobile home titling tax	8,538	-	-
State sales tax	-	212,928	-
E911 grant	7,587	-	-
Constitutional officer reimbursements	115,202	-	-
Victim witness grant	11,909	-	-
Recordation tax	2,820	-	-
Comprehensive services act	321,886	-	-
Communications tax	30,300	-	-
Federal Government:			
School fund grants	-	14,950	-
Welfare	41,144	-	-
Other federal grants	6,804	-	-
Total due from other governments	$ 792,441	$ 227,878	$ 32,349

At June 30, 2018, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board	Component Unit IDA
Other Local Governments:			
County of Lunenburg	$ 32,349	$ 147,129	$ -

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Note 5—Capital Assets:

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

Primary Government:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	$ 260,582	$ -	$ -	$ 260,582
Construction in progress	119,223	-	-	119,223
Total capital assets not subject to depreciation	$ 379,805	$ -	$ -	$ 379,805
Capital assets subject to depreciation:				
Buildings and improvements	$ 12,630,358	$ 75,415	$ 1,825,310	$ 10,880,463
Machinery and equipment	2,852,493	82,593	95,786	2,839,300
Intangible	159,950	-	-	159,950
Jointly owned assets	13,327,091	-	92,841	13,234,250
Total capital assets subject to depreciation	$ 28,969,892	$ 158,008	$ 2,013,937	$ 27,113,963
Accumulated depreciation:				
Buildings and improvements	$ 3,796,012	$ 362,915	$ 749,594	$ 3,409,333
Machinery and equipment	2,174,821	206,721	95,786	2,285,756
Intangible	47,985	15,995	-	63,980
Jointly owned assets	5,428,767	348,716	40,248	5,737,235
Total accumulated depreciation	$ 11,447,585	$ 934,347	$ 885,628	$ 11,496,304
Total capital assets being depreciated, net	$ 17,522,307	$ (776,339)	$ 1,128,309	$ 15,617,659
Governmental activities capital assets, net	$ 17,902,112	$ (776,339)	$ 1,128,309	$ 15,997,464

Component Unit - School Board:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Component Unit - School Board:				
Capital assets not subject to depreciation:				
Land	$ 37,807	$ -	$ -	$ 37,807
Total capital assets not subject to depreciation	$ 37,807	$ -	$ -	$ 37,807
Capital assets subject to depreciation:				
Buildings and improvements	$ 30,000	$ -	$ -	$ 30,000
Machinery and equipment	3,166,717	-	146,454	3,020,263
Jointly owned assets	6,870,965	-	(92,841)	6,963,806
Total capital assets subject to depreciation	$ 10,067,682	$ -	$ 53,613	$ 10,014,069
Accumulated depreciation:				
Buildings and improvements	$ 6,000	$ 1,500	$ -	$ 7,500
Machinery and equipment	2,752,709	143,218	146,454	2,749,473
Jointly owned assets	2,798,874	179,785	(40,248)	3,018,907
Total accumulated depreciation	$ 5,557,583	$ 324,503	$ 106,206	$ 5,775,880
Total capital assets being depreciated, net	$ 4,510,099	$ (324,503)	$ (52,593)	$ 4,238,189
Component Unit - School Board capital assets, net	$ 4,547,906	$ (324,503)	$ (52,593)	$ 4,275,996

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government administration	$	31,184
Judicial administration		234,574
Public safety		182,657
Public works		37,294
Health and welfare		22,201
Education		348,716
Community development		77,721
Total Governmental activities	$	934,347
Component Unit School Board	$	324,503

Note 6—Interfund Transfers:

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

Fund		Transfers In		Transfers Out
Primary Government:				
General	$	-	$	893,246
County special revenue		1,005		-
County debt service fund		892,241		100,000
County capital projects		100,000		-
Total Primary Government	$	993,246	$	993,246

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

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Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	$ 59,508	$ 36,651	$ 5,951	$ 90,208	$ 9,021
Net pension liability	2,470,816	1,105,052	1,706,392	1,869,476	-
Net OPEB liability	212,000	1,000	37,000	176,000	
Lease revenue bond	3,763,000	-	432,000	3,331,000	449,000
Total incurred by County	$ 6,505,324	$ 1,142,703	$ 2,181,343	$ 5,466,684	$ 458,021
Incurred by School Board:					
General obligation bonds	$ 8,125,025	$ -	$ 628,009	$ 7,497,016	$ 738,909
Issuance premium	8,438	-	844	7,594	-
Total incurred by School Board	$ 8,133,463	$ -	$ 628,853	$ 7,504,610	$ 738,909
Total Governmental Activities Obligations	$ 14,638,787	$ 1,142,703	$ 2,810,196	$ 12,971,294	$ 1,196,930

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

Year Ending June 30	Incurred by County — Lease Revenue Bond Principal	Incurred by County — Lease Revenue Bond Interest
2019	$ 449,000	$ 65,621
2020	457,000	56,775
2021	466,000	47,773
2022	476,000	38,592
2023	485,000	29,215
2024	494,000	19,661
2025	504,000	9,928
Total	$ 3,331,000	$ 267,565

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

	Incurred by School Board	
Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 738,909	$ 325,871
2020	758,222	306,110
2021	777,971	285,788
2022	798,177	264,881
2023	743,865	243,472
2024	763,159	222,331
2025	776,478	201,061
2026	791,235	179,268
2027	425,000	166,112
2028	343,000	98,994
2029	351,000	94,206
2030	115,000	89,250
2031	115,000	89,250
Total	$ 7,497,016	$ 2,566,594

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Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows:

Incurred by County:

Lease Revenue Bond:

$3,763,000 public facility lease revenue bond, Series 2017, issued December 22, 2017 due on varying installments of principal plus interest through February 1, 2025, interest at 1.97%.	$	3,331,000
Net pension liability	$	1,869,476
Net OPEB liability	$	176,000
Compensated absences (payable from the General Fund)	$	90,208
Total incurred by County	$	5,466,684

Incurred by School Board:

General Obligation Bonds:

$5,856,256 School Bonds 2005A Series issued October 25, 2005, due in varying annual installments through January 15, 2026, interest at various rates.	$	2,699,016
$2,508,000 School Bonds Refunding Series 2017 issued December 20, 2017, due in varying annual installments through February 1, 2029, interest at 2.10%.		2,328,000
$1,175,000 School Bonds issued July 8, 2010, due in varying annual installments through June 1, 2027, interest at 4.25%.		750,000
$2,100,000 Virginia Public School Authority bonds issued December 15, 2011, due in varying annual installments of principal and interest through December 1, 2030, interest at 4.25%.		1,720,000
Bond premium		7,594
Total General Obligation Bonds	$	7,504,610
Total Incurred by School Board	$	7,504,610
Total Governmental Activities Obligations	$	12,971,294

Note 7—Long-Term Obligations: (Continued)

Component Unit-School Board:

		Restated Balance at July 1, 2017		Increases		Decreases		Balance at June 30, 2018		Amounts Due Within One Year
Component Unit-School Board:										
Net pension liability	$	15,129,000	$	1,796,000	$	4,982,000	$	11,943,000	$	-
Capital lease		40,222		-		14,621		25,601		8,848
Net OPEB liabilities		3,056,580		142,145		458,190		2,740,535		-
Total Component Unit-School Board	$	18,225,802	$	1,938,145	$	5,454,811	$	14,709,136	$	8,848

Note 8—Capital Leases:

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

The assets acquired through capital leases are as follows:

		Component Unit Incurred by School Board
Asset:		
Equipment	$	43,345
Less: accumulated depreciation		(8,669)
Total	$	34,676

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Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018 were as follows:

Year Ended June 30	Component Unit Incurred by School Board
2019	$ 10,101
2020	10,101
2021	7,576
Total minimum lease payments	$ 27,778
Less: amount representing interest	(2,177)
Present value of minimum lease payments	$ 25,601

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. The County reports deferred revenue and unavailable revenue totaling $3,154,021 and $3,610,260, respectively, at June 30, 2018 which is comprised of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	$ -	$ 456,239
2nd half assessment - property tax	2,925,586	2,925,586
Prepaid property taxes due in December but paid in advance by taxpayers	228,435	228,435
Total	$ 3,154,021	$ 3,610,260

Note 10—Commitments and Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2018, there were no matters of litigation involving the County or its component units which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12—Risk Management:

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

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Note 13—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**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 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • 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 13—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 13—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 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—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.)** • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—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>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.</td>
<td>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.</td>
<td>Earliest Unreduced Retirement Eligibility
<u>Defined Benefit Component:</u>
VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td>
</tr>
<tr>
<td>Earliest Reduced Retirement Eligibility
VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</td>
<td>Earliest Reduced Retirement Eligibility
VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees: Same as Plan 1.</td>
<td>Earliest Reduced Retirement Eligibility
<u>Defined Benefit Component:</u>
VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td>
</tr>
</table>

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—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: (Cont.)** • 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.)**	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**
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.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage	**Disability Coverage**	**Disability Coverage** Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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 13—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	56	24
Inactive members:		
Vested inactive members	6	1
Non-vested inactive members	14	3
Inactive members active elsewhere in VRS	35	7
Total inactive members	55	11
Active members	53	35
Total covered employees	164	70

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

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $268,986 and $278,860 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 2.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Note 13—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $9,888 and $13,527 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions – General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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%

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%

Note 13—Pension Plan: (Continued)

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.

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.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits(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:

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

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Note 13—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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.

Note 13—Pension Plan: (Continued)

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	$ 12,519,108	$ 10,048,292	$ 2,470,816
Changes for the year:			
Service cost	$ 248,894	$ -	$ 248,894
Interest	847,873	-	847,873
Benefit changes			
Assumption changes	(74,609)	-	(74,609)
Differences between expected and actual experience	(46,162)	-	(46,162)
Contributions - employer	-	276,270	(276,270)
Contributions - employee	-	106,205	(106,205)
Net investment income	-	1,203,146	(1,203,146)
Benefit payments, including refunds of employee contributions	(813,271)	(813,271)	-
Administrative expenses	-	(7,228)	7,228
Other changes	-	(1,057)	1,057
Net changes	$ 162,725	$ 764,065	$ (601,340)
Balances at June 30, 2017	$ 12,681,833	$ 10,812,357	$ 1,869,476

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 2,314,011	$ 2,482,889	$ (168,878)
Changes for the year:			
Service cost	$ 57,634	$ -	$ 57,634
Interest	158,497	-	158,497
Benefit changes			
Assumption changes	(69,565)	-	(69,565)
Differences between expected and actual experience	19,797	-	19,797
Contributions - employer	-	11,017	(11,017)
Contributions - employee	-	30,300	(30,300)
Net investment income	-	300,235	(300,235)
Benefit payments, including refunds of employee contributions	(99,528)	(99,528)	-
Administrative expenses	-	(1,756)	1,756
Other changes	-	(266)	266
Net changes	$ 66,835	$ 240,002	$ (173,167)
Balances at June 30, 2017	$ 2,380,846	$ 2,722,891	$ (342,045)

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

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

		Rate	
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	$ 3,289,562	$ 1,869,476	$ 672,329
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	$ (56,619)	$ (342,045)	$ (581,103)

Note 13—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of $174,981 and $(73,505) 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	$ -	$ 59,035	$ 12,701	$ 23,101
Change in assumptions	-	28,339	-	44,631
Net difference between projected and actual earnings on pension plan investments	-	153,718	-	39,099
Employer contributions subsequent to the measurement date	268,986	-	9,888	-
Total	$ 268,986	$ 241,092	$ 22,589	$ 106,831

$268,986 and $9,888 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year fiscal 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	$ (162,672)	$ (65,912)
2020	21,705	(2,586)
2021	2,901	77
2022	(103,026)	(25,709)
2023	-	-
Thereafter	-	-

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding 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 division were $1,220,769 and $1,133,557 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $11,943,000 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 .09711% as compared to .10796% at June 30, 2016.

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of $584,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 845,000
Change in assumptions	174,000	-
Net difference between projected and actual earnings on pension plan investments	-	434,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	263,000	1,396,000
Employer contributions subsequent to the measurement date	1,220,769	-
Total	$ 1,657,769	$ 2,675,000

$1,220,769 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	$ (766,000)
2020	(287,000)
2021	(347,000)
2022	(636,000)
2023	(202,000)

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 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 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
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.

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Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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		
	1% Decrease	**Current Discount**	**1% Increase**
	(6.00%)	**(7.00%)**	**(8.00%)**
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 17,835,000	$ 11,943,000	$ 7,069,000

Pension Plan Fiduciary Net Position

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

Note 14—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.

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.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
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.
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 $10,996 and $11,258 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were $40,581 and $39,677 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 group were $3,343 and $3,366 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of $176,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of $622,000 and $53,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .01174% as compared to .01211% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .04137% and .00351%, respectively as compared to .04581% and .00366% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of $1,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of $(5,000). For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of $(2,000). 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 School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,000	$ -	$ 14,000	$ -	$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	7,000	-	23,000	-	2,000
Change in assumptions	-	9,000	-	32,000	-	3,000
Changes in proportion	-	5,000	-	66,000	-	-
Employer contributions subsequent to the measurement date	10,996	-	40,581	-	3,343	-
Total	$ 10,996	$ 25,000	$ 40,581	$ 135,000	$ 3,343	$ 6,000

Note 14—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)

$10,996, $40,581, and $3,343, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 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 (professional)	Component Unit School Board (nonprofessional)
2019	$ (5,000)	$ (26,000)	$ (1,000)
2020	(5,000)	(26,000)	(1,000)
2021	(5,000)	(26,000)	(1,000)
2022	(5,000)	(26,000)	(1,000)
2023	(3,000)	(20,000)	(1,000)
Thereafter	(2,000)	(11,000)	(1,000)

Actuarial Assumptions

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

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

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

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

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

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

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

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

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

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

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

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

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

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

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

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

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

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

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

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

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

The actuarial assumptions used in the June 30, 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%

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

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:

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

The actuarial assumptions used in the June 30, 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 14—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.

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): **(Continued)**

Actuarial Assumptions: (Continued)

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

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

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

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

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

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

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

Note 14—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	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 14—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 14—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:

	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	$ 228,000	$ 176,000	$ 134,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 805,000	$ 622,000	$ 474,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 69,000	$ 53,000	$ 41,000

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 15—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:

- **At Retirement** – 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.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
    - $4.00 per month, multiplied by twice the amount of service credit, or
    - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

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 15—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 $95,990 and $84,695 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $1,226,000 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 .09668% as compared to .10795% 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 $81,000. 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 15—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	$ -	$ 2,000
Change in assumptions	-	13,000
Change in proportion	-	124,000
Employer contributions subsequent to the measurement date	95,990	-
Total	$ 95,990	$ 139,000

$95,990 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	$ (21,000)
2020	(21,000)
2021	(21,000)
2022	(21,000)
2023	(21,000)
Thereafter	(34,000)

Note 15—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 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

Note 15—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 15—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	$ 1,369,000	$ 1,226,000	$ 1,105,000

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 16—Medical and Dental Pay-As-You-Go (OPEB Plan):

School Board

Plan Description

In addition to the pension benefits described in Note 13, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Lunenburg County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible School Board retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the Mathews County Public School's retiree medical plan. Retirees are responsible for 100% of the premiums.

Plan Membership

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

	Component Unit School Board
Total active employees with coverage	227
Total active employees without coverage	-
Total retirees with coverage	6
Total retirees without coverage	-
Total	233

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Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)

School Board: (Continued)

Contributions

The School 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 Board for OPEB as the benefits came due during the year ended June 30, 2018 was $22,589.

Total OPEB Liability

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate was 2.50% per annum
Discount Rate	3.5% as of June 30, 2017; 3.87% as of June 30, 2018
Investment Rate of Return	N/A

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

Pre-Commencement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years

Post-CommencementRP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year

Post-Disablement: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)

School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20 – Bond Municipal Index as of January 31, 2017.

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	$	822,580
Changes for the year:		
Service cost		38,403
Interest		29,742
Changes in assumptions		(28,601)
Benefit payments		(22,589)
Net changes	$	16,955
Balances at June 30, 2018	$	839,535

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	Rate		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Component Unit School Board:			
Total OPEB liability	$ 918,663	$ 839,535	$ 766,435

Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.70% decreasing to 3.30% over 57 years) or one percentage point higher (9.70% decreasing to 5.30% over 57 years) than the current healthcare cost trend rates:

		Rates	
	1% Decrease (7.70% decreasing to 3.30%)	Healthcare Cost Trend (8.70% decreasing to 4.30%)	1% Increase (9.70% decreasing to 5.30%)
Component Unit School Board:			
Total OPEB liability	$ 730,656	$ 839,535	$ 968,353

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 $61,789. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Component Unit School Board	
	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 22,245
Total	$ -	$ 22,245

Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)

School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30		Component Unit School Board
2019	$	(6,356)
2020		(6,356)
2021		(6,356)
2022		(3,177)
Thereafter		-

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.

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Note 17—Surety Bonds:

The following surety bonds covered constitutional officers and County employees at June 30, 2018:

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

Note 18—Fair Value Measurements:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

Note 18—Fair Value Measurements: (Continued)

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

		Fair Value Measurement Using		
Investment type	Balance June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
Corporate Issues	$ 153,190	$ 153,190	$ -	$ -
U.S. Government Issues	937,557	937,557	-	-
	$ 1,090,747	$ 1,090,747	$ -	$ -

Note 19 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was $18,580.

Note 20—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.

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.

Note 20—Upcoming Pronouncements: (Continued)

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.

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Note 21 – 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:

	Governmental Activities	Component Unit - School Board
Net position, July 1, 2017, as previously stated	$ 13,171,758	$ (9,041,997)
Implementation of GASB 75:		
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(212,000)	(865,000)
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	11,258	43,043
Adjustment to record OPEB HIC liability as reported by VRS at the beginning of the year	-	(1,369,000)
Adjustment to record deferred outflow of resources related to OPEB HIC liability at the beginning of the year	-	84,695
Adjustment to remove OPEB healthcare insurance liability as reported under GASB 45	-	287,009
Adjustment to record OPEB healthcare insurance liability as reported under GASB 75	-	(822,580)
Net position, July 1, 2017, as restated	$ 12,971,016	$ (11,683,830)

County of Lunenburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes 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	$ 5,610,000	$ 5,610,000	$ 6,423,501	$ 813,501
Other local taxes	818,000	818,000	972,692	154,692
Permits, privilege fees, and regulatory licenses	37,100	37,100	43,207	6,107
Fines and forfeitures	35,100	35,100	31,517	(3,583)
Revenue from the use of money and property	51,500	51,500	540,864	489,364
Charges for services	235,546	235,546	232,460	(3,086)
Miscellaneous	32,233	32,233	81,485	49,252
Recovered costs	-	-	13,234	13,234
Intergovernmental:				
Commonwealth	4,073,484	4,073,484	4,148,736	75,252
Federal	682,500	682,500	777,832	95,332
Total revenues	$ 11,575,463	$ 11,575,463	$ 13,265,528	$ 1,690,065
EXPENDITURES				
Current:				
General government administration	$ 1,145,455	$ 1,145,455	$ 1,235,277	$ (89,822)
Judicial administration	736,125	736,125	750,567	(14,442)
Public safety	2,321,880	2,321,880	1,991,259	330,621
Public works	428,250	428,250	375,851	52,399
Health and welfare	2,332,000	2,332,000	2,270,648	61,352
Education	3,540,000	3,540,000	3,540,000	-
Community development	452,157	452,157	374,995	77,162
Capital projects	395,000	395,000	172,850	222,150
Total expenditures	$ 11,350,867	$ 11,350,867	$ 10,711,447	$ 639,420
Excess (deficiency) of revenues over (under) expenditures	$ 224,596	$ 224,596	$ 2,554,081	$ 2,329,485
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (898,310)	$ (898,310)	$ (893,246)	$ 5,064
Transfer to Industrial Development Authority	-	-	(466,666)	$ (466,666)
Total other financing sources (uses)	$ (898,310)	$ (898,310)	$ (1,359,912)	$ (461,602)
Net change in fund balances	$ (673,714)	$ (673,714)	$ 1,194,169	$ 1,867,883
Fund balances - beginning	673,714	673,714	8,358,032	7,684,318
Fund balances - ending	$ -	$ -	$ 9,552,201	$ 9,552,201

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

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 12,300	$ 12,300	$ 147,476	$ 135,176
Charges for services	1,000	1,000	668	(332)
Miscellaneous	3,800	3,800	3,152	(648)
Intergovernmental:				
Commonwealth	515,670	515,670	30,382	(485,288)
Federal	69,490	69,490	-	(69,490)
Total revenues	$ 602,260	$ 602,260	$ 181,678	$ (420,582)
EXPENDITURES				
Current:				
Judicial administration	$ 1,000	$ 1,000	$ 1,654	$ (654)
Public safety	800	800	2,243	(1,443)
Community development	647,490	647,490	32,152	615,338
Total expenditures	$ 649,290	$ 649,290	$ 36,049	$ 613,241
Excess (deficiency) of revenues over (under) expenditures	$ (47,030)	$ (47,030)	$ 145,629	$ 192,659
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 47,030	$ 47,030	$ 1,005	$ (46,025)
Total other financing sources (uses)	$ 47,030	$ 47,030	$ 1,005	$ (46,025)
Net change in fund balances	$ -	$ -	$ 146,634	$ 146,634
Fund balances - beginning	-	-	127,076	127,076
Fund balances - ending	$ -	$ -	$ 273,710	$ 273,710

Exhibit 10

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

		2017		2016		2015		2014
Total pension liability								
Service cost	$	248,894	$	254,636	$	253,424	$	260,971
Interest		847,873		827,318		796,712		773,018
Differences between expected and actual experience		(74,609)		(37,291)		81,002		-
Changes in assumptions		(46,162)		-		-		-
Benefit payments, including refunds of employee contributions		(813,271)		(688,771)		(699,037)		(691,966)
Net change in total pension liability	$	162,725	$	355,892	$	432,101	$	342,023
Total pension liability - beginning		12,519,108		12,163,216		11,731,115		11,389,092
Total pension liability - ending (a)	$	12,681,833	$	12,519,108	$	12,163,216	$	11,731,115
Plan fiduciary net position								
Contributions - employer	$	276,270	$	326,381	$	328,483	$	198,923
Contributions - employee		106,205		117,177		108,843		101,935
Net investment income		1,203,146		170,601		449,389		1,385,508
Benefit payments, including refunds of employee contributions		(813,271)		(688,771)		(699,037)		(691,966)
Administrative expense		(7,228)		(6,342)		(6,324)		(7,725)
Other		(1,057)		(74)		(96)		73
Net change in plan fiduciary net position	$	764,065	$	(81,028)	$	181,258	$	986,748
Plan fiduciary net position - beginning		10,048,292		10,129,320		9,948,062		8,961,314
Plan fiduciary net position - ending (b)	$	10,812,357	$	10,048,292	$	10,129,320	$	9,948,062
County's net pension liability - ending (a) - (b)	$	1,869,476	$	2,470,816	$	2,033,896	$	1,783,053
Plan fiduciary net position as a percentage of the total pension liability		85.26%		80.26%		83.28%		84.80%
Covered payroll	$	2,165,063	$	2,176,040	$	2,138,151	$	2,061,828
County's net pension liability as a percentage of covered payroll		86.35%		113.55%		95.12%		86.48%

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

Exhibit 11

County of Lunenburg, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (Nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 57,634	$ 59,924	$ 61,333	$ 66,261
Interest	158,497	155,869	152,679	143,318
Differences between expected and actual experience	19,797	(69,531)	(70,799)	-
Changes in assumptions	(69,565)		-	-
Benefit payments, including refunds of employee contributions	(99,528)	(117,897)	(77,403)	(74,286)
Net change in total pension liability	$ 66,835	$ 28,365	$ 65,810	$ 135,293
Total pension liability - beginning	2,314,011	2,285,646	2,219,836	2,084,543
Total pension liability - ending (a)	$ 2,380,846	$ 2,314,011	$ 2,285,646	$ 2,219,836
Plan fiduciary net position				
Contributions - employer	$ 11,017	$ 39,362	$ 38,525	$ 37,671
Contributions - employee	30,300	31,397	30,884	30,980
Net investment income	300,235	43,532	109,677	326,923
Benefit payments, including refunds of employee contributions	(99,528)	(117,897)	(77,403)	(74,286)
Administrative expense	(1,756)	(1,566)	(1,488)	(1,750)
Other	(266)	(18)	(24)	18
Net change in plan fiduciary net position	$ 240,002	$ (5,190)	$ 100,171	$ 319,556
Plan fiduciary net position - beginning	2,482,889	2,488,079	2,387,908	2,068,352
Plan fiduciary net position - ending (b)	$ 2,722,891	$ 2,482,889	$ 2,488,079	$ 2,387,908
School Board's net pension liability (asset) - ending (a) - (b)	$ (342,045)	$ (168,878)	$ (202,433)	$ (168,072)
Plan fiduciary net position as a percentage of the total pension liability	114.37%	107.30%	108.86%	107.57%
Covered payroll	$ 647,223	$ 658,317	$ 631,847	$ 619,571
School Board's net pension liability (asset) as a percentage of covered payroll	-52.85%	-25.65%	-32.04%	-27.13%

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

Exhibit 12

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09711%	0.10796%	0.10488%	0.10549%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 11,943,000	$ 15,129,000	$ 13,200,000	$ 12,748,000
Employer's Covered Payroll	$ 7,630,185	$ 8,231,247	$ 7,797,820	$ 7,714,430
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.52%	183.80%	169.28%	165.25%
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.

County of Lunenburg, 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	$ 268,986	$ 268,986	$ -	$ 2,114,684	12.72%
2017	278,860	278,860	-	2,165,063	12.88%
2016	331,846	331,846	-	2,176,040	15.25%
2015	326,068	326,068	-	2,138,151	15.25%
2014	289,687	202,884	86,803	2,061,828	9.84%
2013	296,460	207,627	88,832	2,110,035	9.84%
2012	200,521	200,521	-	2,128,678	9.42%
2011	204,076	204,076	-	2,166,408	9.42%
2010	185,986	185,986	-	2,254,374	8.25%
2009	188,552	188,552	-	2,285,482	8.25%
Component Unit School Board (nonprofessional)					
2018	$ 9,888	$ 9,888	$ -	$ 641,120	1.54%
2017	13,527	13,527	-	647,223	2.09%
2016	40,881	40,881	-	658,317	6.21%
2015	39,238	39,238	-	631,847	6.21%
2014	42,317	37,670	4,647	619,571	6.08%
2013	42,522	37,852	4,669	622,570	6.08%
2012	38,607	38,607	-	634,990	6.08%
2011	38,565	38,565	-	634,296	6.08%
2010	45,223	45,223	-	672,964	6.72%
2009	46,892	46,892	-	697,794	6.72%
Component Unit School Board (professional)					
2018	$ 1,220,769	$ 1,220,769	$ -	$ 7,804,042	15.64%
2017	1,133,557	1,133,557	-	7,630,185	14.86%
2016	1,154,390	1,154,390	-	8,231,247	14.02%
2015	1,107,896	1,107,896	-	7,797,820	14.21%
2014	893,115	893,115	-	7,714,430	11.58%
2013	919,305	919,305	-	7,858,460	11.70%
2012	925,663	925,663	-	8,284,146	11.17%
2011	770,923	770,923	-	8,089,435	9.53%
2010	1,026,497	1,026,497	-	6,216,950	16.51%
2009	1,238,200	1,238,200	-	8,315,645	14.89%

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

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 15

County of Lunenburg, Virginia
Schedule of County'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	0.01174%	$ 176,000	$ 2,165,063	8.13%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00351%	$ 53,000	$ 647,223	8.19%	48.86%
Component Unit School Board (professional):					
2017	0.04137%	$ 622,000	$ 7,630,185	8.15%	48.86%

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

Exhibit 16

County of Lunenburg, 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	$ 10,996	$ 10,996	$ -	$ 2,114,684	0.52%
2017	11,258	11,258	-	2,165,063	0.52%
2016	10,445	10,445	-	2,176,040	0.48%
2015	10,278	10,278	-	2,141,224	0.48%
2014	9,964	9,964	-	2,075,757	0.48%
2013	10,128	10,128	-	2,110,035	0.48%
2012	5,960	5,960	-	2,128,678	0.28%
2011	6,041	6,041	-	2,157,481	0.28%
2010	4,646	4,646	-	1,720,783	0.27%
2009	6,239	6,239	-	2,310,889	0.27%
Component Unit School Board (nonprofessional)					
2018	$ 3,343	$ 3,343	$ -	$ 642,832	0.52%
2017	3,366	3,366	-	647,223	0.52%
2016	3,160	3,160	-	658,317	0.48%
2015	3,033	3,033	-	631,847	0.48%
2014	2,974	2,974	-	619,571	0.48%
2013	2,988	2,988	-	622,570	0.48%
2012	1,778	1,778	-	634,990	0.28%
2011	1,776	1,776	-	634,296	0.28%
2010	1,358	1,358	-	502,870	0.27%
2009	1,884	1,884	-	697,794	0.27%
Component Unit School Board (professional)					
2018	$ 40,581	$ 40,581	$ -	$ 7,804,042	0.52%
2017	39,677	39,677	-	7,630,185	0.52%
2016	39,510	39,510	-	8,231,247	0.48%
2015	37,430	37,430	-	7,797,820	0.48%
2014	37,029	37,029	-	7,714,430	0.48%
2013	37,721	37,721	-	7,858,460	0.48%
2012	23,196	23,196	-	8,284,146	0.28%
2011	22,650	22,650	-	8,089,435	0.28%
2010	16,786	16,786	-	6,216,950	0.27%
2009	22,452	22,452	-	8,315,645	0.27%

County of Lunenburg, 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 Lunenburg, 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%

County of Lunenburg, Virginia
Schedule of School Board's Share of Net OPEB Liability
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	0.09668%	$ 1,226,000	$ 7,630,185	16.07%	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.

Exhibit 19

County of Lunenburg, Virginia
Schedule of Employer Contributions
Teacher 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)
2018	$ 95,990	$ 95,990	$ -	$ 7,804,042	1.23%
2017	84,695	84,695	-	7,630,185	1.11%
2016	87,251	87,251	-	8,231,247	1.06%
2015	82,657	82,657	-	7,797,820	1.06%
2014	85,630	85,630	-	7,714,430	1.11%
2013	85,808	85,808	-	7,730,420	1.11%
2012	49,042	49,042	-	8,173,647	0.60%
2011	48,537	48,537	-	8,089,435	0.60%
2010	64,656	64,656	-	6,216,950	1.04%
2009	89,809	89,809	-	8,315,645	1.08%

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

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

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

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

Exhibit 21

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

		2018
Total OPEB liability		
Service cost	$	38,403
Interest		29,742
Changes in assumptions		(28,601)
Benefit payments		(22,589)
Net change in total OPEB liability	$	16,955
Total OPEB liability - beginning		822,580
Total OPEB liability - ending	$	839,535
Covered payroll	$	8,177,100
School's total OPEB liability (asset) as a percentage of covered payroll		10.27%

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

County of Lunenburg, Virginia
Notes to Required Supplementary Information - Component Unit School Board
For the Year Ended June 30, 2018

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 8.7% in 2017 and gradually declines to 4.3% by the year 2075

County of Lunenburg, Virginia
County Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Local Government	$ 459,890	$ 459,890	$ 459,896	$ 6
Federal	140,000	140,000	141,634	1,634
Total revenues	$ 599,890	$ 599,890	$ 601,530	$ 1,640
EXPENDITURES				
Debt service:				
Principal retirement	$ 1,061,000	$ 1,061,000	$ 1,060,009	$ 991
Interest and other fiscal charges	425,000	425,000	433,762	(8,762)
Total expenditures	$ 1,486,000	$ 1,486,000	$ 1,493,771	$ (7,771)
Excess (deficiency) of revenues over (under) expenditures	$ (886,110)	$ (886,110)	$ (892,241)	$ (6,131)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 886,110	$ 886,110	$ 892,241	$ 6,131
Transfers out	$ (100,000)	$ (100,000)	$ (100,000)	$ -
Total other financing sources (uses)	$ 786,110	$ 786,110	$ 792,241	$ 6,131
Net change in fund balances	$ (100,000)	$ (100,000)	$ (100,000)	$ -
Fund balances - beginning	100,000	100,000	380,000	280,000
Fund balances - ending	$ -	$ -	$ 280,000	$ 280,000

Exhibit 24

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

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Capital projects	$ 100,000	$ 100,000	$ 8,347	$ 91,653
Total expenditures	$ 100,000	$ 100,000	$ 8,347	$ 91,653
Excess (deficiency) of revenues over (under) expenditures	$ (100,000)	$ (100,000)	$ (8,347)	$ 91,653
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 100,000	$ 100,000	$ 100,000	$ -
Total other financing sources (uses)	$ 100,000	$ 100,000	$ 100,000	$ -
Net change in fund balances	$ -	$ -	$ 91,653	$ 91,653
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ 91,653	$ 91,653

Exhibit 25

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	$ 4,484	$ 1,560	$ 3,974	$ 2,070
Liabilities:				
Amounts held for social services clients	$ 4,484	$ 1,560	$ 3,974	$ 2,070
Cell Tower Escrow:				
Assets:				
Cash and cash equivalents	$ 33,909	$ -	$ 1,450	$ 32,459
Liabilities:				
Amounts held for others	$ 33,909	$ -	$ 1,450	$ 32,459
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	$ 38,393	$ 1,560	$ 5,424	$ 34,529
Total assets	$ 38,393	$ 1,560	$ 5,424	$ 34,529
Liabilities:				
Amounts held for others	$ 33,909	$ -	$ 1,450	$ 32,459
Amounts held for social services clients	4,484	1,560	3,974	2,070
Total liabilities	$ 38,393	$ 1,560	$ 5,424	$ 34,529

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

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ 102,981	$ 102,981
Receivables (net of allowance for uncollectibles):			
Accounts receivable	10,015	-	10,015
Due from other funds	-	55,121	55,121
Due from other governmental units	218,353	9,525	227,878
Total assets	$ 228,368	$ 167,627	$ 395,995
LIABILITIES			
Accounts payable	$ 26,118	$ 174	$ 26,292
Due to other funds	55,121	-	55,121
Due to other governmental units	147,129	-	147,129
Total liabilities	$ 228,368	$ 174	$ 228,542
FUND BALANCES			
Assigned	$ -	$ 167,453	$ 167,453
Total fund balances	$ -	$ 167,453	$ 167,453
Total liabilities and fund balances	$ 228,368	$ 167,627	$ 395,995

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total fund balances per above		$ 167,453
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	$ 10,051,876	
Accumulated depreciation	(5,775,880)	4,275,996
The net pension asset is not an available resource and, therefore, is not reported in the funds.		342,045
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 1,680,358	
OPEB related items	139,914	1,820,272
Long-term liabilities, including net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease	$ (25,601)	
Net pension liability	(11,943,000)	
Net OPEB liabilities	(2,740,535)	(14,709,136)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (2,781,831)	
OPEB related items	(302,245)	(3,084,076)
Net position of governmental activities		$ (11,187,446)

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

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ -	$ 553	$ 553
Charges for services	150,792	161,055	311,847
Intergovernmental:			
Local government	3,540,000	-	3,540,000
Commonwealth	10,772,321	132,995	10,905,316
Federal	1,134,600	646,926	1,781,526
Total revenues	$ 15,597,713	$ 941,529	$ 16,539,242
EXPENDITURES			
Current:			
Education	$ 15,609,242	$ 872,508	$ 16,481,750
Debt service:			
Principal retirement	14,621	-	14,621
Interest and other fiscal charges	2,269	-	2,269
Total expenditures	$ 15,626,132	$ 872,508	$ 16,498,640
Excess (deficiency) of revenues over (under) expenditures	$ (28,419)	$ 69,021	$ 40,602
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 38,419	$ 10,000	$ 48,419
Transfers out	(10,000)	(38,419)	(48,419)
Total other financing sources (uses)	$ 28,419	$ (28,419)	$ -
Net change in fund balances	$ -	$ 40,602	$ 40,602
Fund balances - beginning	-	126,851	126,851
Fund balances - ending	$ -	$ 167,453	$ 167,453

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

		$ 40,602
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Transfer of joint tenancy assets	$ 52,593	
Depreciation expense	(324,503)	(271,910)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal retirement on capital lease		14,621
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.		
Pension expense	$ 687,095	
OPEB expense	25,976	713,071
Change in net position of governmental activities		$ 496,384

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 100	$ 100	$ -	$ (100)
Charges for services	157,040	157,040	150,792	(6,248)
Miscellaneous	192,771	192,771	-	(192,771)
Intergovernmental:				
Local government	3,540,000	3,540,000	3,540,000	-
Commonwealth	11,028,265	11,028,265	10,772,321	(255,944)
Federal	1,203,465	1,203,465	1,134,600	(68,865)
Total revenues	$ 16,121,641	$ 16,121,641	$ 15,597,713	$ (523,928)
EXPENDITURES				
Current:				
Education	$ 16,121,641	$ 16,121,641	$ 15,609,242	$ 512,399
Debt service:				
Principal retirement	-	-	14,621	(14,621)
Interest and other fiscal charges	-	-	2,269	(2,269)
Total expenditures	$ 16,121,641	$ 16,121,641	$ 15,626,132	$ 495,509
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (28,419)	$ (28,419)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 38,419	$ 38,419
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	$ -	$ -	$ 28,419	$ 28,419
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

School Special Revenue Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ 553	$ 553
283,084	283,084	161,055	(122,029)
-	-	-	-
-	-	-	-
134,723	134,723	132,995	(1,728)
620,145	670,665	646,926	(23,739)
$ 1,037,952	$ 1,088,472	$ 941,529	$ (146,943)
$ 1,037,952	$ 1,088,472	$ 872,508	$ 215,964
-	-	-	-
-	-	-	-
$ 1,037,952	$ 1,088,472	$ 872,508	$ 215,964
$ -	$ -	$ 69,021	$ 69,021
$ -	$ -	$ 10,000	$ 10,000
-	-	(38,419)	(38,419)
$ -	$ -	$ (28,419)	$ (28,419)
$ -	$ -	$ 40,602	$ 40,602
-	-	126,851	126,851
$ -	$ -	$ 167,453	$ 167,453

County of Lunenburg, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2018

ASSETS		
Current assets:		
Cash and cash equivalents	$	556,936
Due from other governmental units		32,349
Inventory		80,000
Total current assets	$	669,285
Total assets	$	669,285
LIABILITIES		
Current liabilities:		
Accounts payable	$	32,349
Total current liabilities	$	32,349
Total liabilities	$	32,349
NET POSITION		
Unrestricted	$	636,936
Total net position	$	636,936

Exhibit 30

County of Lunenburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2018

OPERATING REVENUES		
Charges for services:		
Lease revenue	$	18,000
Total operating revenues	$	18,000
OPERATING EXPENSES		
Other charges	$	8,619
Tax incentives		32,349
Total operating expenses	$	40,968
Operating income (loss)	$	(22,968)
NONOPERATING REVENUES (EXPENSES)		
Tranfers in	$	466,666
Interest income		1,311
Economic development incentives		32,349
Total nonoperating revenues (expenses)	$	500,326
Change in net position	$	477,358
Total net position - beginning		159,578
Total net position - ending	$	636,936

Exhibit 31

County of Lunenburg, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	18,000
Payments for operating activities		(40,968)
Net cash provided by (used for) operating activities	$	(22,968)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	$	466,666
Economic development incentives received		32,349
Net cash provided by (used for) noncapital financing activities	$	499,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	$	1,311
Net cash provided by (used for) investing activities	$	1,311
Net increase (decrease) in cash and cash equivalents	$	477,358
Cash and cash equivalents - beginning		79,578
Cash and cash equivalents - ending	$	556,936
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(22,968)
Adjustments to reconcile operating income to net cash		
(Increase) decrease in intergovernmental receivables	$	(32,349)
Increase (decrease) in accounts payable		32,349
Total adjustments	$	-
Net cash provided (used) by operating activities	$	(22,968)

County of Lunenburg, 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)
General Fund:								
Revenue from local sources:								
General property taxes:								
Real property taxes	$	3,233,000	$	3,233,000	$	3,475,828	$	242,828
Real and personal public service corporation taxes		185,000		185,000		257,311		72,311
Personal property taxes		1,752,000		1,752,000		2,138,332		386,332
Mobile home taxes		21,500		21,500		25,503		4,003
Machinery and tools taxes		250,000		250,000		322,985		72,985
Merchant's capital taxes		68,500		68,500		83,819		15,319
Penalties		100,000		100,000		81,848		(18,152)
Interest		-		-		37,875		37,875
Total general property taxes	$	5,610,000	$	5,610,000	$	6,423,501	$	813,501
Other local taxes:								
Local sales and use taxes	$	360,000	$	360,000	$	427,425	$	67,425
Utility taxes		175,000		175,000		184,613		9,613
Consumption tax		22,000		22,000		24,380		2,380
Motor vehicle licenses		209,000		209,000		237,977		28,977
Taxes on recordation and wills		52,000		52,000		98,297		46,297
Total other local taxes	$	818,000	$	818,000	$	972,692	$	154,692
Permits, privilege fees, and regulatory licenses:								
Animal licenses	$	10,000	$	10,000	$	17,274	$	7,274
Transfer fees		3,000		3,000		463		(2,537)
Permits and other licenses		24,100		24,100		25,470		1,370
Total permits, privilege fees, and regulatory licenses	$	37,100	$	37,100	$	43,207	$	6,107
Fines and forfeitures:								
Court fines and forfeitures	$	35,100	$	35,100	$	31,517	$	(3,583)
Total fines and forfeitures	$	35,100	$	35,100	$	31,517	$	(3,583)
Revenue from use of money and property:								
Revenue from use of money	$	20,000	$	20,000	$	42,464	$	22,464
Revenue from use of property		31,500		31,500		498,400		466,900
Total revenue from use of money and property	$	51,500	$	51,500	$	540,864	$	489,364
Charges for services:								
Excess fees of clerk	$	7,000	$	7,000	$	7,149	$	149
Sheriff's fees		646		646		646		-
Courthouse security fees		17,000		17,000		14,650		(2,350)
Landfill fees		205,000		205,000		203,015		(1,985)
Court appointed attorney fees		-		-		100		100
Charges for Commonwealth's Attorney		1,500		1,500		1,700		200
Charges for correction and detention		1,700		1,700		2,072		372
Document reproduction costs		2,700		2,700		3,128		428
Total charges for services	$	235,546	$	235,546	$	232,460	$	(3,086)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 32,233	$ 32,233	$ 81,485	$ 49,252
Total miscellaneous	$ 32,233	$ 32,233	$ 81,485	$ 49,252
Recovered costs:				
Town of Victoria/Town of Kenbridge	$ -	$ -	$ 13,234	$ 13,234
Total recovered costs	$ -	$ -	$ 13,234	$ 13,234
Total revenue from local sources	$ 6,819,479	$ 6,819,479	$ 8,338,960	$ 1,519,481
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	$ 195,000	$ 195,000	$ 188,684	$ (6,316)
Mobile home titling tax	16,000	16,000	29,163	13,163
Rolling stock tax	4,000	4,000	-	(4,000)
Recordation tax	9,000	9,000	21,048	12,048
Personal property tax relief funds	1,048,232	1,048,232	1,048,232	-
Total noncategorical aid	$ 1,272,232	$ 1,272,232	$ 1,287,127	$ 14,895
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 216,286	$ 216,286	$ 210,109	$ (6,177)
Sheriff	719,546	719,546	729,098	9,552
Commissioner of revenue	78,968	78,968	79,073	105
Treasurer	82,002	82,002	81,008	(994)
Registrar/electoral board	38,000	38,000	37,398	(602)
Clerk of the Circuit Court	185,170	185,170	214,275	29,105
Total shared expenses	$ 1,319,972	$ 1,319,972	$ 1,350,961	$ 30,989
Other categorical aid:				
Public assistance and welfare administration	$ 400,000	$ 400,000	$ 349,753	$ (50,247)
Animal friendly plates	100	100	168	68
Comprehensive services act	800,000	800,000	1,032,731	232,731
Emergency medical services	11,500	11,500	10,614	(886)
Victim-witness grant	68,350	68,350	15,925	(52,425)
E-911 wireless	48,000	48,000	51,485	3,485
E-911 equipment grant	103,830	103,830	-	(103,830)
Selective enforcement grant	18,000	18,000	-	(18,000)
Clerk's records grant	-	-	9,674	9,674

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control	$ 6,000	$ 6,000	$ 7,094	$ 1,094
Fire programs fund	25,500	25,500	33,204	7,704
Total other categorical aid	$ 1,481,280	$ 1,481,280	$ 1,510,648	$ 29,368
Total categorical aid	$ 2,801,252	$ 2,801,252	$ 2,861,609	$ 60,357
Total revenue from the Commonwealth	$ 4,073,484	$ 4,073,484	$ 4,148,736	$ 75,252
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 600,000	$ 600,000	$ 556,229	$ (43,771)
Victim witness grant	-	-	51,139	51,139
LEMP grant	82,500	82,500	-	(82,500)
FEMA/Homeland Security grants	-	-	149,463	149,463
Transportation safety grant	-	-	19,040	19,040
Justice assistance grant	-	-	1,961	1,961
Total categorical aid	$ 682,500	$ 682,500	$ 777,832	$ 95,332
Total revenue from the federal government	$ 682,500	$ 682,500	$ 777,832	$ 95,332
Total General Fund	$ 11,575,463	$ 11,575,463	$ 13,265,528	$ 1,690,065
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 39	$ 39
Revenue from the use of property	12,300	12,300	147,437	135,137
Total revenue from use of money and property	$ 12,300	$ 12,300	$ 147,476	$ 135,176
Charges for services:				
Law Library	$ 1,000	$ 1,000	$ 668	$ (332)
Total charges for services	$ 1,000	$ 1,000	$ 668	$ (332)
Miscellaneous:				
Miscellaneous	$ 3,800	$ 3,800	$ 3,152	$ (648)
Total miscellaneous	$ 3,800	$ 3,800	$ 3,152	$ (648)
Total revenue from local sources	$ 17,100	$ 17,100	$ 151,296	$ 134,196

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Aviation fees	$ 40,500	$ 40,500	$ 29,149	$ (11,351)
Tobacco funds	459,000	459,000	-	(459,000)
Forfeited assets	-	-	1,233	1,233
Other categorical aid	16,170	16,170	-	(16,170)
Total categorical aid	$ 515,670	$ 515,670	$ 30,382	$ (485,288)
Total revenue from the Commonwealth	$ 515,670	$ 515,670	$ 30,382	$ (485,288)
Revenue from the federal government:				
Categorical aid:				
TEA 21 grant	$ 69,490	$ 69,490	$ -	$ (69,490)
Total categorical aid	$ 69,490	$ 69,490	$ -	$ (69,490)
Total revenue from the federal government	$ 69,490	$ 69,490	$ -	$ (69,490)
Total County Special Revenue Fund	$ 602,260	$ 602,260	$ 181,678	$ (420,582)
Debt Service Fund:				
County Debt Service Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from Lunenburg School Board	$ 459,890	$ 459,890	$ 459,896	$ 6
Total revenues from local governments	$ 459,890	$ 459,890	$ 459,896	$ 6
Revenue from the federal government:				
Categorical aid:				
QZAB subsidy	$ 140,000	$ 140,000	$ 141,634	$ 1,634
Total categorical aid	$ 140,000	$ 140,000	$ 141,634	$ 1,634
Total revenue from the federal government	$ 140,000	$ 140,000	$ 141,634	$ 1,634
Total County Debt Service Fund	$ 599,890	$ 599,890	$ 601,530	$ 1,640
Total Primary Government	$ 12,777,613	$ 12,777,613	$ 14,048,736	$ 1,271,123
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 100	$ 100	$ -	$ (100)
Total revenue from use of money and property	$ 100	$ 100	$ -	$ (100)
Charges for services:				
Charges for education	$ 157,040	$ 157,040	$ 150,792	$ (6,248)
Total charges for services	$ 157,040	$ 157,040	$ 150,792	$ (6,248)

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)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 192,771	$ 192,771	$ -	$ (192,771)
Total miscellaneous	$ 192,771	$ 192,771	$ -	$ (192,771)
Total revenue from local sources	$ 349,911	$ 349,911	$ 150,792	$ (199,119)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lunenburg, Virginia	$ 3,540,000	$ 3,540,000	$ 3,540,000	$ -
Total revenues from local governments	$ 3,540,000	$ 3,540,000	$ 3,540,000	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 1,776,198	$ 1,776,198	$ 1,677,487	$ (98,711)
Basic school aid	5,199,749	5,199,749	5,145,094	(54,655)
Remedial summer education	73,916	73,916	61,407	(12,509)
Regular foster care	2,220	2,220	-	(2,220)
Supplemental support for schools	305,686	305,686	299,253	(6,433)
Gifted and talented	52,550	52,550	52,353	(197)
Remedial education	328,440	328,440	327,208	(1,232)
Special education	533,168	533,168	531,167	(2,001)
GED funding	7,859	7,859	8,294	435
Vocational education	188,306	188,306	187,599	(707)
School fringes	1,084,947	1,084,947	1,080,876	(4,071)
Early reading intervention	22,234	22,234	27,175	4,941
Homebound	27,029	27,029	33,264	6,235
Vocational education - equipment	4,085	4,085	5,947	1,862
Compensation supplement	53,725	53,725	53,401	(324)
Effective school-wide discipline	-	-	15,000	15,000
At risk payments	366,061	366,061	378,889	12,828
Technology funds	204,400	204,400	154,000	(50,400)
Industry certification funds	-	-	1,496	1,496
Primary class size	340,663	340,663	338,456	(2,207)
Foster care - special education	-	-	5,777	5,777
Standards of Learning algebra readiness	32,413	32,413	37,489	5,076
Mentor teacher program	1,053	1,053	2,689	1,636
Preschool initiative	310,490	310,490	250,245	(60,245)
Project graduation	3,782	3,782	3,782	-
English as a second language	84,291	84,291	80,779	(3,512)
Security grant	-	-	7,906	7,906
Other state funds	25,000	25,000	5,288	(19,712)
Total categorical aid	$ 11,028,265	$ 11,028,265	$ 10,772,321	$ (255,944)
Total revenue from the Commonwealth	$ 11,028,265	$ 11,028,265	$ 10,772,321	$ (255,944)

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)				
Revenue from the federal government:				
Categorical aid:				
Title I	$ 596,008	$ 596,008	$ 542,346	$ (53,662)
Vocational education	38,000	38,000	36,766	(1,234)
Title VI-Rural	25,563	25,563	25,563	-
Title VI part A	-	-	2,000	2,000
Title VIB	412,645	412,645	414,591	1,946
Title III part A	-	-	2,305	2,305
Preschool special education	32,323	32,323	18,189	(14,134)
Title II, part a-teacher quality	98,926	98,926	92,840	(6,086)
Total categorical aid	$ 1,203,465	$ 1,203,465	$ 1,134,600	$ (68,865)
Total revenue from the federal government	$ 1,203,465	$ 1,203,465	$ 1,134,600	$ (68,865)
Total School Operating Fund	$ 16,121,641	$ 16,121,641	$ 15,597,713	$ (523,928)
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 553	$ 553
Total revenue from use of money and property	$ -	$ -	$ 553	$ 553
Charges for services:				
Cafeteria sales	$ 283,084	$ 283,084	$ 161,055	$ (122,029)
Total charges for services	$ 283,084	$ 283,084	$ 161,055	$ (122,029)
Total revenue from local sources	$ 283,084	$ 283,084	$ 161,608	$ (121,476)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 12,302	$ 12,302	$ 13,259	$ 957
Textbook payment	122,421	122,421	119,736	(2,685)
Total categorical aid	$ 134,723	$ 134,723	$ 132,995	$ (1,728)
Total revenue from the Commonwealth	$ 134,723	$ 134,723	$ 132,995	$ (1,728)

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 Special Revenue Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 620,145	$ 620,145	$ 586,881	$ (33,264)
Summer feeding	-	-	9,525	9,525
Commodities	-	50,520	50,520	-
Total categorical aid	$ 620,145	$ 670,665	$ 646,926	$ (23,739)
Total revenue from the federal government	$ 620,145	$ 670,665	$ 646,926	$ (23,739)
Total School Special Revenue Fund	$ 1,037,952	$ 1,088,472	$ 941,529	$ (146,943)
Total Discretely Presented Component Unit - School Board	$ 17,159,593	$ 17,210,113	$ 16,539,242	$ (670,871)

County of Lunenburg, 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)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 49,320	$ 49,320	$ 42,258	$ 7,062
General and financial administration:				
County administrator	$ 230,205	$ 230,205	$ 228,128	$ 2,077
Professional services	102,000	102,000	82,272	19,728
Commissioner of revenue	212,100	212,100	207,834	4,266
Treasurer	231,400	231,400	212,045	19,355
Reassessment	-	-	144,029	(144,029)
Other general and financial administration	205,500	205,500	200,723	4,777
Total general and financial administration	$ 981,205	$ 981,205	$ 1,075,031	$ (93,826)
Board of elections:				
Electoral board and officials	$ 33,670	$ 33,670	$ 29,002	$ 4,668
Registrar	81,260	81,260	88,986	(7,726)
Total board of elections	$ 114,930	$ 114,930	$ 117,988	$ (3,058)
Total general government administration	$ 1,145,455	$ 1,145,455	$ 1,235,277	$ (89,822)
Judicial administration:				
Courts:				
Circuit court	$ 12,000	$ 12,000	$ 9,019	$ 2,981
General district court	6,000	6,000	3,848	2,152
Special Magistrates	1,325	1,325	1,273	52
Juvenile and domestic relations court	84,050	84,050	75,024	9,026
Victim witness	69,720	69,720	67,158	2,562
Courthouse security	15,450	15,450	28,385	(12,935)
Clerk of the circuit court	274,400	274,400	305,591	(31,191)
Total courts	$ 462,945	$ 462,945	$ 490,298	$ (27,353)
Commonwealth's attorney:				
Commonwealth's attorney	$ 273,180	$ 273,180	$ 260,269	$ 12,911
Total commonwealth's attorney	$ 273,180	$ 273,180	$ 260,269	$ 12,911
Total judicial administration	$ 736,125	$ 736,125	$ 750,567	$ (14,442)
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 1,214,000	$ 1,214,000	$ 1,119,141	$ 94,859
Total law enforcement and traffic control	$ 1,214,000	$ 1,214,000	$ 1,119,141	$ 94,859
Fire and rescue services:				
Fire department	$ 260,040	$ 260,040	$ 300,841	$ (40,801)
Total fire and rescue services	$ 260,040	$ 260,040	$ 300,841	$ (40,801)
Correction and detention:				
Payments to Regional Jail	$ 424,000	$ 424,000	$ 265,520	$ 158,480
Total correction and detention	$ 424,000	$ 424,000	$ 265,520	$ 158,480

County of Lunenburg, 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)
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	$ 90,810	$ 90,810	$ 87,952	$ 2,858
Total inspections	$ 90,810	$ 90,810	$ 87,952	$ 2,858
Other protection:				
Animal control	$ 86,100	$ 86,100	$ 85,502	$ 598
E-911	246,830	246,830	130,963	115,867
Medical examiner	100	100	1,340	(1,240)
Total other protection	$ 333,030	$ 333,030	$ 217,805	$ 115,225
Total public safety	$ 2,321,880	$ 2,321,880	$ 1,991,259	$ 330,621
Public works:				
Sanitation and waste removal:				
Refuse collection	$ 181,000	$ 181,000	$ 148,399	$ 32,601
Convenience sites	28,000	28,000	16,416	11,584
Total sanitation and waste removal	$ 209,000	$ 209,000	$ 164,815	$ 44,185
Maintenance of general buildings and grounds:				
General properties	$ 219,250	$ 219,250	$ 211,036	$ 8,214
Total maintenance of general buildings and grounds	$ 219,250	$ 219,250	$ 211,036	$ 8,214
Total public works	$ 428,250	$ 428,250	$ 375,851	$ 52,399
Health and welfare:				
Health:				
Supplement of local health department	$ 110,000	$ 110,000	$ 105,489	$ 4,511
Total health	$ 110,000	$ 110,000	$ 105,489	$ 4,511
Mental health and mental retardation:				
Crossroads Communty Services Board	$ 53,000	$ 53,000	$ 53,000	$ -
STEPS	5,000	5,000	5,000	-
Madeline's house	2,000	2,000	2,000	-
Total mental health and mental retardation	$ 60,000	$ 60,000	$ 60,000	$ -
Welfare:				
Public assistance and welfare administration	$ 1,147,000	$ 1,147,000	$ 938,035	$ 208,965
Comprehensive services act	1,015,000	1,015,000	1,167,124	(152,124)
Total welfare	$ 2,162,000	$ 2,162,000	$ 2,105,159	$ 56,841
Total health and welfare	$ 2,332,000	$ 2,332,000	$ 2,270,648	$ 61,352
Education:				
Other instructional costs:				
Contribution to County School Board	$ 3,540,000	$ 3,540,000	$ 3,540,000	$ -
Total education	$ 3,540,000	$ 3,540,000	$ 3,540,000	$ -

County of Lunenburg, 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)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and community development	$ 286,857	$ 286,857	$ 291,328	$ (4,471)
Economic development	74,300	74,300	9,806	64,494
Contribution to IDA - tax incentives	49,000	49,000	32,349	16,651
Total planning and community development	$ 410,157	$ 410,157	$ 333,483	$ 76,674
Cooperative extension program:				
Extension office	$ 42,000	$ 42,000	$ 41,512	$ 488
Total cooperative extension program	$ 42,000	$ 42,000	$ 41,512	$ 488
Total community development	$ 452,157	$ 452,157	$ 374,995	$ 77,162
Capital projects:				
Capital improvements	$ 395,000	$ 395,000	$ 172,850	$ 222,150
Total capital projects	$ 395,000	$ 395,000	$ 172,850	$ 222,150
Total General Fund	$ 11,350,867	$ 11,350,867	$ 10,711,447	$ 639,420
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Courts:				
Law Library	$ 1,000	$ 1,000	$ -	$ 1,000
Total courts	$ 1,000	$ 1,000	$ -	$ 1,000
Commonwealth's attorney:				
Asset forfeiture	$ -	$ -	$ 1,654	$ (1,654)
Total commonwealth's attorney	$ -	$ -	$ 1,654	$ (1,654)
Total judicial administration	$ 1,000	$ 1,000	$ 1,654	$ (654)
Public Safety:				
Sheriff:				
Project lifesaver	$ 800	$ 800	$ 227	$ 573
Asset forfeiture	-	-	2,016	(2,016)
Total Sheriff	$ 800	$ 800	$ 2,243	$ (1,443)
Total public safety	$ 800	$ 800	$ 2,243	$ (1,443)
Community Development:				
Airport	$ 68,000	$ 68,000	$ 20,014	$ 47,986
Economic development	579,490	579,490	12,138	567,352
Total community development	$ 647,490	$ 647,490	$ 32,152	$ 615,338
Total County Special Revenue Fund	$ 649,290	$ 649,290	$ 36,049	$ 613,241

County of Lunenburg, 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)
County Debt Service Fund:				
Debt service:				
Principal retirement	$ 1,061,000	$ 1,061,000	$ 1,060,009	$ 991
Interest and other fiscal charges	425,000	425,000	433,762	(8,762)
Total debt service	$ 1,486,000	$ 1,486,000	$ 1,493,771	$ (7,771)
Total County Debt Service Fund	$ 1,486,000	$ 1,486,000	$ 1,493,771	$ (7,771)
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	$ 100,000	$ 100,000	$ 8,347	$ 91,653
Total capital projects	$ 100,000	$ 100,000	$ 8,347	$ 91,653
Total County Capital Projects Fund	$ 100,000	$ 100,000	$ 8,347	$ 91,653
Total Primary Government	$ 13,586,157	$ 13,586,157	$ 12,249,614	$ 1,336,543
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	$ 12,405,162	$ 12,405,162	$ 12,004,133	$ 401,029
Administration, health, and attendance	844,552	844,552	761,092	83,460
Pupil transportation	948,997	948,997	972,528	(23,531)
Operation and maintenance of school plant	1,542,930	1,542,930	1,411,593	131,337
Contribution to County of Lunenburg, Virginia	380,000	380,000	459,896	(79,896)
Total education	$ 16,121,641	$ 16,121,641	$ 15,609,242	$ 512,399
Debt service:				
Principal retirement	$ -	$ -	$ 14,621	$ (14,621)
Interest and other fiscal charges	-	-	2,269	(2,269)
Total debt service	$ -	$ -	$ 16,890	$ (16,890)
Total School Operating Fund	$ 16,121,641	$ 16,121,641	$ 15,626,132	$ 495,509
School Special Revenue Fund:				
Education:				
Textbooks purchased	$ -	$ -	$ 42,561	$ (42,561)
Administration of school food program	1,037,952	1,037,952	779,427	258,525
Commodities	-	50,520	50,520	-
Total education	$ 1,037,952	$ 1,088,472	$ 872,508	$ 215,964
Total School Special Revenue Fund	$ 1,037,952	$ 1,088,472	$ 872,508	$ 215,964
Total Discretely Presented Component Unit - School Board	$ 17,159,593	$ 17,210,113	$ 16,498,640	$ 711,473

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2009	$ 1,060,810	$ 1,012,121	$ 1,680,314	$ 1,813,739	$ 2,345,844
2010	1,158,659	770,596	1,851,410	1,434,191	2,058,065
2011	993,543	786,302	1,796,683	1,349,351	2,426,380
2012	1,202,736	842,594	1,855,943	1,490,600	2,530,373
2013	938,136	852,876	2,167,835	727,699	2,740,797
2014	945,210	882,734	2,459,725	453,493	2,228,259
2015	997,642	870,344	2,580,814	297,905	2,130,408
2016	1,050,276	875,310	2,337,300	398,893	2,334,804
2017	1,063,344	932,939	2,290,208	418,352	2,447,789
2018	2,156,747	962,327	2,228,083	502,266	2,301,659

Table 1

Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
$ 3,343,586	$ -	$ 1,150,648	$ 706,413	$ 13,113,475
3,622,849	133,242	487,960	677,615	12,194,587
3,687,691	138,749	408,819	705,728	12,293,246
3,853,703	-	833,964	808,152	13,418,065
3,791,866	-	571,048	626,724	12,416,981
3,353,114	3,074	1,083,840	567,880	11,977,329
3,242,837	-	984,558	529,083	11,633,591
3,807,852	-	614,157	505,103	11,923,695
4,012,355	-	517,514	419,389	12,101,890
3,941,309	-	483,415	407,364	12,983,170

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

	PROGRAM REVENUES		
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2009	$ 152,202	$ 3,524,726	$ -
2010	287,780	4,197,527	-
2011	206,780	3,614,913	-
2012	221,790	4,638,023	-
2013	176,037	3,824,968	150,000
2014	327,273	3,389,093	265,875
2015	317,265	3,404,694	556,961
2016	336,993	3,504,970	161,250
2017	324,967	3,503,832	418,367
2018	307,852	3,661,994	149,463

Table 2

General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
GENERAL REVENUES					
$ 5,558,933	$ 889,096	$ 260,983	$ 87,021	$ 1,099,010	$ 11,571,971
5,394,155	640,729	166,291	144,487	1,287,101	12,118,070
5,355,045	611,393	120,417	349,526	1,311,378	11,569,452
8,451,150	781,842	81,293	69,459	1,281,254	15,524,811
5,253,842	870,733	95,930	63,385	1,300,097	11,734,992
5,438,422	891,323	78,350	316,297	1,296,880	12,003,513
5,917,386	913,402	97,278	253,918	1,288,699	12,749,603
5,707,134	889,055	77,496	229,326	1,292,264	12,198,488
5,905,263	920,475	73,420	837,687	1,281,236	13,265,247
6,439,308	972,692	688,340	84,637	1,287,127	13,591,413

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2009	$ 994,533	$ 574,202	$ 1,696,089	$ 1,159,999	$ 2,294,238
2010	1,106,845	563,350	2,556,889	1,036,023	2,058,513
2011	963,722	551,585	1,754,985	1,033,137	2,433,176
2012	1,345,432	607,878	1,782,118	1,021,773	2,518,865
2013	874,407	608,687	2,140,351	669,769	2,678,632
2014	925,521	638,264	2,302,880	353,786	2,217,030
2015	964,773	663,222	2,467,807	800,555	2,129,955
2016	946,751	666,682	2,200,354	368,027	2,334,705
2017	1,068,627	712,532	2,157,440	360,273	2,448,474
2018	1,235,277	752,221	1,993,502	375,851	2,270,648

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

Table 3

Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
$ 17,553,259	$ -	$ 1,144,920	$ -	$ 1,613,638	$ 27,030,878
16,871,972	133,242	484,086	-	1,638,396	26,449,316
16,977,943	138,749	388,843	-	1,672,947	25,915,087
16,977,828	-	1,699,913	-	7,360,005	33,313,812
16,047,752	-	608,583	-	1,951,091	25,579,272
15,623,242	-	1,004,149	-	1,611,422	24,676,294
16,179,524	-	980,262	80,383	1,522,206	25,788,687
16,629,670	-	543,693	83,178	1,507,380	25,280,440
16,536,158	-	557,471	-	7,474,387	31,315,362
16,498,640	-	407,147	-	1,493,771	25,027,057

Presented Component Unit - School Board.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
2009	$ 5,490,039	$ 845,816	$ 44,260	$ 12,235	$ 247,754
2010	5,311,432	640,729	30,566	22,632	165,380
2011	5,321,103	611,393	27,228	39,532	117,435
2012	8,206,738	781,842	25,682	35,644	77,669
2013	5,459,029	870,733	33,417	28,770	93,394
2014	5,529,434	891,323	41,096	22,864	78,475
2015	5,802,033	913,402	36,178	36,073	97,949
2016	5,817,193	889,055	38,829	35,890	78,041
2017	5,866,563	920,475	33,376	23,544	73,734
2018	6,423,501	972,692	43,207	31,517	688,340

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

Table 4

Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
$ 526,005	$ 188,646	$ 68,324	$ 19,037,845	$ 26,460,924
540,584	242,927	38,257	18,997,195	25,989,702
504,953	349,526	29,765	18,113,790	25,114,725
653,868	69,459	41,436	19,627,967	29,520,305
504,883	63,385	-	17,662,296	24,715,907
704,152	254,453	15,033	17,238,892	24,775,722
604,650	187,943	1,013	18,338,146	26,017,387
720,215	159,003	25,422	17,816,366	25,580,014
600,100	67,446	10,938	18,786,580	26,382,756
233,128	84,637	13,234	18,245,322	26,735,578

esented Component Unit - School Board.
d contribution from the Discretely Presented Component

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009	$ 5,519,039	$ 5,305,586	96.13%	$ 161,618	$ 5,467,204	99.06%	$ 541,743	9.82%
2010	6,330,617	6,103,459	96.41%	248,538	6,351,997	100.34%	588,010	9.29%
2011	6,370,760	6,092,933	95.64%	263,411	6,356,344	99.77%	625,605	9.82%
2012	9,659,019	8,782,078	90.92%	334,995	9,117,073	94.39%	815,009	8.44%
2013	6,438,614	6,180,897	96.00%	192,453	6,373,350	98.99%	635,351	9.87%
2014	6,607,245	6,303,703	95.41%	148,079	6,451,782	97.65%	581,286	8.80%
2015	6,890,327	6,547,438	95.02%	208,886	6,756,324	98.06%	780,075	11.32%
2016	6,893,418	6,591,800	95.62%	160,893	6,752,693	97.96%	707,642	10.27%
2017	7,163,096	6,647,523	92.80%	155,534	6,803,057	94.97%	709,773	9.91%
2018	7,366,833	7,244,020	98.33%	123,350	7,367,370	100.01%	810,547	11.00%

(1) Exclusive of penalties and interest.
(2) Includes three most current delinquent tax years and first half of current tax year beginning in 2013.
(3) Includes Personal Property Tax Relief

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2) Real Estate	Public Utility (2) Personal Property	Total
2009	$ 863,350,500	$ 97,694,733	$ 11,243,016	$ 5,074,250	$ 35,750,483	$ -	$ 1,013,112,982
2010	871,988,824	86,504,098	12,637,030	4,588,940	34,579,627	-	1,010,298,519
2011	879,151,906	87,813,973	13,991,880	4,841,700	35,132,126	-	1,020,931,585
2012	843,252,361	91,125,404	14,272,974	5,751,715	40,076,714	-	994,479,168
2013	846,178,987	82,009,152	14,174,109	5,896,290	40,076,714	-	988,335,252
2014	854,073,900	84,582,007	15,757,159	6,553,264	44,843,992	-	1,005,810,322
2015	857,786,218	78,887,981	15,898,061	6,879,896	46,363,952	-	1,005,816,108
2016	861,620,018	89,727,790	17,533,857	6,278,956	51,634,069	-	1,026,794,690
2017	867,269,213	93,655,515	18,147,479	7,065,135	64,693,176		1,050,830,518
2018	923,664,589	94,411,146	18,608,383	7,349,197	66,483,626		1,110,516,941

(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2009	$ 0.33	$ 3.60	$ 1.80	$ 1.20
2010	0.33	3.60	1.80	1.20
2011	0.33	3.60	1.80	1.20
2012	0.38	3.60	1.80	1.20
2013	0.38	3.60	1.80	1.20
2014	0.38	3.60	1.80	1.20
2015	0.38	3.60	1.80	1.20
2016	0.38	3.60	1.80	1.20
2017	0.38	3.60	1.80	1.20
2018	0.38	3.60	1.80	1.20

(1) Per $100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009	13,146	$ 1,013,112,982	$ 9,888,846	$ 9,888,846	0.98%	$ 752
2010	13,146	1,010,298,519	9,207,323	9,207,323	0.91%	700
2011	13,146	1,020,931,585	9,674,469	9,674,469	0.95%	736
2012	12,914	994,479,168	11,038,870	11,038,870	1.11%	855
2013	12,914	988,335,252	10,103,692	10,103,692	1.02%	782
2014	12,914	1,005,810,322	9,578,984	9,578,984	0.95%	742
2015	12,914	1,005,816,108	9,039,495	9,039,495	0.90%	700
2016	12,914	1,026,794,690	8,479,327	8,479,327	0.83%	657
2017	12,914	1,050,830,518	8,125,025	8,125,025	0.77%	629
2018	12,914	1,110,516,941	7,497,016	7,497,016	0.68%	581

(1) Weldon Cooper Center for Public Service for 2000 and 2010 Census.
(2) From Table 6.
(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans
Excludes related premiums on bonds, revenue bonds, landfill closure/post-closure care liability,
capital leases, and compensated absences.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Lunenburg, Virginia's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richmond, Virginia
November 20, 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 Lunenburg
Lunenburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Lunenburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Lunenburg, Virginia's major federal programs for the year ended June 30, 2018. County of Lunenburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Lunenburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richmond, Virginia
November 20, 2018

County of Lunenburg, 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
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950165/0950117	$	696
Temporary Assistance for Needy Families	93.558	0400117/0400118		92,739
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118		143
Low Income Home Energy Assistance	93.568	0600417/0600418		12,898
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118		15,699
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900117		323
Foster Care - Title IV-E	93.658	1100117/1100118		62,958
Adoption Assistance	93.659	1120117/1120118		81,410
Social Services Block Grant	93.667	1000117/1000118		56,869
Chafee Foster Care Independence Program	93.674	9150117/9150118		864
Children's Health Insurance Program	93.767	0540117/0540118		4,184
Medical Assistance Program	93.778	1200117/1200118		115,527
Total Department of Health and Human Services			$	444,310
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Services:				
Homeland Security Grant Program	97.067	77501-983132	$	149,463
Total Department of Homeland Security			$	149,463
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Agriculture:				
Summer Food Service Program for Children	10.559	unavailable	$	10,615
Department of Agriculture:				
Food Distribution	10.555	17901-45707	$	49,430
Department of Education:				
National School Lunch Program	10.555	17901-40623		425,699
Total CFDA# 10.555			$	475,129
Department of Education:				
School Breakfast Program	10.553	17901-40591	$	160,948
Total Child Nutrition Cluster			$	646,692
State Administrative Expenses for Child Nutrition	10.560	185002-20100	$	234
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118		111,919
Total Department of Agriculture			$	758,845

County of Lunenburg, Virginia
Schedule of Expenditures of Federal Awards (Continued)
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
Department of Justice:				
Pass Through Payments:				
Department of Criminal Justice Service:				
Crime Victim Assistance	16.575	39001-76000	$	51,139
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200		1,961
Total Department of Justice			$	53,100
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	60507-53000	$	19,040
Total Department of Transportation			$	19,040
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	$	542,345
Special Education Cluster:				
Special Education Grants to States	84.027	17901-43071		414,591
Special Education Preschool Grants	84.173	17901-62521		18,190
Total Special Education Cluster			$	432,781
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159		36,766
Supporting Effective Instruction State Grant	84.367	17901-61480		92,840
Rural Education	84.358	17901-43481		25,563
English Language Acquisition Grants	84.365	17901-60509		2,305
Student Support and Academic Enrichment Program	84.424	S424A170048		2,000
Total Department of Education			$	1,134,600
Total Expenditures of Federal Awards			$	2,559,358

See accompanying notes to schedule of expenditures of federal awards.

County of Lunenburg, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Lunenburg, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform 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 Lunenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lunenburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Gudance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	777,832
County Debt Service Fund		141,634
Total primary government	$	919,466
Component Unit School Board:		
School Operating Fund	$	1,134,600
School Special Revenue Fund		646,926
Total component unit school board	$	1,781,526
Total federal expenditures per basic financial statements	$	2,700,992
BAB's subsidy	$	(141,634)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	2,559,358

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Lunenburg, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 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	✔	no
Significant deficiency(ies) identified?		yes	✔	none reported
Noncompliance material to financial statements noted?		yes	✔	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	✔	no
Significant deficiency(ies) identified?		yes	✔	none reported
Type of auditors' report issued on compliance for major programs:			*unmodified*	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?		yes	✔	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:		$750,000		
Auditee qualified as low-risk auditee?	✔	yes		no

County of Lunenburg, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.