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COUNTY OF SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2018

COUNTY OF SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Prepared by
Angie Schellhammer, Finance Director
Shenandoah County, Virginia

**COUNTY OF SHENANDOAH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

County of Shenandoah

BOARD OF SUPERVISORS

DISTRICT 1 - DICK NEESE 540.740.3414

DISTRICT 2 - STEVE BAKER 540.477.3550

DISTRICT 3 - RICHARD WALKER 540.459.3149

DISTRICT 4 - CINDY BAILEY 540.481.0471

DISTRICT 5 - MARSHA SHRUNTZ 540.333.1042

DISTRICT 6 - CONRAD HELSLEY 540.481.6167

600 N. Main Street, Ste 102
WOODSTOCK, VA 22664



Tel: 540.459.6165 Fax: 540.459.6168
www.shenandoahcountyva.us

OFFICE OF COUNTY ADMINISTRATION

MARY T. PRICE
COUNTY ADMINISTRATOR

EVAN L. VASS
ASSISTANT COUNTY ADMINISTRATOR

November 30, 2018

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the County of Shenandoah (County) for the fiscal year ended 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

The financial reporting entity (*the County*) includes all funds of the primary government (*i.e., the County of Shenandoah as legally defined*), as well as all of its component units. The County provides a full range of services including police and fire protection, sanitation services, recreational activities, cultural events, and welfare services.

Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The discretely presented component units included in this report are the Shenandoah County School Board and the Shenandoah County Library.

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

□ The Reporting Entity and Economic Outlook □

The County of Shenandoah was formed in 1772 from Frederick County, and was originally named Dunmore County in honor of Governor Dunmore. In 1778, the name was changed to Shenandoah after the Shenandoah River, an Indian name meaning “Daughter of the Stars.”

Situated in the scenic northern Shenandoah Valley of Virginia, the County is 34 miles long and an average of 16 miles wide and contains a land area of 512 square miles. Within the boundaries of the County of Shenandoah are the towns of Edinburg, Mt. Jackson, New Market, Strasburg, Toms Brook and Woodstock. The County is a political subdivision of the Commonwealth of Virginia administered by a six-member board elected by magisterial district for four year concurrent terms. The Board of Supervisors elects one of its own to serve as Chairman and appoints a County Administrator to oversee the general administration of the County.

Although a rural county, the County’s 2018 population was 43,225. Shenandoah County enjoys a diversified economy, with manufacturing accounting for approximately 25% of the jobs in the County and health care accounting for roughly 11%. Agriculture accounts for less than 1% of the employment in the County due to the fact that most farmers are self-employed and many have jobs off the farm to supplement their incomes. The County’s unemployment is lower than the State average, and from June 2017 to June 2018, Shenandoah County saw its unemployment rates decrease from 3.7 percent to 3.2 percent.

The County is pleased to report the continuation of two significant economic development projects and a new economic development during fiscal year 2018.

During fiscal year 2015, Andros Foods North America (Andros), a subsidiary of France-based Andros Food Products, began its investment of \$73 million over three years to expand its operations in Shenandoah County. During fiscal year 2016, Andros added production and warehouse space and equipment to increase apple processing capacity for pouch products as well as process additional fruits. For fiscal year 2018 Andros worked on permitting for a 78,000 square foot addition to house a new assembly line and an expansion to the plant’s parking lot. By the end of the project, 66 new jobs are expected to be created within Shenandoah County for a total employment of 580 and investment of \$50 million.

Additionally, during fiscal year 2015, Route 11 Potato Chips commenced its expansion of its existing potato chip production facility located within the county; during fiscal year 2018, it continued its investment of \$1.2 million, which includes the installation of a second line in its current facility creating 13 new jobs. Also during fiscal year 2017, Filibuster Distillery (Filibuster) was selected to receive a \$30,000 Agriculture and Forestry Industries Development (AFID) grant for agreeing to invest \$795,000 in their Maurertown facility. Shenandoah County provided matching grant funds. This investment will create 8 new jobs by 2020. Filibuster also agreed to 100% source its corn and rye from Virginia Farmers and has been working with a farm out of Shenandoah County to meet these needs.

Finally, Shenandoah County was selected as the new east coast location for Truck Vault who opened their facility in Mount Jackson in 2018. Once completed, their investment will total \$1.5 million and include the addition of 60 new jobs.

□ Major Initiatives and Goals □

The mission statement of the County of Shenandoah is as follows:

The government of Shenandoah County is to promote an organizational environment that emphasizes the efficient delivery of high quality services to the public, assist the

Board of Supervisors in carrying out its strategic objectives, and effectively communicate information about County operations and services to citizens, the Board of Supervisors, the public, the employees, and the media.

During fiscal year 2016, the County contracted with an architectural firm to provide a conceptual design of a new Sheriff's Office facility. The Sheriff's Office facility will provide the space necessary to support the County's law enforcement services including patrol, crime prevention, civil process, animal control, investigations, and administration. Architectural and engineering services associated with the project continued into fiscal year 2018 and included further design to include the 911 Emergency Communications Center.

During fiscal years 2017 and 2018, Shenandoah County contracted with a vendor to assess the existing ultra-high frequency (UHF) conventional analog public safety radio communications system. The goal of the needs assessment was to determine the best approach to improve radio communications within the county and to replace aging equipment which has reached (or will reach within the next 2 years) its End-of-Life through the manufacturer. The assessment included a review of how the Shenandoah County Department of Emergency Communications (DEC) interfaces with the radio communications system, as well as recommendations for replacement of the current system.

Additionally, during fiscal year 2018, Shenandoah County contracted with Tyler Technologies to upgrade the existing CAD to a new platform. The 911 Center CAD software was upgraded and all new servers purchased. This included a new mapping system that works with county GIS data to provide visual location information of active calls, events, and cellular callers. This system interfaces with the mobile and field reporting software installed in the police cruisers with the Sheriff's Department, Woodstock Police, New Market Police and Mount Jackson Police Departments. It also provides incident information to all Fire and Rescue agencies within Shenandoah County.

☐ Financial Information ☐

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

Single Audit

As a recipient of federal and state financial assistance, the County also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2018 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

Budgeting Controls

In addition to internal accounting controls, the County also maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the County Board of Supervisors. Budgetary control is maintained at the function level and any unspent appropriations at the fiscal year

end may be reappropriated as part of the following year's revised budget.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Relevant financial policies

The County of Shenandoah, Virginia has adopted a comprehensive set of financial policies. The County has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to appropriations and transfers to other funds). Anticipated fiscal year 2018 revenues were less than appropriations and transfers to other funds by \$1,979,259 as a result of several one-time capital projects. In such cases, the policy allows for appropriation of fund balance to close the gap. However, because of continued measures taken during the year to control expenditures and an increase in certain revenue sources, there was actually an increase in fund balance of \$2,137,660 for the year.

□ Other Information □

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates, CPA's, was selected by the County. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The auditors' report on the basic financial statements and combining individual fund statements and schedules is included in the Financial Section of this report. The auditors' report related specifically to the single audit is included in the Compliance Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Shenandoah, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this annual financial report could not have been accomplished without the dedicated effort of Mary Beth Price, County Administrator, Cindy George, Treasurer, the School Board and the members of their staff. We would like to express our appreciation to all members of those departments who assisted and contributed to the preparation of this report.

Moreover, without the leadership and support of the Board of Supervisors, preparation of this report would not have been possible.

Sincerely,



Angela D. Schellhammer
Director of Finance



Government Finance Officers Association

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

Presented to

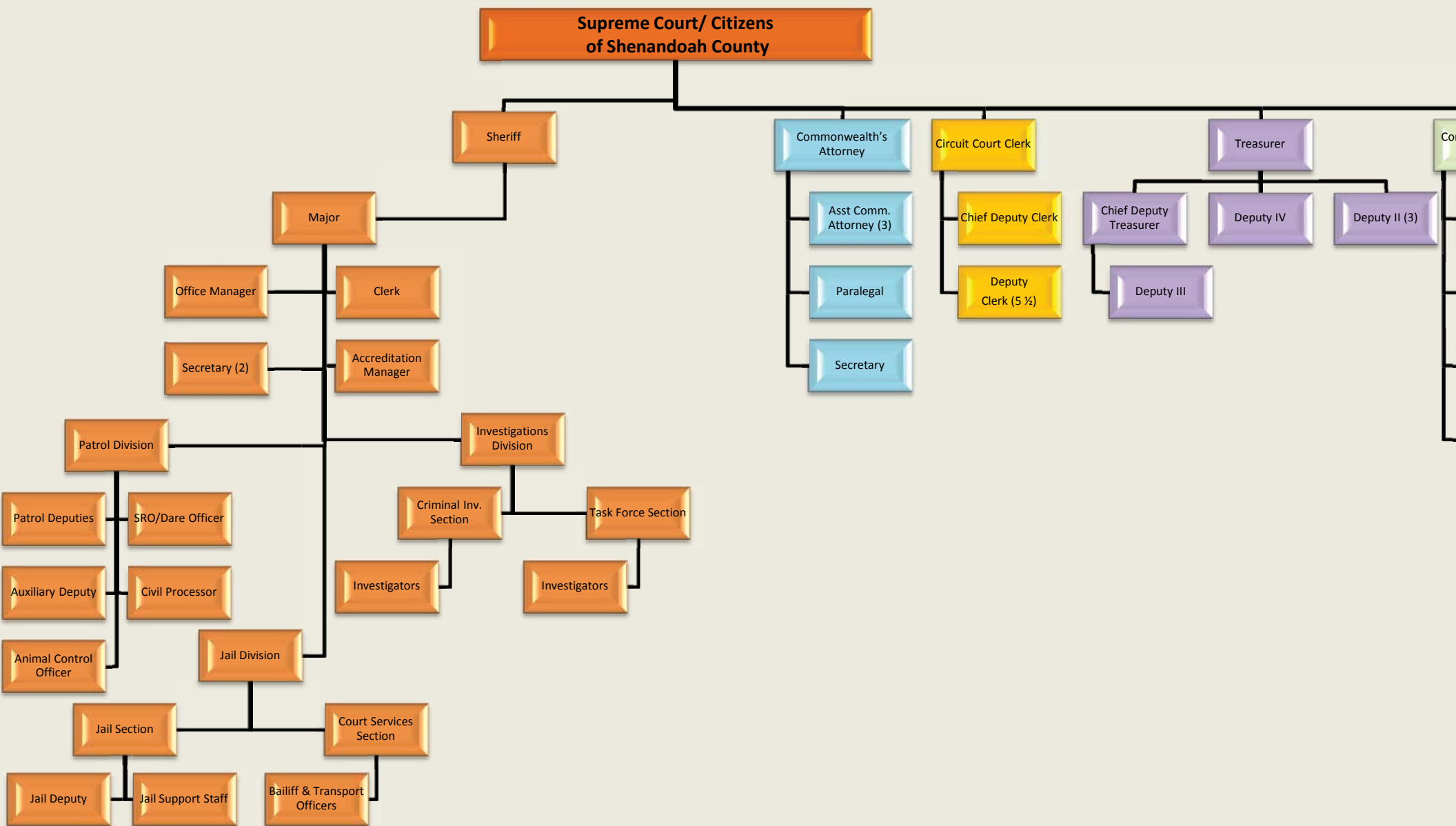
**County of Shenandoah
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



COUNTY OF SHENANDOAH, VIRGINIA

BOARD OF SUPERVISORS

Dr. Conrad A. Helsley, Chairman, District 6

Dick Neese, Vice Chairman, District 1

Steven A. Baker, District 2
Richard R. Walker, District 3

Karl Roulston, District 4
Dennis Morris, District 5

COUNTY SCHOOL BOARD

Karen S. Whetzel, Chairman, District 1

Richard L. Koontz, Jr., Vice Chairman, District 2

Cindy Walsh, District 3
Michelle Manning, District 4

Shelby Kline, District 5
Sonya Williams-Giersch, District 6

OTHER OFFICIALS

Judge of the Circuit Court	Dennis Hupp
Judge of the General District Court	Amy Tisinger
Judge of the Juvenile & Domestic Court.....	Kevin Black
Clerk of the General District Court.....	Tammy Heishman
Clerk of the Juvenile & Domestic Court.....	Nikki Taylor
Clerk of the Circuit Court	Sarona Irvin
Commonwealth's Attorney.....	Amanda McDonald Wiseley
Commissioner of the Revenue	Kathy Black
Treasurer	Cindy George
Sheriff	Timothy Carter
Superintendent of Schools.....	Dr. Mark Johnston
Director of Sanitary Districts	Pat Felling
Director of Social Services.....	Carla Taylor
General Registrar	Lisa McDonald
County Administrator	Mary T. Price
Assistant County Administrator.....	Evan L. Vass
County Attorney	Jason Ham
Finance Director	Angie Schellhammer
Building Code Official	Mark Griffey
Director of Parks and Recreation.....	Jered Hoover
Chief of Fire and Rescue	Tim Williams
Director of Emergency Communications Center	Gary Yew
General Properties Manager	Duane Williams
Library Director	Sandy Whitesides

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF SHENANDOAH, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, 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.

Change in Accounting Principle

As described in Note 2 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 2 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, 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.

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 12-19, 114, and 115-133, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the County of Shenandoah, 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 Shenandoah 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 Shenandoah, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Staunton, Virginia
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Shenandoah, Virginia (County), 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. The MD&A also includes a comparative analysis for the fiscal year ended June 30, 2017.

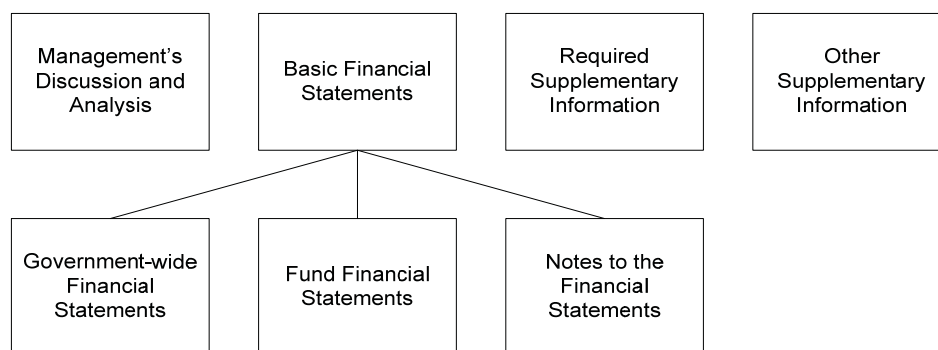
Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,695,738 (net position). Of this amount, \$7,422,553 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$30,137,425, an increase of \$2,319,812 in comparison with the prior year. Approximately \$14,582,450 or 48 percent of the total fund balance is unassigned and available for spending at the County's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund of \$14,582,450 represents 22 percent of total general fund expenditures.
- The County's total long-term obligations decreased by \$3,700,216 during the current fiscal year, primarily due to the payment of principal on its indebtedness.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains required supplementary information and other supplementary information.

Components of the Financial Report



Government-wide financial statements - The government-wide financial statements provide financial statement users with a general overview of the County's finances. The statements provide both long-term and short-term information about the County's financial status. Two financial statements are used to present this information: 1) the statement of net position, and 2) the statement of activities. These statements are reported using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by private-sector companies.

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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. Other non-financial factors also need to be considered to determine the overall financial position of the County.

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, judicial administration, public safety, public works, health and welfare, parks and recreation and cultural, and community development. Business-type activities of the County include the Toms Brook-Maurertown Sanitary District, the Stoney Creek Sanitary District, North Fork Wastewater Treatment Plant fund, and the Landfill fund.

The government-wide financial statements include not only the County of Shenandoah, Virginia (known as the primary government), but also a legally separate school district and a legally separate library for which the County of Shenandoah, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present 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 Shenandoah, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater Treatment Plant and the Landfill. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater and the Landfill all of which are considered to be major funds of the County.

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 and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. 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 statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in the connection with nonmajor governmental funds are also presented as required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,695,738 at the close of the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Shenandoah County's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents 58 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position

County of Shenandoah, Virginia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 57,570,293	\$ 53,648,094	\$ 2,278,596	\$ 2,283,143	\$ 59,848,889	\$ 55,931,237
Capital assets	42,586,914	44,299,779	13,088,822	12,904,547	55,675,736	57,204,326
Total assets	<u>\$ 100,157,207</u>	<u>\$ 97,947,873</u>	<u>\$ 15,367,418</u>	<u>\$ 15,187,690</u>	<u>\$ 115,524,625</u>	<u>\$ 113,135,563</u>
Total deferred outflows of resources	\$ 1,220,570	\$ 2,008,725	\$ 138,935	\$ 243,664	\$ 1,359,505	\$ 2,252,389
Current liabilities	\$ 1,786,652	\$ 1,853,850	\$ 269,598	\$ 448,477	\$ 2,056,250	\$ 2,302,327
Long-term liabilities	44,333,067	50,119,186	13,187,170	13,184,488	57,520,237	63,303,674
Total liabilities	<u>\$ 46,119,719</u>	<u>\$ 51,973,036</u>	<u>\$ 13,456,768</u>	<u>\$ 13,632,965</u>	<u>\$ 59,576,487</u>	<u>\$ 65,606,001</u>
Total deferred inflows of resources	\$ 25,065,407	\$ 22,333,441	\$ 546,498	\$ 388,160	\$ 25,611,905	\$ 22,721,601
Net position:						
Net investment in capital assets	\$ 7,241,929	\$ 5,506,961	\$ 11,091,949	\$ 11,391,963	\$ 18,333,878	\$ 16,898,924
Restricted:						
Capital projects	729,723	-	-	-	729,723	-
Asset forfeiture	5,209,584	5,648,061	-	-	5,209,584	5,648,061
Unrestricted	17,011,415	14,495,099	(9,588,862)	(9,981,734)	7,422,553	4,513,365
Total net position	<u>\$ 30,192,651</u>	<u>\$ 25,650,121</u>	<u>\$ 1,503,087</u>	<u>\$ 1,410,229</u>	<u>\$ 31,695,738</u>	<u>\$ 27,060,350</u>

At the end of the current fiscal year, the County is able to report positive balances in all categories of net position, except for business-type unrestricted net position, both for the County as a whole and for its separate governmental and business-type activities.

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Summary of Changes in Net Position

County of Shenandoah, Virginia's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,743,082	\$ 2,250,199	\$ 3,324,047	\$ 3,235,776	\$ 6,067,129	\$ 5,485,975
Operating grants and contributions	8,576,980	11,213,697	-	-	8,576,980	11,213,697
Capital grants and contributions	700,000	79,708	134,000	117,500	834,000	197,208
General revenues:						
Property taxes	44,834,747	42,461,477	562,737	560,226	45,397,484	43,021,703
Other local taxes	6,989,443	6,924,306	-	-	6,989,443	6,924,306
Other	5,964,871	6,039,286	31,924	20,429	5,996,795	6,059,715
Total revenues	<u>\$ 69,809,123</u>	<u>\$ 68,968,673</u>	<u>\$ 4,052,708</u>	<u>\$ 3,933,931</u>	<u>\$ 73,861,831</u>	<u>\$ 72,902,604</u>
Expenses:						
General						
government administration	\$ 2,986,698	\$ 2,844,200	\$ -	\$ -	\$ 2,986,698	\$ 2,844,200
Judicial						
administration	2,303,707	2,214,773	-	-	2,303,707	2,214,773
Public safety	15,269,440	15,601,779	-	-	15,269,440	15,601,779
Public works	1,130,117	1,203,056	-	-	1,130,117	1,203,056
Health and welfare	8,379,289	8,038,337	-	-	8,379,289	8,038,337
Education	29,061,555	27,662,686	-	-	29,061,555	27,662,686
Parks, recreation and culture	2,162,708	1,977,186	-	-	2,162,708	1,977,186
Community development	1,114,388	1,099,573	-	-	1,114,388	1,099,573
Interest	1,715,549	1,879,970	-	-	1,715,549	1,879,970
Business-type activities	-	-	5,102,992	5,118,434	5,102,992	5,118,434
Total expenses	<u>\$ 64,123,451</u>	<u>\$ 62,521,560</u>	<u>\$ 5,102,992</u>	<u>\$ 5,118,434</u>	<u>\$ 69,226,443</u>	<u>\$ 67,639,994</u>
Increase (decrease) in net position before transfers	\$ 5,685,672	\$ 6,447,113	\$ (1,050,284)	\$ (1,184,503)	\$ 4,635,388	\$ 5,262,610
Transfers	(1,143,142)	(1,357,419)	1,143,142	1,357,419	-	-
Increase (decrease) in net position	\$ 4,542,530	\$ 5,089,694	\$ 92,858	\$ 172,916	\$ 4,635,388	\$ 5,262,610
Net position beginning	25,650,121	22,410,338	1,410,229	1,470,623	27,060,350	23,880,961
Effect of change in accounting principle	-	(1,849,911)	-	(233,310)	-	(2,083,221)
Net position ending	<u>\$ 30,192,651</u>	<u>\$ 25,650,121</u>	<u>\$ 1,503,087</u>	<u>\$ 1,410,229</u>	<u>\$ 31,695,738</u>	<u>\$ 27,060,350</u>

Governmental activities – Governmental activities increased the County's net position by \$4,542,530.

Key elements of this increase are as follows:

- Property taxes increased \$2,373,270 in fiscal year 2018 compared to fiscal year 2017. This is partly due to higher personal property assessments. The increase is also attributed to higher collections on prior years' real property and personal property accounts as a result of more aggressive collection efforts on delinquent tax accounts.
- Capital grants and contributions increased \$620,292.
- Other local taxes increased \$65,137 mainly related to increased sales tax receipts.
- Transfers decreased by \$214,277 as a result of governmental activities.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities – Business-type activities of the two Sanitary Districts increased the Shenandoah County Government's net position by \$472,299. This was an increase of \$41,812 from the previous fiscal year. This increase is primarily the result of lower treatment and purification expenses for both the Stoney Creek Sanitary and Toms Brook-Maurertown Districts as compared to the prior fiscal year as well as an increase in capital contributions for the Toms Brook-Maurertown Sanitary District.

Two other enterprise funds are included in the business-type activities. First is the North Fork Wastewater Treatment Plant and the second is the Landfill Enterprise Fund. In fiscal year 2011, the North Fork Wastewater Treatment Plant fund was created and the shift generated an increase in assets. In fiscal year 2018, this fund experienced an increase in assets of \$32,805. The Landfill Enterprise Fund was created in fiscal year 2012 in response to the leachate line project. The creation of this fund required significant changes to the financial statements as assets moved from the General Fund to the Landfill Fund. The landfill had a negative impact on the business-type activities of \$5,565,677 for fiscal year 2018; however, the General Fund assets benefit from this transfer.

Financial Analysis of the County's Funds

As noted earlier, the County used 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 spendable 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 combined ending fund balances of \$30,137,425 an increase of \$2,319,812 in comparison with the prior year. Approximately 48% of the total fund balance or \$14,582,450 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is assigned to indicate that is not available to finance operations as it has been designated by the Board of Supervisors for future capital projects.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,582,450, while the total fund balance was \$21,661,976. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The General Fund's fund balance increased \$2,137,660 during the current fiscal year.

Proprietary funds - The Shenandoah County Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a \$1,244,371 increase in appropriations and can be briefly summarized as follows:

- \$940,291 increase in public safety expenditures due in part to the receipt and expenditures associated with various grant and other law enforcement programs including the State and Community Highway Safety, U.S. Forest Service Patrol, Federal Equitable Asset Sharing, Project Lifesaver, Project Backpack, and Triad programs, Compensation Board employee salary increases, EMD grant funding, and continued funding for ECC office design.
- \$112,478 increase in community development expenditures primarily due to the receipt of various, unanticipated grant funding,

Fiscal year 2018 actual revenues were approximately \$4,856,090 more than the fiscal year 2018 final budgeted revenues. Fiscal year 2018 actual expenditures were approximately \$542,614 less than the fiscal year 2018 final budgeted expenditures. Reasons for these variances are briefly summarized as follows:

- General property taxes were \$3,518,919 more than the final budgeted revenues primarily due to increased personal property and real property tax collections that were higher than anticipated; this was a result of more aggressive tax collections on current and delinquent taxes.
- Intergovernmental revenues from State government were \$929,004 more than the budgeted revenues due to more receipts than anticipated primarily within health and welfare.
- Education expenditures were \$1,244,962 less than the budgeted expenditures as a result of less transfers to the County School Board throughout the fiscal year.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$42,586,914 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total of the County's investment in capital assets for the current fiscal year did not significantly change from the prior fiscal year.

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County of Shenandoah, Virginia's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,908,718	\$ 4,592,816	\$ 503,500	\$ 503,500	\$ 5,412,218	\$ 5,096,316
Building and improvements	44,814,857	47,384,496	-	-	44,814,857	47,384,496
Utility plant in service	-	-	33,429,346	32,634,661	33,429,346	32,634,661
Equipment	9,476,698	9,165,600	-	-	9,476,698	9,165,600
Construction in progress	2,032,264	1,025,547	552,305	305,357	2,584,569	1,330,904
Subtotal	\$ 61,232,537	\$ 62,168,459	\$ 34,485,151	\$ 33,443,518	\$ 95,717,688	\$ 95,611,977
Accumulated depreciation	(18,645,623)	(17,868,680)	(21,396,329)	(20,538,971)	(40,041,952)	(38,407,651)
Net capital assets	\$ 42,586,914	\$ 44,299,779	\$ 13,088,822	\$ 12,904,547	\$ 55,675,736	\$ 57,204,326

Additional information on the County's capital assets can be found in Note 9.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$37,678,504. The bonded debt outstanding comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's long-term bonded debt decreased by \$4,205,791.

Additional information on the County of Shenandoah, Virginia's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

- The June 2018 unemployment rate for the County was 3.2 percent, which is a decrease from a rate of 3.7 percent in June 2017. The County's rate is equal to the state average of 3.2 percent and lower than the national average rate of 4.0 percent.
- Growth in the County is expected to continue to remain slow, which will continue to cause general property and other local tax revenues to experience minimal growth.
- Earnings on idle cash continue to remain at low levels.
- It is expected that the Commonwealth of Virginia may continue to decrease its funding to localities, particularly given the impact of federal government budgetary cuts to the Commonwealth.

All of these factors were considered in preparing the County's budget for fiscal year 2018.

Requests for Information

This financial report is designed to provide a general overview of the finances of the County of Shenandoah, Virginia. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Shenandoah Department of Finance, 600 N. Main Street; Suite 102, Woodstock, Virginia 22664.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Net Position
June 30, 2018

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type		School Board	Library
	Activities	Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 26,628,228	\$ 1,517,199	\$ 28,145,427	\$ 5,205,683	\$ 371,211
Cash in custody of others	9,392	-	9,392	-	-
Restricted cash	729,723	30,125	759,848	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,830,953	316,546	24,147,499	-	-
Accounts receivable	1,544,084	433,300	1,977,384	811,288	-
Internal balances	25,556	(25,556)	-	-	-
Due from component unit	2,669,759	-	2,669,759	-	-
Due from other governmental units	1,972,039	-	1,972,039	1,410,136	9,769
Inventories	-	-	-	88,127	-
Prepaid items	160,559	6,982	167,541	69,233	22,584
Deposits	-	-	-	5,000	-
Capital assets (net of accumulated depreciation):					
Land	4,908,718	503,500	5,412,218	5,725,275	-
Buildings and improvements	33,866,650	4,333,691	38,200,341	40,374,163	172,890
Wells, lines, reservoirs	-	4,623,120	4,623,120	-	-
Machinery and equipment	1,779,282	3,076,206	4,855,488	2,524,873	35,635
Construction in progress	2,032,264	552,305	2,584,569	728,497	-
Total assets	\$ 100,157,207	\$ 15,367,418	\$ 115,524,625	\$ 56,942,275	\$ 612,089
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,153,020	\$ 130,415	\$ 1,283,435	\$ 7,540,199	\$ -
OPEB related items	67,550	8,520	76,070	629,689	-
Total deferred outflows of resources	\$ 1,220,570	\$ 138,935	\$ 1,359,505	\$ 8,169,888	\$ -
LIABILITIES					
Accounts payable	\$ 838,484	\$ 221,673	\$ 1,060,157	\$ 3,554,503	\$ 662
Retainage payable	-	11,681	11,681	-	-
Accrued interest payable	484,662	6,119	490,781	-	-
Due to primary government	-	-	-	2,669,759	-
Unearned revenue	463,506	-	463,506	-	-
Deposits payable-restricted assets	-	30,125	30,125	-	-
Long-term liabilities:					
Due within one year	4,800,267	317,923	5,118,190	225,374	-
Due in more than one year	39,532,800	12,869,247	52,402,047	69,475,995	-
Total liabilities	\$ 46,119,719	\$ 13,456,768	\$ 59,576,487	\$ 75,925,631	\$ 662
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 23,184,448	\$ 276,612	\$ 23,461,060	\$ -	\$ -
Deferred charge refunding	246,868	-	246,868	-	-
Pension related items	1,504,394	253,528	1,757,922	7,728,693	-
OPEB related items	129,697	16,358	146,055	539,000	-
Total deferred inflows of resources	\$ 25,065,407	\$ 546,498	\$ 25,611,905	\$ 8,267,693	\$ -
NET POSITION					
Net investment in capital assets	\$ 7,241,929	\$ 11,091,949	\$ 18,333,878	\$ 49,352,808	\$ 208,525
Restricted:					
Capital projects	729,723	-	729,723	-	-
Asset forfeiture	5,209,584	-	5,209,584	-	-
Unrestricted (deficit)	17,011,415	(9,588,862)	7,422,553	(68,433,969)	402,902
Total net position	\$ 30,192,651	\$ 1,503,087	\$ 31,695,738	\$ (19,081,161)	\$ 611,427

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

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COUNTY OF SHENANDOAH, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,986,698	\$ 519,425	\$ 303,397	\$ -
Judicial administration	2,303,707	208,277	786,120	-
Public safety	15,269,440	952,459	2,391,636	700,000
Public works	1,130,117	2,400	17,800	-
Health and welfare	8,379,289	-	5,060,470	-
Education	29,061,555	-	-	-
Parks, recreation, and cultural	2,162,708	1,060,521	17,557	-
Community development	1,114,388	-	-	-
Interest on long-term debt	1,715,549	-	-	-
Total governmental activities	<u>\$ 64,123,451</u>	<u>\$ 2,743,082</u>	<u>\$ 8,576,980</u>	<u>\$ 700,000</u>
Business-type activities:				
Stoney Creek Sanitary District	\$ 1,335,855	\$ 1,158,768	\$ -	\$ 64,000
Toms Brook Maurertown Sanitary District	753,373	674,098	-	70,000
North Fork Wastewater	276,138	103,685	-	-
Landfill	2,737,626	1,387,496	-	-
Total business-type activities	<u>\$ 5,102,992</u>	<u>\$ 3,324,047</u>	<u>\$ -</u>	<u>\$ 134,000</u>
Total primary government	<u>\$ 69,226,443</u>	<u>\$ 6,067,129</u>	<u>\$ 8,576,980</u>	<u>\$ 834,000</u>
COMPONENT UNITS:				
School Board	\$ 67,901,529	\$ 3,186,787	\$ 39,516,880	\$ 9,108
Library	1,039,453	24,561	957,311	-
Total component units	<u>\$ 68,940,982</u>	<u>\$ 3,211,348</u>	<u>\$ 40,474,191</u>	<u>\$ 9,108</u>

General revenues:
General property taxes
Local sales tax
Consumer utility taxes
Motor vehicle licenses
Tax on recordation and wills
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Library
\$ (2,163,876)	\$ -	\$ (2,163,876)	\$ -	\$ -
(1,309,310)	-	(1,309,310)	-	-
(11,225,345)	-	(11,225,345)	-	-
(1,109,917)	-	(1,109,917)	-	-
(3,318,819)	-	(3,318,819)	-	-
(29,061,555)	-	(29,061,555)	-	-
(1,084,630)	-	(1,084,630)	-	-
(1,114,388)	-	(1,114,388)	-	-
(1,715,549)	-	(1,715,549)	-	-
<u>\$ (52,103,389)</u>	<u>\$ -</u>	<u>\$ (52,103,389)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (113,087)	\$ (113,087)	\$ -	\$ -
-	(9,275)	(9,275)	-	-
-	(172,453)	(172,453)	-	-
-	(1,350,130)	(1,350,130)	-	-
<u>\$ -</u>	<u>\$ (1,644,945)</u>	<u>\$ (1,644,945)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (52,103,389)</u>	<u>\$ (1,644,945)</u>	<u>\$ (53,748,334)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (25,188,754)	\$ -
-	-	-	-	(57,581)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,188,754)</u>	<u>\$ (57,581)</u>
\$ 44,834,747	\$ 562,737	\$ 45,397,484	\$ -	\$ -
3,651,977	-	3,651,977	-	-
1,867,094	-	1,867,094	-	-
891,545	-	891,545	-	-
366,337	-	366,337	-	-
212,490	-	212,490	-	-
705,696	23,197	728,893	27,839	609
1,155,162	8,727	1,163,889	280,091	172
4,104,013	-	4,104,013	29,016,598	171,340
(1,143,142)	1,143,142	-	-	-
<u>\$ 56,645,919</u>	<u>\$ 1,737,803</u>	<u>\$ 58,383,722</u>	<u>\$ 29,324,528</u>	<u>\$ 172,121</u>
\$ 4,542,530	\$ 92,858	\$ 4,635,388	\$ 4,135,774	\$ 114,540
25,650,121	1,410,229	27,060,350	(23,216,935)	496,887
<u>\$ 30,192,651</u>	<u>\$ 1,503,087</u>	<u>\$ 31,695,738</u>	<u>\$ (19,081,161)</u>	<u>\$ 611,427</u>

FUND FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

	Governmental Funds				
	General	Debt Service	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,152,779	\$ 184,372	\$ 8,102,474	\$ 188,603	\$ 26,628,228
Cash in custody of others	9,392	-	-	-	9,392
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,830,953	-	-	-	23,830,953
Accounts receivable	1,544,084	-	-	-	1,544,084
Other	-	-	-	-	-
Due from other funds	25,556	-	-	-	25,556
Due from component unit	2,669,759	-	-	-	2,669,759
Due from other governmental units	1,972,039	-	-	-	1,972,039
Prepaid items	160,559	-	-	-	160,559
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	729,723	-	-	-	729,723
Total assets	<u>\$ 49,094,844</u>	<u>\$ 184,372</u>	<u>\$ 8,102,474</u>	<u>\$ 188,603</u>	<u>\$ 57,570,293</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 838,484	\$ -	\$ -	\$ -	\$ 838,484
Unearned revenue	463,506	-	-	-	463,506
Total liabilities	<u>\$ 1,301,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301,990</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	<u>\$ 26,130,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,130,878</u>
FUND BALANCES					
Nonspendable	\$ 160,559	\$ -	\$ -	\$ -	\$ 160,559
Restricted	5,939,307	-	-	-	5,939,307
Assigned	979,660	184,372	8,102,474	188,603	9,455,109
Unassigned	14,582,450	-	-	-	14,582,450
Total fund balances	<u>\$ 21,661,976</u>	<u>\$ 184,372</u>	<u>\$ 8,102,474</u>	<u>\$ 188,603</u>	<u>\$ 30,137,425</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,094,844</u>	<u>\$ 184,372</u>	<u>\$ 8,102,474</u>	<u>\$ 188,603</u>	<u>\$ 57,570,293</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

Exhibit 4

		<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	30,137,425
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	4,908,718
Buildings and improvements		33,866,650
Machinery and equipment		1,779,282
Construction in progress		<u>2,032,264</u>
		42,586,914
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds.		
Unavailable revenue - property taxes		2,946,430
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	1,153,020
OPEB related items		<u>67,550</u>
		1,220,570
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest	\$	(484,662)
General obligation bonds		(27,856,936)
Bond premium		(1,189,058)
Literary loan funds		(943,500)
Lease revenue bonds		(6,435,000)
Capital leases payable		(1,111,953)
Compensated absences		(974,792)
Net pension liability		(3,302,221)
Net OPEB liabilities		<u>(2,519,607)</u>
		(44,817,729)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred charge refunding	\$	(246,868)
Pension related items		(1,504,394)
OPEB related items		<u>(129,697)</u>
		(1,880,959)
Net position of governmental activities	\$	<u><u>30,192,651</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 5

	Governmental Funds				
	General	Debt Service	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 45,169,428	\$ -	\$ -	\$ -	45,169,428
Other local taxes	6,989,443	-	-	-	6,989,443
Permits, privilege fees, and regulatory licenses	426,374	-	-	-	426,374
Fines and forfeitures	51,449	-	-	-	51,449
Revenue from the use of money and property	703,968	-	1,728	-	705,696
Charges for services	2,265,259	-	-	-	2,265,259
Miscellaneous	639,675	515,487	700,000	-	1,855,162
Recovered costs	497,565	-	-	-	497,565
Intergovernmental:					
Commonwealth	10,513,169	-	-	-	10,513,169
Federal	2,167,824	-	-	-	2,167,824
Total revenues	\$ 69,424,154	\$ 515,487	\$ 701,728	\$ -	\$ 70,641,369
EXPENDITURES					
Current:					
General government administration	\$ 2,618,367	\$ -	\$ -	\$ -	2,618,367
Judicial administration	2,132,675	-	-	-	2,132,675
Public safety	15,984,765	-	-	-	15,984,765
Public works	1,157,835	-	-	-	1,157,835
Health and welfare	8,556,685	-	-	-	8,556,685
Education	26,617,409	-	-	-	26,617,409
Parks, recreation, and cultural	2,194,716	-	-	-	2,194,716
Community development	1,460,829	-	-	-	1,460,829
Nondepartmental	105,689	-	-	-	105,689
Capital projects	5,566	-	928,303	-	933,869
Debt service:					
Principal retirement	-	4,212,946	-	-	4,212,946
Interest and other fiscal charges	-	1,932,353	-	-	1,932,353
Total expenditures	\$ 60,834,536	\$ 6,145,299	\$ 928,303	\$ -	\$ 67,908,138
Excess (deficiency) of revenues over (under) expenditures	\$ 8,589,618	\$ (5,629,812)	\$ (226,575)	\$ -	\$ 2,733,231
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 5,814,184	\$ 224,355	\$ -	6,038,539
Transfers out	(7,181,681)	-	-	-	(7,181,681)
Issuance of Capital leases	729,723	-	-	-	729,723
Total other financing sources (uses)	\$ (6,451,958)	\$ 5,814,184	\$ 224,355	\$ -	\$ (413,419)
Net change in fund balances	\$ 2,137,660	\$ 184,372	\$ (2,220)	\$ -	2,319,812
Fund balances - beginning	19,524,316	-	8,104,694	188,603	27,817,613
Fund balances - ending	\$ 21,661,976	\$ 184,372	\$ 8,102,474	\$ 188,603	\$ 30,137,425

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

COUNTY OF SHENANDOAH, VIRGINIA
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

Exhibit 6

		<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	2,319,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlays	\$	1,987,792
Depreciation expense		(1,256,512)
Allocation of debt financed school assets based on current year repayments		<u>(2,444,146)</u> (1,712,866)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(334,681)
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.		
Issuance of long-term debt	\$	(729,723)
Principal repayments		4,212,946
Change in accrued interest		57,304
Amortization of bond premium		139,432
Amortization of deferred charge on refunding		<u>20,068</u> 3,700,027
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	\$	(83,082)
Pension expense		696,809
OPEB expense		<u>(43,489)</u> 570,238
Change in net position of governmental activities	\$	<u><u>4,542,530</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit 7

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 874,506	\$ 554,729	\$ 87,964	\$ -	\$ 1,517,199
Restricted cash	13,050	17,075	-	-	30,125
Taxes receivable, net of allowances for uncollectibles	287,930	28,616	-	-	316,546
Accounts receivable, net of allowances for uncollectibles	224,315	77,159	10,067	121,759	433,300
Prepaid items	3,645	3,337	-	-	6,982
Total current assets	\$ 1,403,446	\$ 680,916	\$ 98,031	\$ 121,759	\$ 2,304,152
Noncurrent assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 37,251	\$ 84,047	\$ 4,950	\$ 377,252	\$ 503,500
Building and improvements	-	-	40,340	4,293,351	4,333,691
Wells, lines, reservoirs	2,849,142	1,773,978	-	-	4,623,120
Machinery and equipment	615,060	40,499	1,200,225	1,220,422	3,076,206
Construction in progress	-	512,737	-	39,568	552,305
Total noncurrent assets	\$ 3,501,453	\$ 2,411,261	\$ 1,245,515	\$ 5,930,593	\$ 13,088,822
Total assets	\$ 4,904,899	\$ 3,092,177	\$ 1,343,546	\$ 6,052,352	\$ 15,392,974
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 51,811	\$ 18,244	\$ -	\$ 60,360	\$ 130,415
OPEB related items	3,499	1,141	-	3,880	8,520
Total deferred outflows of resources	\$ 55,310	\$ 19,385	\$ -	\$ 64,240	\$ 138,935
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 12,576	\$ 76,459	\$ 10,902	\$ 121,736	\$ 221,673
Deposits payable-restricted assets	13,050	17,075	-	-	30,125
Accrued interest payable	-	545	2,292	3,282	6,119
Due to other funds	-	25,556	-	-	25,556
Retainage payable	-	11,681	-	-	11,681
Compensated absences	15,512	4,124	-	18,045	37,681
Bonds payable	-	23,729	61,508	-	85,237
Capital leases	-	-	-	195,005	195,005
Total current liabilities	\$ 41,138	\$ 159,169	\$ 74,702	\$ 338,068	\$ 613,077
Noncurrent liabilities:					
Compensated absences	\$ 46,536	\$ 12,372	\$ -	\$ 54,133	\$ 113,041
Bonds payable	-	291,760	877,013	-	1,168,773
Capital leases	-	-	-	536,177	536,177
Landfill closure and post-closure care	-	-	-	10,309,400	10,309,400
Net pension liability	170,259	55,763	-	189,218	415,240
Net OPEB liabilities	137,355	38,930	-	150,331	326,616
Total noncurrent liabilities	\$ 354,150	\$ 398,825	\$ 877,013	\$ 11,239,259	\$ 12,869,247
Total liabilities	\$ 395,288	\$ 557,994	\$ 951,715	\$ 11,577,327	\$ 13,482,324
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 248,618	\$ 27,994	\$ -	\$ -	\$ 276,612
Pension related items	113,972	42,061	-	97,495	253,528
OPEB related items	6,720	2,191	-	7,447	16,358
Total deferred inflows of resources	\$ 369,310	\$ 72,246	\$ -	\$ 104,942	\$ 546,498
NET POSITION					
Net investment in capital assets	\$ 3,501,453	\$ 2,084,091	\$ 306,994	\$ 5,199,411	\$ 11,091,949
Unrestricted	694,158	397,231	84,837	(10,765,088)	(9,588,862)
Total net position	\$ 4,195,611	\$ 2,481,322	\$ 391,831	\$ (5,565,677)	\$ 1,503,087

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 8

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Mauretown Sanitary District	North Fork Wastewater	Landfill	Total
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 457,449	\$ 243,904	\$ -	\$ -	\$ 701,353
Sewer sales	701,319	407,319	-	-	1,108,638
Septage income	-	22,875	103,685	-	126,560
Waste collection charges	-	-	-	1,387,496	1,387,496
Total operating revenues	<u>\$ 1,158,768</u>	<u>\$ 674,098</u>	<u>\$ 103,685</u>	<u>\$ 1,387,496</u>	<u>\$ 3,324,047</u>
OPERATING EXPENSES					
Treatment and purification	\$ 497,057	\$ 159,519	\$ -	\$ -	\$ 656,576
Maintenance	200,583	174,216	191,717	-	566,516
Administration	264,826	164,851	-	-	429,677
Other	251,850	64,814	21,217	-	337,881
Refuse collection	-	-	-	745,565	745,565
Refuse disposal	-	-	-	1,323,729	1,323,729
Landfill closure and post-closure costs	-	-	-	136,034	136,034
Depreciation and amortization	121,539	175,259	39,308	521,252	857,358
Total operating expenses	<u>\$ 1,335,855</u>	<u>\$ 738,659</u>	<u>\$ 252,242</u>	<u>\$ 2,726,580</u>	<u>\$ 5,053,336</u>
Operating income (loss)	<u>\$ (177,087)</u>	<u>\$ (64,561)</u>	<u>\$ (148,557)</u>	<u>\$ (1,339,084)</u>	<u>\$ (1,729,289)</u>
NONOPERATING REVENUES (EXPENSES)					
General property taxes	\$ 506,319	\$ 56,418	\$ -	\$ -	\$ 562,737
Investment earnings	10,336	12,861	-	-	23,197
Other	8,291	436	-	-	8,727
Interest expense	-	(14,714)	(23,896)	(11,046)	(49,656)
Total nonoperating revenues (expenses)	<u>\$ 524,946</u>	<u>\$ 55,001</u>	<u>\$ (23,896)</u>	<u>\$ (11,046)</u>	<u>\$ 545,005</u>
Income before contributions and transfers	<u>\$ 347,859</u>	<u>\$ (9,560)</u>	<u>\$ (172,453)</u>	<u>\$ (1,350,130)</u>	<u>\$ (1,184,284)</u>
Capital contributions	\$ 64,000	\$ 70,000	\$ -	\$ -	\$ 134,000
Transfers in	-	-	351,077	792,065	1,143,142
Change in net position	<u>\$ 411,859</u>	<u>\$ 60,440</u>	<u>\$ 178,624</u>	<u>\$ (558,065)</u>	<u>\$ 92,858</u>
Total net position - beginning, as restated	<u>\$ 3,783,752</u>	<u>\$ 2,420,882</u>	<u>\$ 213,207</u>	<u>\$ (5,007,612)</u>	<u>\$ 1,410,229</u>
Total net position - ending	<u>\$ 4,195,611</u>	<u>\$ 2,481,322</u>	<u>\$ 391,831</u>	<u>\$ (5,565,677)</u>	<u>\$ 1,503,087</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 9

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,157,551	\$ 675,253	\$ 119,535	\$ 1,385,696	\$ 3,338,035
Payments to suppliers	(434,240)	(265,567)	(294,090)	(1,202,287)	(2,196,184)
Payments to employees	(797,579)	(273,179)	-	(1,158,177)	(2,228,935)
Net cash provided (used for) operating activities	\$ (74,268)	\$ 136,507	\$ (174,555)	\$ (974,768)	\$ (1,087,084)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	\$ -	\$ -	\$ 351,077	\$ 792,065	\$ 1,143,142
General property taxes	505,421	56,830	-	-	562,251
Net cash provided (used for) noncapital financing activities	\$ 505,421	\$ 56,830	\$ 351,077	\$ 792,065	\$ 1,705,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase and construction of capital assets	\$ (127,218)	\$ (448,530)	\$ -	\$ (454,207)	\$ (1,029,955)
Capital leases	-	-	-	393,147	393,147
Principal paid on capital debt	-	(22,685)	(64,519)	(117,995)	(205,199)
Interest paid on capital debt	-	(14,753)	(24,039)	(11,461)	(50,253)
Capital contributions	64,000	70,000	-	-	134,000
Net cash provided (used for) capital and related financing activities	\$ (63,218)	\$ (415,968)	\$ (88,558)	\$ (190,516)	\$ (758,260)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	\$ 10,336	\$ 12,861	\$ -	\$ -	\$ 23,197
Net cash provided (used for) investing activities	\$ 10,336	\$ 12,861	\$ -	\$ -	\$ 23,197
Net increase (decrease) in cash and cash equivalents	\$ 378,271	\$ (209,770)	\$ 87,964	\$ (373,219)	\$ (116,754)
Cash and cash equivalents (including restricted cash)- beginning	509,285	781,574	-	373,219	1,664,078
Cash and cash equivalents (including restricted cash)- ending	\$ 887,556	\$ 571,804	\$ 87,964	\$ -	\$ 1,547,324
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	\$ (177,087)	\$ (64,561)	\$ (148,557)	\$ (1,339,084)	\$ (1,729,289)
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:					
Depreciation and amortization expense	\$ 121,539	\$ 175,259	\$ 39,308	\$ 521,252	\$ 857,358
Other non-operating income	8,291	436	-	-	8,727
Non-cash closure and post closure costs (recovery)	-	-	-	136,034	136,034
(Increase) decrease in accounts receivable	(13,708)	394	15,850	(1,800)	736
(Increase) decrease in prepaid items	(190)	(174)	-	-	(364)
(Increase) decrease in deferred outflows of resources	36,320	7,714	-	68,852	112,886
Increase (decrease) in accounts payable and accrued liabilities	5,247	58,070	(81,156)	(264,744)	(282,583)
Increase (decrease) in due to other funds	-	(22,875)	-	-	(22,875)
Increase (decrease) in compensated absences	8,249	1,570	-	(7,714)	2,105
Increase (decrease) in deposits payable	4,200	325	-	-	4,525
Increase (decrease) in net pension liability	(136,168)	(46,380)	-	(138,515)	(321,063)
Increase (decrease) in deferred inflows of resources	73,351	28,135	-	55,732	157,218
Increase (decrease) in net OPEB liabilities	(4,312)	(1,406)	-	(4,781)	(10,499)
Total adjustments	\$ 102,819	\$ 201,068	\$ (25,998)	\$ 364,316	\$ 642,205
Net cash provided (used for) operating activities	\$ (74,268)	\$ 136,507	\$ (174,555)	\$ (974,768)	\$ (1,087,084)
Schedule of non-cash capital and related financing activities:					
Landfill closure and post-closure costs (recovery)	\$ -	\$ -	\$ -	\$ 136,034	\$ -
Issuance of capital lease for purchase of machinery and equipment	-	-	-	393,147	-

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

Exhibit 10

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 798,942
Receivables:	
Accounts receivable	<u>322,257</u>
Total assets	<u>\$ 1,121,199</u>
LIABILITIES	
Amounts held for social service clients	\$ 5,418
Amounts held for locality rescue agencies	<u>1,115,781</u>
Total liabilities	<u>\$ 1,121,199</u>

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

Blended component units. The Stoney Creek and Toms Brook-Maurertown Sanitary Districts account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The Sanitary Districts are governed by the County Board of Supervisors, benefit the primary government even though it does not provide services directly to it, and are reported as blended component units.

Discretely presented component units. The Shenandoah County School Board (Board) is responsible for elementary and secondary education within the government's jurisdiction. The members of the Board's governing board are elected by the voters. However, the government is financially accountable for the Board because the government's council approves the Boards' budget, levies taxes (if necessary), and must approve any debt issuances. The Shenandoah County School Board does not prepare separate financial statements.

The Shenandoah County Library operates to provide services to the citizens of the County. The Board of Supervisors appoints the Library Trustees as well as provides significant funding to the Library. Complete financial statements for the Library can be obtained from their offices in Edinburg, Virginia.

Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Joint Venture – The County of Rappahannock, the County of Shenandoah, and the County of Warren participate in supporting the Rappahannock-Shenandoah-Warren (RSW) Regional Jail, which serves as the localities' regional adult detention center. The RSW Regional Jail became operational on July 1, 2014. The RSW Regional Jail is governed by a nine-member board, an Authority, consisting of three members each from the three participating counties. The participating localities pay a per diem charge each year based on the participating localities' usage of the jail for the preceding three years. In April 2012, the RSW Regional Jail Authority issued \$45,240,000 in moral obligation bonds with varying annual payments, with a final maturity at April 1, 2043. The bonds were issued at a premium of \$4,992,732. The outstanding principal portion and unamortized premium of the bonds for the RSW Regional Jail at June 30, 2018 total \$47,892,900. While the participating localities have an ongoing financial responsibility to fund the RSW Regional Jail debt should it lack sufficient funds to make scheduled debt service payments, the participating localities do not have an equity interest in the jail. During fiscal year 2018, the County contributed \$2,306,301 for the operations of the jail.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

A. Financial Reporting Entity (Continued)

Other Organizations (Continued)

Excluded from the County's Financial Report: (Continued)

Summary financial information for the RSW Regional Jail at June 30, 2018 is provided below:

		RSW Regional Jail
Total assets and deferred outflows of resources	\$	76,678,768
Total liabilities and deferred inflows of resources		49,922,594
Total net position	\$	26,756,174
For the year ended June 30, 2018		
Operating revenue	\$	13,617,466
Operating expenses		(12,841,962)
Nonoperating income (expense)		(1,808,423)
Change in net position	\$	(1,032,919)
Net position at beginning of year, as restated		27,789,093
Net position at end of year	\$	26,756,174

Complete financial statements for the RSW Regional Jail can be obtained from the Jail Superintendent at 6601 Winchester Road, Front Royal, Virginia 22630.

Jointly Governed Organizations – The County, in conjunction with other localities has created the Northwestern Regional Juvenile Detention Center and the Northwestern Community Services Board. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$241,646 for operations to the Northwestern Community Services Board and \$484,149 to the Northwestern Regional Juvenile Detention Center. The School Board contributed \$1,419,288 to the Shenandoah Valley Regional Program for operations. The County does not maintain an ongoing financial interest or responsibility for these organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component 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.

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

B. Government-wide and fund financial statements (continued)

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the activities for Virginia Public Assistance, Forfeited Drug Assets, Sheriff Federal Case, Jail Canteen, Law Library, Transient Occupancy, Gypsy Moth, Spay/Neuter, Pump and Haul, Seven Bends Day Care, Jail Telephone, Purchase Development Rights, Project Lifesaver, Triad, Crime Prevention, DARE, Sludge Disposal and Landfill Recovery Funds.

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

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

The *debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. It also is used to report the financial resources being accumulated for future debt service. The County Debt Service Fund is a major fund of the County.

The *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. The County Capital Projects Fund is a major fund of the County.

The government reports the following major proprietary funds:

The *Stoney Creek Sanitary District and Toms Brook-Maurertown Sanitary District funds* account for the activities of the Districts blended component units of the government. The Districts operate the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution systems of the County.

The *North Fork Wastewater fund* accounts for the activity of the leachate services provided at the sewage treatment plant. It was created on June 30, 2011 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The *Landfill fund* accounts for the activity of the refuse disposal services provided to the residents of the County. It was created on June 30, 2012 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The government reports the following governmental fund types:

Special revenue fund accounts for and reports the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Landfill Contingency Fund is a nonmajor special revenue fund of the County.

Capital projects fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Industrial Park Water and Sewer Fund is a nonmajor capital projects fund of the County.

The government reports the following fiduciary fund types:

Agency funds account for assets held by the County as an agent or custodian for individuals, private organizations, other governmental units or other funds. The special welfare, and ambulance recovery accounts are the County's agency funds.

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Districts, and government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

State statutes authorize the government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due and collectible semi-annually on June 5th and December 5th. The County bills and collects its own property taxes.

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

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

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,868,794 at June 30, 2018 and is comprised solely of property taxes. This allowance represents 0.8595% of the total levies for the previous six years. The allowance amounted to \$565 for Toms Brook-Maurertown Sanitary District and \$5,472 for Stoney Creek Sanitary District at June 30, 2018.

Accounts receivable are stated at book value. The Sanitary Districts calculate their allowance for uncollectible utility accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$559 for Toms Brook-Maurertown Sanitary District, \$3,916 for Stoney Creek Sanitary District and \$21,070 for the landfill fund at June 30, 2018.

5. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Quantities on hand at year-end are considered immaterial and have not been recorded, except in the School Cafeteria Fund where it can be easily measured.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. Restricted assets

At June 30, 2018, the County's restricted assets consisted of funds restricted for the purchase of school buses in the General fund in the amount of \$729,723 and Sanitary Districts customer deposits in the amount of \$30,125.

7. Capital assets

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

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

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

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

7. Capital assets (continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Wells, lines and reservoirs	40-50
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

8. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-term obligations

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

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

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

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

10. Fund equity

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

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

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

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. 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 the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 12.5% of the actual GAAP basis expenditures and other financing sources and uses.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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

10. Fund equity (continued)

The detail of the County's governmental fund balances are detailed below:

	General Fund	Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund Balances:					
Nonspendable:					
Prepaid items	\$ 160,559	\$ -	\$ -	\$ -	\$ 160,559
Restricted:					
Asset forfeiture proceeds-Virginia	\$ 62,483	\$ -	\$ -	\$ -	\$ 62,483
Asset forfeiture proceeds-Federal	5,147,101	-	-	-	5,147,101
Other capital projects	729,723	-	-	-	729,723
Total Restricted	\$ 5,939,307	\$ -	\$ -	\$ -	\$ 5,939,307
Assigned:					
Debt service	\$ -	\$ 184,372	\$ -	\$ -	\$ 184,372
Capital projects	-	-	8,102,474	100,084	8,202,558
KidzRec	196,157	-	-	-	196,157
Gypsy moth	10,655	-	-	-	10,655
Purchase development rights	2,503	-	-	-	2,503
Project lifesaver	10,773	-	-	-	10,773
Triad	6,690	-	-	-	6,690
Sheriff federal cases	19,014	-	-	-	19,014
Spay and neuter	78,497	-	-	-	78,497
Pump and haul	18,632	-	-	-	18,632
Crime prevention	3,218	-	-	-	3,218
Jail canteen	36,602	-	-	-	36,602
Sludge disposal	360,249	-	-	-	360,249
Landfill recovery	234,049	-	-	-	234,049
DARE	2,621	-	-	88,519	91,140
Total Assigned	\$ 979,660	\$ 184,372	\$ 8,102,474	\$ 188,603	\$ 9,455,109
Unassigned	\$ 14,582,450	\$ -	\$ -	\$ -	\$ 14,582,450
Total Fund Balances	\$ 21,661,976	\$ 184,372	\$ 8,102,474	\$ 188,603	\$ 30,137,425

11. 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):

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

12. Net position flow assumption

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

13. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. 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.

F. Use of Estimates

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) 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 liability measurement date. For more detailed information on these items, reference the related notes.

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

G. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The County also shows a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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.

H. Pensions

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

I. 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.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

I. Other Postemployment Benefits (OPEB) (Continued)

Political Subdivision and Teacher Employee Health Insurance Credit Program

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

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 2—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	Business-type Activities	Total Primary Government	Component Unit School Board
Net Position as reported at June 30, 2017	\$ 27,500,032	\$ 1,643,539	\$ 29,143,571	\$ (11,579,934)
Implementation of GASB 75:				
To increase the net OPEB liability for health insurance based on revised actuarial valuation	(823,276)	(103,824)	(927,100)	(2,938,001)
To record the Group Life Insurance net OPEB liability and related deferred outflow of resources as of June 30, 2017	(1,012,320)	(127,680)	(1,140,000)	(3,459,000)
To record the Health Insurance Credit Program net OPEB liability and related deferred outflow of resources as of June 30, 2017	(14,315)	(1,806)	(16,121)	-
To record the Teacher Health Insurance Credit Program net OPEB liability and related deferred outflow of resources as of June 30, 2017	-	-	-	(5,240,000)
Net Position as restated at June 30, 2017	\$ 25,650,121	\$ 1,410,229	\$ 27,060,350	\$ (23,216,935)

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 function level. The appropriation for each function can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government activities and the School Board is authorized to transfer budgeted amounts within the school system's categories. The legal level of budgetary control is at the function level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund and School Cafeteria Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Budgetary data presented in the accompanying financial statements includes both the original and the amended budget for the year ended June 30, 2018. Several supplemental appropriations were necessary during the year.

NOTE 4—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 acceptance, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Investments)

The County of Shenandoah, Virginia sets forth the following authorized investments to mitigate custodial credit risk. Whereas, authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.2-4501 of the Code of Virginia. Investment vehicles for the County of Shenandoah, Virginia shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel.

Credit Risk of Debt Securities

The County of Shenandoah, Virginia may invest any and all funds belonging to it or in its control in the following:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.
2. Repurchase agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least "AA" or equivalent by Moody's and/or Standard & Poor's.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Local Government Investment Pool (LGIP) Fund is comprised of legal investments authorized for public funds and has an average maturity of 30 days.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 27,837,673
Total	\$ 27,837,673

External Investment Pool

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

Interest Rate Risk

All County investments must be in securities maturing within five years. Maturities of the County's investments are as follows:

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>			<u>Greater Than</u>	
		<u>1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years</u>	
Local Government Investment Pool	\$ 27,837,673	\$ 27,837,673	\$ -	\$ -	\$ -	
Total	\$ 27,837,673	\$ 27,837,673	\$ -	\$ -	\$ -	

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 5—INTERFUND OBLIGATIONS:

	Due From Component Unit	Due To Component Unit	Due from Other Funds	Due to Other Funds
Primary Government:				
General Fund	\$ 2,669,759	\$ -	\$ 25,556	\$ -
Toms Brook-Maurertown Sanitary District	-	-	-	25,556
Sub-total	<u>\$ 2,669,759</u>	<u>\$ -</u>	<u>\$ 25,556</u>	<u>\$ 25,556</u>
Discretely Presented Component Units:				
School Operating Fund	\$ -	\$ 2,669,759	\$ 90,791	\$ -
School Cafeteria Fund	-	-	-	90,791
Sub-total	<u>\$ -</u>	<u>\$ 2,669,759</u>	<u>\$ 90,791</u>	<u>\$ 90,791</u>
Total reporting entity	<u>\$ 2,669,759</u>	<u>\$ 2,669,759</u>	<u>\$ 116,347</u>	<u>\$ 116,347</u>

Balances due to/from component units resulted from the time lag between the dates that interfund goods and services were provided.

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 Fund	\$ -	\$ 7,181,681
County Debt Service	5,814,184	-
County Capital Projects	224,355	-
North Fork Wastewater	351,077	-
Landfill	792,065	-
Total	<u>\$ 7,181,681</u>	<u>\$ 7,181,681</u>

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

NOTE 7—DUE FROM TOMS BROOK-MAURERTOWN SANITARY DISTRICT:

During fiscal year 1994, the General Fund built a septage handling facility at the Toms Brook-Maurertown Sanitary District location for \$235,240. This amount is being repaid to the General Fund from tipping fees that are collected by Toms Brook and from septic application fees collected by the General Fund on behalf of the District. The balance as of June 30, 2018 was \$25,556.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 8—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 833,887
Local sales taxes	623,596	-
Comprehensive services act funds	581,774	-
Public assistance and welfare	98,800	-
Fringe benefits	230,373	-
Other funds	250,587	25,357
Federal Government:		
Public assistance and welfare	154,808	-
Victim witness	27,555	-
Other funds	4,546	-
School funds	-	541,094
Cafeteria funds	-	9,798
Total	\$ <u>1,972,039</u>	\$ <u>1,410,136</u>

NOTE 9—CAPITAL ASSETS:

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,592,816	\$ 315,902	\$ -	\$ 4,908,718
Construction in progress	<u>1,025,547</u>	<u>1,031,717</u>	<u>(25,000)</u>	<u>2,032,264</u>
Total capital assets not being depreciated	\$ <u>5,618,363</u>	\$ <u>1,347,619</u>	\$ <u>(25,000)</u>	\$ <u>6,940,982</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 47,384,496	\$ 21,598	\$ (2,591,237)	\$ 44,814,857
Machinery and equipment	<u>9,165,600</u>	<u>643,576</u>	<u>(332,478)</u>	<u>9,476,698</u>
Total capital assets being depreciated	\$ <u>56,550,096</u>	\$ <u>665,174</u>	\$ <u>(2,923,715)</u>	\$ <u>54,291,555</u>
Accumulated depreciation:				
Buildings and improvements	\$ (10,645,047)	\$ (633,327)	\$ 330,167	\$ (10,948,207)
Machinery and equipment	<u>(7,223,633)</u>	<u>(623,185)</u>	<u>149,402</u>	<u>(7,697,416)</u>
Total accumulated depreciation	\$ <u>(17,868,680)</u>	\$ <u>(1,256,512)</u>	\$ <u>479,569</u>	\$ <u>(18,645,623)</u>
Total capital assets being depreciated, net	\$ <u>38,681,416</u>	\$ <u>(591,338)</u>	\$ <u>(2,444,146)</u>	\$ <u>35,645,932</u>
Governmental activities capital assets, net	\$ <u>44,299,779</u>	\$ <u>756,281</u>	\$ <u>(2,469,146)</u>	\$ <u>42,586,914</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 9—CAPITAL ASSETS: (CONTINUED)

Primary Government: (continued)

	Ending Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 503,500	\$ -	\$ -	\$ 503,500
Construction in progress	305,357	569,819	(322,871)	552,305
Total capital assets not being depreciated	<u>\$ 808,857</u>	<u>\$ 569,819</u>	<u>\$ (322,871)</u>	<u>\$ 1,055,805</u>
Capital assets being depreciated:				
Buildings and infrastructure	\$ 7,364,773	\$ 28,507	\$ -	\$ 7,393,280
Water distribution system	13,754,005	332,013	-	14,086,018
Machinery and equipment	11,515,883	434,165	-	11,950,048
Total capital assets being depreciated	<u>\$ 32,634,661</u>	<u>\$ 794,685</u>	<u>\$ -</u>	<u>\$ 33,429,346</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,738,442)	\$ (321,147)	\$ -	\$ (3,059,589)
Wells, lines and reservoirs	(9,207,410)	(255,488)	-	(9,462,898)
Machinery and equipment	(8,593,119)	(280,723)	-	(8,873,842)
Total accumulated depreciation	<u>\$ (20,538,971)</u>	<u>\$ (857,358)</u>	<u>\$ -</u>	<u>\$ (21,396,329)</u>
Business-type activities, capital assets, net	<u>\$ 12,904,547</u>	<u>\$ 507,146</u>	<u>\$ (322,871)</u>	<u>\$ 13,088,822</u>

Capital assets of the governmental activities in the amount of \$2,825,022 were transferred to the Component Unit School Board, additionally, a net transfer of \$380,876 was transferred in accumulated depreciation from the governmental activities to the Component Unit School Board, due to debt repayments made by the Primary Government for the year ended June 30, 2018 as required by the Code of Virginia.

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

Governmental Activities:

General government administration	\$ 419,152
Judicial administration	209,455
Public safety	566,595
Public works	3,499
Health and welfare	29,224
Community development	2,507
Culture and recreation	26,080
Total depreciation expense-governmental activities	<u>\$ 1,256,512</u>

Business-type Activities:

Stoney Creek Sanitary District	\$ 121,539
Toms Brook-Maurertown Sanitary District	175,259
North Fork Wastewater Fund	39,308
Landfill	521,252
Total depreciation expense business-type activities	<u>\$ 857,358</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 9—CAPITAL ASSETS: (CONTINUED)

Capital Leases:

The government has entered into lease agreements as lessee for financing school buses for the school board and equipment for the landfill. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present values of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Equipment	\$ 806,470	\$ 1,034,692
Less: Accumulated depreciation	(400,063)	(218,263)
Total	<u>\$ 406,407</u>	<u>\$ 816,429</u>

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

Year Ended June 30,	Governmental Activities	Business-type Activities
2019	\$ 318,417	\$ 215,702
2020	280,645	151,327
2021	243,247	151,327
2022	178,402	151,237
2023	156,899	118,570
Total minimum lease payments	\$ 1,177,610	\$ 788,163
Less: Amount representing interest	(65,657)	(56,981)
Present value of minimum lease payments	<u>\$ 1,111,953</u>	<u>\$ 731,182</u>

Discretely Presented Component Units:

Activity for the School Board for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,725,275	\$ -	\$ -	\$ 5,725,275
Construction in progress	-	1,326,100	(597,603)	728,497
Total capital assets not being depreciated	<u>\$ 5,725,275</u>	<u>\$ 1,326,100</u>	<u>\$ (597,603)</u>	<u>\$ 6,453,772</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 71,859,678	\$ 2,591,237	\$ -	\$ 74,450,915
Machinery and equipment	10,218,486	1,505,377	(227,473)	11,496,390
Total capital assets being depreciated	<u>\$ 82,078,164</u>	<u>\$ 4,096,614</u>	<u>\$ (227,473)</u>	<u>\$ 85,947,305</u>
Accumulated depreciation:				
Buildings and improvements	\$ (31,875,790)	\$ (2,200,962)	\$ -	\$ (34,076,752)
Machinery and equipment	(8,516,173)	(676,988)	221,644	(8,971,517)
Total accumulated depreciation	<u>\$ (40,391,963)</u>	<u>\$ (2,877,950)</u>	<u>\$ 221,644</u>	<u>\$ (43,048,269)</u>
Total capital assets being depreciated, net	<u>\$ 41,686,201</u>	<u>\$ 1,218,664</u>	<u>\$ (5,829)</u>	<u>\$ 42,899,036</u>
School Board capital assets, net	<u>\$ 47,411,476</u>	<u>\$ 2,544,764</u>	<u>\$ (603,432)</u>	<u>\$ 49,352,808</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 9—CAPITAL ASSETS: (CONTINUED)

Depreciation expense for the Component Unit School Board was \$2,497,074 and a net transfer of \$380,876 was transferred in accumulated depreciation from the primary government due to debt repayments for the year ended June 30, 2018.

Activity for the Shenandoah County Library for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and system	\$ 285,197	\$ -	\$ -	\$ 285,197
Machinery and equipment	157,368	29,859	-	187,227
Total capital assets being depreciated	\$ 442,565	\$ 29,859	\$ -	\$ 472,424
Accumulated depreciation:				
Buildings and system	\$ (105,177)	\$ (7,130)	\$ -	\$ (112,307)
Machinery and equipment	(148,040)	(3,552)	-	(151,592)
Total accumulated depreciation	\$ (253,217)	\$ (10,682)	\$ -	\$ (263,899)
Total Library capital assets being depreciated, net	\$ 189,348	\$ 19,177	\$ -	\$ 208,525

NOTE 10—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$463,506 is comprised of the following:

- A. Unearned Revenue – Former Employee – In conjunction with the plea agreement of the former County landfill director on criminal charges of mail fraud, money laundering and forfeiture of assets, he agreed to provide restitution to the County in the amount of \$400,000 of which \$224,256 was outstanding at June 30, 2018. Payments commenced February 1, 1996, with final payment due February 1, 2001. This agreement is secured by the personal residence of the former director and other assets. Other restitution received by the County from the sale of assets seized by the authorities in September 1994 will not be applied against this restitution amount. The February 1, 1998 and 1997 payments were not made by the former employee. Therefore, the plea agreement was violated. As a result of violating the agreement, the former employee's personal residence was seized and sold on September 23, 1997, for \$192,500. After payment of liens and selling expense, the County received \$106,598 in July 1998.
- B. Asset Forfeiture Proceeds – Assets seized as a result of law enforcement raids awaiting approval from the federal government totaled \$121,365 at June 30, 2018.
- C. Parks and Recreation Trip Deposits– Funds collected for future recreational trips totaled \$117,885 at June 30, 2018.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 11—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$23,184,448 and \$26,130,878 respectively, is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2018, but paid in advance by the taxpayers totaled \$2,940,368 in the general fund at June 30, 2018.
- B. Unbilled Property Taxes – Property taxes for the second half of 2018 that had not been billed as of June 30, 2018 amounted to \$20,244,080.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$2,946,430 at June 30, 2018.

NOTE 12—LONG-TERM OBLIGATIONS:

Changes in long-term obligations

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

	Balance July 1, 2017, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018
Governmental Activities:				
General Obligation Bonds	\$ 31,236,591	\$ -	\$ 3,379,655	\$ 27,856,936
Bond Premium	1,328,490	-	139,432	1,189,058
Literary Loan Funds	1,258,000	-	314,500	943,500
Lease Revenue Bonds	6,720,000	-	285,000	6,435,000
Capital Leases	616,021	729,723	233,791	1,111,953
Compensated Absences	891,710	618,108	535,026	974,792
Net pension Liability	5,530,111	2,093,791	4,321,681	3,302,221
Net OPEB Liabilities	2,602,845	164,422	247,660	2,519,607
Total Governmental Activities	\$ 48,269,275	\$ 3,606,044	\$ 9,456,745	\$ 44,333,067
Business-type Activities:				
General Obligation/Revenue Bonds	\$ 1,341,214	\$ -	\$ 87,204	\$ 1,254,010
Capital Leases	456,030	393,147	117,995	731,182
Compensated Absences	148,617	91,275	89,170	150,722
Net Pension Liability	736,303	-	321,063	415,240
Net OPEB Liabilities	337,115	20,738	31,237	326,616
Landfill Closure and Post-Closure Care	10,173,366	136,034	-	10,309,400
Total Business-type Activities	\$ 12,951,178	\$ 641,194	\$ 646,669	\$ 13,187,170
Total Long-Term Obligations	\$ 61,220,453	\$ 4,247,238	\$ 10,103,414	\$ 57,520,237

For governmental activities, the liability for compensated absences, net pension liability and the net OPEB liabilities are fully liquidated by the general fund.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Leases		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 293,502	\$ 24,914	\$ 300,000	\$ 252,281
2020	262,423	18,222	315,000	239,097
2021	230,854	12,393	330,000	224,369
2022	170,982	7,420	345,000	208,172
2023	154,192	2,708	365,000	190,328
2024	-	-	385,000	171,935
2025	-	-	405,000	153,415
2026	-	-	415,000	135,478
2027	-	-	365,000	118,041
2028	-	-	220,000	104,716
2029	-	-	175,000	10,095
2030	-	-	160,000	89,725
2031	-	-	165,000	83,497
2032	-	-	170,000	77,663
2033	-	-	180,000	70,969
2034	-	-	185,000	64,641
2035	-	-	190,000	58,781
2036	-	-	195,000	52,728
2037	-	-	205,000	46,403
2038	-	-	210,000	39,844
2039	-	-	215,000	33,125
2040	-	-	225,000	26,169
2041	-	-	230,000	18,975
2042	-	-	240,000	11,544
2043	-	-	245,000	3,875
Total	\$ <u>1,111,953</u>	\$ <u>65,657</u>	\$ <u>6,435,000</u>	\$ <u>2,485,866</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows: (continued)

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		State Literary Loans	
	Principal	Interest	Principal	Interest
2019	\$ 3,509,398	\$ 1,479,771	\$ 314,500	\$ 28,306
2020	3,649,519	1,332,368	314,500	18,870
2021	3,788,880	1,173,813	314,500	9,434
2022	3,932,564	1,007,332	-	-
2023	4,072,128	833,193	-	-
2024	2,162,469	703,893	-	-
2025	2,218,180	622,133	-	-
2026	2,032,314	538,513	-	-
2027	2,094,789	452,190	-	-
2028	262,490	9,947	-	-
2029	134,205	2,015	-	-
Total	\$ <u>27,856,936</u>	\$ <u>8,155,168</u>	\$ <u>943,500</u>	\$ <u>56,610</u>

Year Ending June 30,	Business-type Activities			
	Toms Brook-Maurertown Sanitary District Bonds		North Fork Wastewater VRA Loan	
	Principal	Interest	Principal	Interest
2019	\$ 23,729	\$ 13,711	\$ 61,508	\$ 27,051
2020	24,819	12,621	63,323	25,236
2021	25,960	11,480	65,192	23,367
2022	27,152	10,288	67,116	21,443
2023	28,400	9,040	69,097	19,462
2024	29,704	7,736	71,137	17,423
2025	31,069	6,371	73,236	15,323
2026	32,496	4,944	75,398	13,162
2027	33,989	3,451	77,623	10,936
2028	35,550	1,890	79,914	8,645
2029	22,621	337	82,273	6,287
2030	-	-	84,701	3,858
2031	-	-	68,003	1,358
	\$ <u>315,489</u>	\$ <u>81,869</u>	\$ <u>938,521</u>	\$ <u>193,551</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows: (continued)

Year Ending June 30,	Business-type Activities	
	Landfill	
	Capital	Lease
	Principal	Interest
2019	\$ 195,005	\$ 20,697
2020	135,780	15,547
2021	139,994	11,333
2022	144,339	6,988
2023	116,064	2,507
	<u>\$ 731,182</u>	<u>\$ 57,072</u>

PRIMARY GOVERNMENT

Details of long-term obligations:

Governmental Activities:

	Total Amount Due	Amount Due Within One Year
Capital leases:		
\$396,970 issued June 17, 2014, due in semi-annual installments of \$37,772 beginning July 24, 2014, through July 24, 2019, for the purchase of five school buses	\$ 111,307	\$ 73,871
\$410,500 issued June 28, 2016, due in quarterly installments of \$21,491 beginning September 28, 2016, through June 28, 2021, for the purchase of five school buses	270,923	81,713
\$729,723 issued June 1, 2018, due in quarterly installments of \$39,228 beginning September 1, 2018, through June 1, 2023, for the purchase of nine school buses	<u>729,723</u>	<u>137,918</u>
Total capital leases	<u>\$ 1,111,953</u>	<u>\$ 293,502</u>

Lease Revenue Bonds:

\$3,255,000 2011B refunding bonds were issued on November 26, 2011, due in varying annual installments beginning June 1, 2012, through June 1, 2029, bearing interest at 2.97%	\$ 2,220,000	\$ 200,000
\$4,495,000 2012C lease revenue bonds were issued on December 6, 2012, due in varying annual installments beginning October 1, 2015 through October 1, 2042, bearing interest at varying rates ranging from 3.125%-4.845%	<u>4,215,000</u>	<u>100,000</u>
Total lease revenue bonds	<u>\$ 6,435,000</u>	<u>\$ 300,000</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	Total Amount Due	Amount Due Within One Year
General Obligation Bonds:		
\$4,000,000 VRA bond for Town of Mt. Jackson WWTP expansion project, issued in 2008, semi-annual payments of \$136,219 maturing January 1, 2029, with interest payable at 3%.	\$ 2,438,330	\$ 200,782
\$15,760,000 VRA bond issued November 19, 2009, due in semi-annual installments totaling \$1,539,334 maturing October 1, 2026, with interest payable at 5.125%	10,580,000	1,005,000
\$25,140,000 Virginia Public School Authority Bonds 2002, issued May 16, 2002, at a premium of \$836,018, annual payments of \$2,019,563 through July 15, 2022, with interest payable semi-annually at rates of 3.6% to 5.6%.	8,905,000	1,605,000
\$4,130,808 Virginia Public School Authority Bonds 2004B, issued November 10, 2004, at a premium of \$303,424, maturing annually through January 15, 2025, with interest payable semi-annually at rates of 4.6% to 5.6%.	1,598,606	218,616
\$7,435,000 Virginia Public School Authority Bonds 2010, issued July 8, 2010, annual payments of \$480,000 through June 1, 2027, with interest payable semi-annually at rates of 2.7%. Interest is reimbursed by a federal interest subsidy.	4,335,000	480,000
Total general obligation bonds	\$ 27,856,936	\$ 3,509,398

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COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	Total Amount Due	Amount Due Within One Year
Literary Fund Loans:		
\$1,290,000 issued April 1, 2001 for the renovation of Ashby Lee Elementary School, due in annual installments of \$64,500 from April 1, 2002 through April 1, 2021, plus interest at 3%.	\$ 193,500	\$ 64,500
\$1,931,000 issued April 1, 2001 for the renovation of Sandy Hook Elementary School, due in annual installments of \$96,550 from April 1, 2002 through April 1, 2021, plus interest at 3%.	289,650	96,550
\$3,069,000 issued April 1, 2001 for the renovation of W. W. Robinson Elementary School, due in annual installments of \$153,450 from April 1, 2002 through April 1, 2021, plus interest at 3%.	460,350	153,450
Total Literary Fund Loans	\$ 943,500	\$ 314,500
Unamortized Bond Premium	\$ 1,189,058	\$ 139,432
Compensated absences	\$ 974,792	\$ 243,435
Net pension liability	\$ 3,302,221	\$ -
Net OPEB liabilities	\$ 2,519,607	\$ -
Total Governmental Activities Long-term Obligation	\$ 44,333,067	\$ 4,800,267

Business-type Activities:

Stoney Creek Sanitary District:

Revenue bond:

Compensated absences	\$ 62,048	\$ 15,512
Net pension liability	\$ 170,259	\$ -
Net OPEB liabilities	\$ 137,355	\$ -
Total Stoney Creek Sanitary District	\$ 369,662	\$ 15,512

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Business-type Activities: (continued)

	Total Amount Due	Amount Due Within One Year
<u>Toms Brook-Maurertown Sanitary District:</u>		
<u>General Obligation Revenue Bonds:</u>		
\$634,000 General Obligation Bond Series of 1995, with interest only payable annually in February 1996 and 1997, and thereafter payable in monthly installments of \$3,120, including principal and interest at 4.5% per annum beginning in March 1997, and ending in February 2029.	\$ 315,489	\$ 23,729
Compensated absences	\$ 16,496	\$ 4,124
Net pension liability	\$ 55,763	\$ -
Net OPEB liabilities	\$ 38,930	\$ -
Total Toms Brook-Maurertown Sanitary District	\$ 426,678	\$ 27,853
<u>North Fork Wastewater:</u>		
<u>Lease Revenue Bond:</u>		
\$1,304,415 VRA Bond 2011, payable semi-annually beginning on December 1, 2012 of \$7,106, including principal and interest at 2.93%, and ending in June 2032.	\$ 938,521	\$ 61,508
<u>Landfill:</u>		
Capital leases:		
\$311,285 issued December 23, 2014, due in quarterly installments of \$64,376 beginning January 1, 2015, through January 1, 2019, at an annual interest rate of 1.68%, for the purchase of a bulldozer	\$ 63,312	\$ 63,312
\$330,260 issued April 27, 2017, due in semi-annual installments of \$32,249 beginning January 1, 2018, through January 1, 2023, at an annual interest rate of 2.36%, for the purchase of two utility truck and roll off equipment	274,723	58,042
\$393,147 issued June 7, 2018, due in semi-annual installments of \$42,907 beginning December 18, 2018, through June 8, 2023 at an annual interest rate of 3.244%, for the purchase of an excavator and loader	393,147	73,651
Total capital leases	\$ 731,182	\$ 195,005
Landfill closure and post-closure care	\$ 10,309,400	\$ -
Compensated absences	\$ 72,178	\$ 18,045
Net pension liability	\$ 189,218	\$ -
Net OPEB liabilities	\$ 150,331	\$ -
Total landfill	\$ 11,452,309	\$ 213,050
Total Business-type Activities	\$ 13,187,170	\$ 317,923

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):****DISCRETLY PRESENTED COMPONENT UNIT-SCHOOL BOARD:**

Changes in long-term obligations:

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

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Compensated Absences \$	903,804	\$ 539,975	\$ 542,282	\$ 901,496	\$ 225,374
Net Pension Liability	63,720,819	9,357,340	19,440,286	53,637,873	-
Net OPEB Liabilities	15,426,000	1,133,000	1,397,000	15,162,000	-
Total	<u>\$ 80,050,623</u>	<u>\$ 11,030,315</u>	<u>\$ 21,379,568</u>	<u>\$ 69,701,369</u>	<u>\$ 225,374</u>

NOTE 13—OTHER LIABILITIES – ENTERPRISE FUNDS:

The other liabilities of the Sanitary Districts at June 30, 2018, consist of the following:

	Stoney Creek	Toms-Brook Maurertown	Total
Security deposits	\$ 13,050	\$ 17,075	\$ 30,125
Total	<u>\$ 13,050</u>	<u>\$ 17,075</u>	<u>\$ 30,125</u>

NOTE 14—DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The County does not match the employee's contributions. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under the provisions of the Small business Job Protection Act of 1996, all amounts currently or thereafter held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan participants and beneficiaries in annuity contracts, or in trust or in one or more custodial accounts pursuant to one or more separate written instruments.

Investments are managed by the plan's trustee under one of twenty-seven investment options, or a combination thereof. The choice of the investment option is made solely by the participants.

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

NOTE 15—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 15—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 15—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 15—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 <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

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

NOTE 15—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.

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> 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.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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	141	134
Inactive members:		
Vested inactive members	43	20
Non-vested inactive members	69	49
Inactive members active elsewhere in VRS	197	29
Total inactive members	309	98
Active members	278	206
Total covered employees	728	438

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 9.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,220,980 and \$1,191,675 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 6.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$221,810 and \$240,836 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (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%

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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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COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 15—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 2.5%.

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.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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	\$ 46,460,720	\$ 40,194,306	\$ 6,266,414
Changes for the year:			
Service cost	\$ 1,552,258	\$ -	\$ 1,552,258
Interest	3,179,653	-	3,179,653
Changes of assumptions	(234,494)	-	(234,494)
Differences between expected and actual experience	(369,474)	-	(369,474)
Contributions - employer	-	1,191,677	(1,191,677)
Contributions - employee	-	612,314	(612,314)
Net investment income	-	4,905,320	(4,905,320)
Benefit payments, including refunds	(2,074,224)	(2,074,224)	-
Administrative expenses	-	(28,037)	28,037
Other changes	-	(4,378)	4,378
Net changes	\$ 2,053,719	\$ 4,602,672	\$ (2,548,953)
Balances at June 30, 2017	\$ 48,514,439	\$ 44,796,978	\$ 3,717,461
Component School Board (nonprofessional)			
Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 13,830,861	\$ 12,213,042	\$ 1,617,819
Changes for the year:			
Service cost	\$ 359,495	\$ -	\$ 359,495
Interest	942,619	-	942,619
Changes of assumptions	(187,557)	-	(187,557)
Differences between expected and actual experience	(558,069)	-	(558,069)
Contributions - employer	-	235,452	(235,452)
Contributions - employee	-	175,693	(175,693)
Net investment income	-	1,474,249	(1,474,249)
Benefit payments, including refunds	(729,744)	(729,744)	-
Administrative expenses	-	(8,654)	8,654
Other changes	-	(1,306)	1,306
Net changes	\$ (173,256)	\$ 1,145,690	\$ (1,318,946)
Balances at June 30, 2017	\$ 13,657,605	\$ 13,358,732	\$ 298,873

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (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	\$ 10,659,816	\$ 3,717,461	\$ (1,968,862)
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 1,791,522	\$ 298,873	\$ (966,074)

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 \$457,218 and \$(88,198), 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	\$ -	\$ 881,174	\$ 12,455	\$ 357,759
Changes of assumptions	-	166,721	-	119,847
Net difference between projected and actual earnings on pension plan investments	-	647,572	-	189,087
Deferred change in proportionate share	62,455	62,455	-	-
Employer contributions subsequent to the measurement date	1,220,980	-	221,810	-
Total	\$ 1,283,435	\$ 1,757,922	\$ 234,265	\$ 666,693

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 15—PENSION PLAN: (CONTINUED)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)***

\$1,220,980 and \$221,810 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (891,785)	\$ (379,496)
2020	(285,780)	(149,032)
2021	(97,438)	458
2022	(420,464)	(126,168)
2023	-	-
Thereafter	-	-

Component Unit School Board (professional)***Plan Description***

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

Contributions

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

Each School Division's contractually 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. 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 school division were \$5,595,934, and \$4,933,757 for the years ended June 30, 2018, and June 30, 2017, respectively.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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

At June 30, 2018, the school division reported a liability of \$53,339,000 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 .43372% as compared to .44314% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$3,843,000. Since there was a change in proportionate share 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	\$ -	\$ 3,776,000
Change in assumptions	778,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,938,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	932,000	1,348,000
Employer contributions subsequent to the measurement date	5,595,934	-
Total	\$ 7,305,934	\$ 7,062,000

\$5,595,934 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 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 as follows:

Year Ended June 30	
2019	\$ (2,187,000)
2020	(151,000)
2021	(701,000)
2022	(1,981,000)
2023	(332,000)

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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.

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

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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.

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%.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 15—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 division's proportionate
share of the VRS Teacher
Employee Retirement Plan

Net Pension Liability	\$	79,653,000	\$	53,339,000	\$	31,572,000
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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.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 15, the County administers a single-employer defined benefit healthcare plan, the County of Shenandoah OPEB Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

The School Board also administers a single-employer defined benefit healthcare plan, the Shenandoah County School Board OPEB Plan. Similar to the Shenandoah County OPEB Plan, this plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The School Board plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits if they have at least 5 years of service with the County. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits if they have at least 10 years of services with the School Board.

Plan Membership

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

	Primary Government	Component Unit School Board
Total active employees with coverage	9	65
Total retirees with coverage	247	853
Total	256	918

Contributions

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or the School board for the respective plans. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$60,000.

The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$283,000.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Total OPEB Liability

The County's and School Board's total OPEB liabilities were measured as of July 1, 2016. The total OPEB liabilities were determined by actuarial valuations as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuations for the County and for the School Board were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is equal to the Fidelity Index 20-Year Municipal GO AA Index. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 1,711,000	\$ 6,152,000
Changes for the year:		
Service cost	108,000	440,000
Interest	64,000	230,000
Benefit payments	(60,000)	(283,000)
Net changes	112,000	387,000
Balances at June 30, 2018	\$ 1,823,000	\$ 6,539,000

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

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

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

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Primary Government			
\$	2,017,000	\$ 1,823,000	\$ 1,648,000
Component Unit School Board			
\$	7,139,000	\$ 6,539,000	\$ 5,994,000

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

The following presents the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (8.0% decreasing to 4.0%)	Healthcare Cost Trend (9.0% decreasing to 5.0%)	1% Increase (10.0% decreasing to 6.0%)
Primary Government			
\$	1,583,000	\$ 1,823,000	\$ 2,109,000
	Rates		
	1% Decrease (3.1% increasing to 4.0%)	Healthcare Cost Trend (4.10% increasing to 5.0%)	1% Increase (5.1% increasing to 6.0%)
Component Unit School Board			
\$	5,732,000	\$ 6,539,000	\$ 7,502,000

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

For the year ended June 30, 2018, the Primary Government recognized OPEB expense in the amount of \$172,000. The School Board recognized OPEB expense in the amount of \$670,000. At June 30, 2018, the Primary Government, and School Board did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

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

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

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – 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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Plan Description: (continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
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. County contributions to the Group Life Insurance Program from the entity were \$67,119 and \$64,885 for the years ended June 30, 2018 and June 30, 2017, respectively. The Component Unit School Board's contributions to the Group Life Insurance Program for nonprofessional employees were \$18,555 and \$19,180, for the years ended June 30, 2018 and June 30, 2017 respectively. The Component Unit School Board's contributions to the Group Life Insurance Program for professional employees were \$181,805 and \$178,597, 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 \$1,018,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.06765% as compared to 0.06881% at June 30, 2016.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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

At June 30, 2018, the School Board reported liability of \$300,000 for nonprofessional employees and \$2,802,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017 and June 30, 2016, the participating employer's proportion for nonprofessional employees was 0.02000% and 0.02078%, respectively. At June 30, 2017, the participating employer's proportion for School Board professional employees was 0.18620% as compared to 0.18803% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$8,000, while the School Board recognized GLI OPEB expense of \$1,000, and \$26,000 for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component Unit School Board		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Nonprofessional Employees Deferred Outflows of Resources	Nonprofessional Employees Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Professional Employees Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,000	\$ -	\$ 6,000	\$ -	\$ 63,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	38,000	-	11,000	-	105,000
Change in assumptions	-	52,000	-	16,000	-	144,000
Changes in proportion	-	17,000	-	12,000	-	27,000
Employer contributions subsequent to the measurement date	67,119	-	18,555	-	181,805	-
Total	<u>\$ 67,119</u>	<u>\$ 130,000</u>	<u>\$ 18,555</u>	<u>\$ 45,000</u>	<u>\$ 181,805</u>	<u>\$ 339,000</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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

\$67,119, \$18,555, and \$181,805 for the County, Component Unit School Board-Nonprofessional and Component Unit School Board-Professional respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government	Component Unit School Board			
	Nonprofessional		Professional	
Year Ended June 30,	Year Ended June 30,		Year Ended June 30,	
2019	\$	(26,000)	2019	\$ (69,000)
2020		(26,000)	2020	(69,000)
2021		(26,000)	2021	(69,000)
2022		(26,000)	2022	(69,000)
2023		(17,000)	2023	(43,000)
Thereafter		(9,000)	Thereafter	(20,000)

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.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)****Actuarial Assumptions (Continued)****Mortality Rates – Teachers (Continued)**

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

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

Mortality Rates – SPORS Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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%

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 17—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%

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.

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)****Actuarial Assumptions (Continued)****Mortality Rates – JRS Employees (Continued)**

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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%

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Actuarial Assumptions (Continued)

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

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.

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)****Actuarial Assumptions (Continued)****Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (Continued)**

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

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

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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.

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%.

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 17—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)*****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.

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,316,000	\$ 1,018,000	\$ 775,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-nonprofessional employees	\$ 389,000	\$ 300,000	\$ 229,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-professional employees	\$ 3,624,000	\$ 2,802,000	\$ 2,135,000

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 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM:

Plan Description

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>26</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	<u>-</u>
Total inactive members	26
Active members	<u>159</u>
Total covered employees	<u><u>185</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County contractually required employer contribution rate for the year ended June 30, 2018 was .13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$8,951 and \$8,839 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB Liability

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Actuarial Assumptions

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

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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%

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA**Notes to the Financial Statements
June 30, 2018 (Continued)****NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*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 HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 221,976	\$ 197,015	\$ 24,961
Changes for the year:			
Service cost	\$ 7,593	\$ -	\$ 7,593
Interest	15,288	-	15,288
Changes of assumptions	(10,066)	-	(10,066)
Contributions - employer	-	8,841	(8,841)
Net investment income	-	22,932	(22,932)
Benefit payments	(7,151)	(7,151)	-
Administrative expenses	-	(376)	376
Other changes	-	1,155	(1,155)
Net changes	\$ 5,664	\$ 25,401	\$ (19,737)
Balances at June 30, 2017	\$ 227,640	\$ 222,416	\$ 5,224

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

The follow presents the County's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the County's 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%)
County's			
Net HIC OPEB Liability	\$ 30,708	\$ 5,224	\$ (16,285)

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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

For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense of \$5,159. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the County's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 7,244
Change in assumptions	-	8,811
Employer contributions subsequent to the measurement date	<u>8,951</u>	<u>-</u>
Total	<u>\$ 8,951</u>	<u>\$ 16,055</u>

\$8,951 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (3,066)
2020	(3,066)
2021	(3,066)
2022	(3,066)
2023	(1,255)
Thereafter	(2,536)

Health Insurance Credit Program Plan Data

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

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

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

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: - o \$4.00 per month, multiplied by twice the amount of service credit, or - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

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

**NOTE 19—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 \$429,329 and \$381,235 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 \$5,521,000 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 .43519% as compared to .44312% 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 \$436,000. 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.

COUNTY OF SHENANDOAH, VIRGINIA

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

**NOTE 19—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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 10,000
Change in assumptions	-	57,000
Change in proportion	-	88,000
Employer contributions subsequent to the measurement date	<u>429,329</u>	<u>-</u>
Total	\$ <u><u>429,329</u></u>	\$ <u><u>155,000</u></u>

\$429,329 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:

<u>Year Ended June 30</u>	
2019	\$ (24,000)
2020	(24,000)
2021	(24,000)
2022	(24,000)
2023	(22,000)
Thereafter	(37,000)

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 19—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.

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

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)	\$	<u>1,268,611</u>
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.

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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

COUNTY OF SHENANDOAH, VIRGINIA

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

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year 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.

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	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	6,162,000	\$ 5,521,000	\$ 4,976,000

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.

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 20—CONTINGENT LIABILITIES:

Federal programs in which the county and its component units participate were audited in accordance with the provisions of the Uniform Guidance. 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, if any, would be immaterial.

While \$380,600 of the General Obligation Bond Series of 1995 and 1997 have been recorded in the Toms Brook-Maurertown Sanitary District, from which repayment is anticipated, the General Fund has a contingent liability for the repayment of this amount should the Sanitary District be unable to do so.

NOTE 21—RISK MANAGEMENT:

The County is a member the Virginia Municipal Group Self Insurance Association for worker's compensation insurances. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The county pays Virginia Municipal Group contributions and assessments based upon classifications and rates. These amounts are deposited into a designated cash reserve fund of the association out of which expenses, claims and awards are to be paid. In the event of a catastrophic loss which creates an equity deficit and for which all available excess insurance is depleted, the Association may assess all members in proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 22—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

State and federal laws and regulations require that the County of Shenandoah place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. During fiscal year 2003, the County opened new landfill cells and significantly completed closure of its old landfill. The estimated liability for landfill closure and post-closure care costs has a balance of \$10,309,400 for the old landfill, and landfill cells 1 and 2. However landfill cell #3 has capacity used to date estimated to be 15%. The estimated total current cost of the landfill closure and post-closure care of \$11,754,763 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain both of the landfills were incurred as of June 30, 2018. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE 23—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Stoney Creek Sanitary District	Toms Brook Sanitary District	North Fork Wastewater Fund	Landfill Fund	Total Enterprise Funds
Operating revenue	\$ 1,158,768	\$ 674,098	\$ 103,685	\$ 1,387,496	\$ 3,324,047
Depreciation and amortization	121,539	175,259	39,308	521,252	857,358
Operating income (loss)	(177,087)	(64,561)	(148,557)	(1,339,084)	(1,729,289)
Current connection fees	64,000	70,000	-	-	134,000
Property, plant and equipment additions, net of retirements	(127,218)	(448,530)	-	(454,207)	(1,029,955)
Net working capital	1,362,308	521,747	23,329	(216,309)	1,691,075
Total assets	4,904,899	3,092,177	1,343,546	6,052,352	15,392,974
Long-term liabilities	354,150	398,825	877,013	11,239,259	12,869,247
Net position	4,195,611	2,481,322	391,831	(5,565,677)	1,503,087

NOTE 24—LITIGATION:

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

NOTE 25—UPCOMING PRONOUNCEMENTS:

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

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

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

NOTE 25—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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 (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 41,650,509	\$ 41,650,509	\$ 45,169,428	\$ 3,518,919
Other local taxes	6,561,885	6,561,885	6,989,443	427,558
Permits, privilege fees, and regulatory licenses	369,702	369,702	426,374	56,672
Fines and forfeitures	76,000	76,000	51,449	(24,551)
Revenue from the use of money and property	432,272	432,272	703,968	271,696
Charges for services	1,699,968	1,699,968	2,265,259	565,291
Miscellaneous	252,890	394,813	639,675	244,862
Recovered costs	853,714	963,071	497,565	(465,506)
Intergovernmental:				
Commonwealth	9,492,613	9,584,165	10,513,169	929,004
Federal	2,831,944	2,835,679	2,167,824	(667,855)
Total revenues	\$ 64,221,497	\$ 64,568,064	\$ 69,424,154	\$ 4,856,090
EXPENDITURES				
Current:				
General government administration	\$ 2,545,912	\$ 2,564,811	\$ 2,618,367	\$ (53,556)
Judicial administration	2,156,822	2,170,754	2,132,675	38,079
Public safety	15,062,146	16,002,437	15,984,765	17,672
Public works	1,190,485	1,213,046	1,157,835	55,211
Health and welfare	7,717,222	7,717,222	8,556,685	(839,463)
Education	26,830,903	27,862,371	26,617,409	1,244,962
Parks, recreation, and cultural	1,876,237	1,911,237	2,194,716	(283,479)
Community development	1,447,769	1,560,247	1,460,829	99,418
Nondepartmental	375,025	375,025	105,689	269,336
Capital projects	930,258	-	5,566	(5,566)
Total expenditures	\$ 60,132,779	\$ 61,377,150	\$ 60,834,536	\$ 542,614
Excess (deficiency) of revenues over (under) expenditures	\$ 4,088,718	\$ 3,190,914	\$ 8,589,618	\$ 5,398,704
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (6,517,977)	\$ (7,230,803)	\$ (7,181,681)	\$ 49,122
Issuance of capital leases	450,000	450,000	729,723	279,723
Total other financing sources (uses)	\$ (6,067,977)	\$ (6,780,803)	\$ (6,451,958)	\$ 328,845
Net change in fund balances	\$ (1,979,259)	\$ (3,589,889)	\$ 2,137,660	\$ 5,727,549
Fund balances - beginning	1,979,259	3,589,889	19,524,316	15,934,427
Fund balances - ending	\$ -	\$ -	\$ 21,661,976	\$ 21,661,976

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,552,258	\$ 1,551,145	\$ 2,097,765	\$ 1,508,647
Interest	3,179,653	3,018,636	2,851,117	2,676,488
Changes of benefit terms	-	535,857	-	-
Changes of assumptions	(234,494)	-	-	-
Differences between expected and actual experience	(369,474)	(729,854)	(666,172)	-
Benefit payments, including refunds of employee contributions	(2,074,224)	(2,076,885)	(1,702,272)	(1,678,590)
Net change in total pension liability	\$ 2,053,719	\$ 2,298,899	\$ 2,580,438	\$ 2,506,545
Total pension liability - beginning	46,460,720	44,161,821	41,581,383	39,074,838
Total pension liability - ending (a)	\$ 48,514,439	\$ 46,460,720	\$ 44,161,821	\$ 41,581,383
Plan fiduciary net position				
Contributions - employer	\$ 1,191,677	\$ 1,419,174	\$ 1,314,841	\$ 1,629,069
Contributions - employee	612,314	617,782	601,964	660,270
Net investment income	4,905,320	697,945	1,739,727	5,094,975
Benefit payments, including refunds of employee contributions	(2,074,224)	(2,076,885)	(1,702,272)	(1,678,590)
Administrative expense	(28,037)	(24,366)	(23,243)	(26,677)
Other	(4,378)	(294)	(366)	268
Net change in plan fiduciary net position	\$ 4,602,672	\$ 633,356	\$ 1,930,651	\$ 5,679,315
Plan fiduciary net position - beginning	40,194,306	39,560,950	37,630,301	31,950,986
Plan fiduciary net position - ending (b)	\$ 44,796,978	\$ 40,194,306	\$ 39,560,952	\$ 37,630,301
County's net pension liability - ending (a) - (b)	\$ 3,717,461	\$ 6,266,414	\$ 4,600,869	\$ 3,951,082
Plan fiduciary net position as a percentage of the total pension liability	92.34%	86.51%	89.58%	90.50%
Covered payroll	\$ 12,460,402	\$ 12,364,231	\$ 11,980,248	\$ 13,032,381
County's net pension liability as a percentage of covered payroll	29.83%	50.68%	38.40%	30.32%

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

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 359,495	\$ 427,181	\$ 447,419	\$ 457,061
Interest	942,619	896,199	850,571	804,295
Changes of assumptions	(187,557)	-	-	-
Differences between expected and actual experience	(558,069)	33,565	(9,646)	-
Benefit payments, including refunds of employee contributions	(729,744)	(657,857)	(615,175)	(585,358)
Net change in total pension liability	\$ (173,256)	\$ 699,088	\$ 673,169	\$ 675,998
Total pension liability - beginning	13,830,861	13,131,773	12,458,604	11,782,606
Total pension liability - ending (a)	\$ 13,657,605	\$ 13,830,861	\$ 13,131,773	\$ 12,458,604
Plan fiduciary net position				
Contributions - employer	\$ 235,452	\$ 328,594	\$ 376,586	\$ 425,500
Contributions - employee	175,693	194,128	207,759	201,912
Net investment income	1,474,249	211,944	534,599	1,583,539
Benefit payments, including refunds of employee contributions	(729,744)	(657,857)	(615,175)	(585,358)
Administrative expense	(8,654)	(7,534)	(7,246)	(8,448)
Other	(1,306)	(89)	(112)	83
Net change in plan fiduciary net position	\$ 1,145,690	\$ 69,186	\$ 496,411	\$ 1,617,228
Plan fiduciary net position - beginning	12,213,042	12,143,856	11,647,445	10,030,217
Plan fiduciary net position - ending (b)	\$ 13,358,732	\$ 12,213,042	\$ 12,143,856	\$ 11,647,445
School Division's net pension liability - ending (a) - (b)	\$ 298,873	\$ 1,617,819	\$ 987,917	\$ 811,159
Plan fiduciary net position as a percentage of the total pension liability	97.81%	88.30%	92.48%	93.49%
Covered payroll	\$ 3,668,393	\$ 3,734,178	\$ 4,162,752	\$ 4,045,497
School Division's net pension liability as a percentage of covered payroll	8.15%	43.32%	23.73%	20.05%

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

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.433720%	0.444314%	0.43849%	0.42994%
Employer's Proportionate Share of the Net Pension Liability	\$ 53,339,000	\$ 62,103,000	\$ 55,190,000	\$ 51,957,000
Employer's Covered Payroll	\$ 34,345,532	\$ 33,789,530	\$ 32,605,067	\$ 31,484,690
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	155%	184%	169%	165%
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.

Schedule of Employer Contributions
 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 Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2018	\$ 1,220,980	\$ 1,220,980	\$ -	\$ 12,900,731	9.46%
2017	1,191,675	1,191,675	-	12,460,402	9.56%
2016	1,433,014	1,433,014	-	12,364,231	11.59%
2015	1,321,421	1,321,421	-	11,980,248	11.03%
2014	1,616,015	1,616,015	-	13,032,381	12.40%
2013	1,337,231	1,337,231	-	11,814,373	11.32%
2012	990,583	990,583	-	10,885,524	9.10%
2011	998,629	998,629	-	10,973,944	9.10%
2010	1,036,997	1,036,997	-	11,296,267	9.18%
2009	1,026,270	1,026,270	-	11,179,417	9.18%
Component Unit School Board (nonprofessional)					
2018	\$ 221,810	\$ 221,810	\$ -	\$ 3,568,341	6.22%
2017	240,836	240,836	-	3,668,393	6.57%
2016	335,329	335,329	-	3,734,178	8.98%
2015	373,815	373,815	-	4,162,752	8.98%
2014	425,991	425,991	-	4,045,497	10.53%
2013	410,155	410,155	-	3,896,702	10.53%
2012	328,286	328,286	-	3,688,609	8.90%
2011	324,788	324,788	-	3,649,301	8.90%
2010	321,564	321,564	-	3,788,375	8.49%
2009	323,027	323,027	-	3,804,788	8.49%
Component Unit School Board (professional)					
2018	\$ 5,595,934	\$ 5,595,934	\$ -	\$ 34,908,815	16.32%
2017	4,933,757	4,933,757	-	34,345,532	14.66%
2016	4,715,959	4,715,959	-	33,789,530	14.06%
2015	4,430,421	4,430,421	-	32,605,067	14.50%
2014	3,664,224	3,664,224	-	31,484,690	11.66%
2013	3,663,267	3,663,267	-	31,419,940	11.66%
2012	1,837,320	1,837,320	-	29,815,486	6.33%
2011	1,177,089	1,177,089	-	29,951,374	3.93%
2010	1,958,090	1,958,090	-	31,274,862	8.81%
2009	2,735,027	2,735,027	-	31,044,573	8.81%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

	2018
Total OPEB liability	
Service cost	\$ 108,000
Interest	64,000
Benefit payments	<u>(60,000)</u>
Net change in total OPEB liability	\$ 112,000
Total OPEB liability - beginning	1,711,000
Total OPEB liability - ending	<u>\$ 1,823,000</u>
 Covered-employee or Covered payroll	 \$ 11,212,000
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 16.26%

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

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

	2018
Total OPEB liability	
Service cost	\$ 440,000
Interest	230,000
Benefit payments	<u>(283,000)</u>
Net change in total OPEB liability	\$ 387,000
Total OPEB liability - beginning	6,152,000
Total OPEB liability - ending	\$ <u>6,539,000</u>
 Covered-employee or Covered payroll	 \$ 33,263,000
 Town's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 19.66%

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

Notes to Required Supplementary Information - OPEB
For the Year Ended June 30, 2018

PRIMARY GOVERNMENT

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 9.0% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

COMPONENT UNIT SCHOOL BOARD

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.1% in 2018, gradually increasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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 (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.06765% \$	1,018,000	\$ 12,477,922	8.16%	48.86%

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2017	0.02000% \$	300,000 \$	3,668,393	8.18%	48.86%
Component Unit School Board (professional)					
2017	0.18620% \$	2,802,000 \$	34,345,532	8.16%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Program

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	\$ 67,119	\$ 67,119	\$ -	\$ 12,907,494	0.52%
2017	64,885	64,885	-	12,477,922	0.52%
2016	59,348	59,348	-	12,364,231	0.48%
2015	57,505	57,505	-	11,980,248	0.48%
2014	62,555	62,555	-	13,032,381	0.48%
2013	56,709	56,709	-	11,814,373	0.48%
2012	30,504	30,504	-	10,894,455	0.28%
2011	30,727	30,727	-	10,973,944	0.28%
2010	22,878	22,878	-	8,473,497	0.27%
2009	30,181	30,181	-	11,179,417	0.27%
Component Unit School Board (nonprofessional)					
2018	\$ 18,555	\$ 18,555	\$ -	\$ 3,568,341	0.52%
2017	19,180	19,180	-	3,668,393	0.52%
2016	17,924	17,924	-	3,734,178	0.48%
2015	19,981	19,981	-	4,162,752	0.48%
2014	19,418	19,418	-	4,045,497	0.48%
2013	18,704	18,704	-	3,896,702	0.48%
2012	10,328	10,328	-	3,688,609	0.28%
2011	10,218	10,218	-	3,649,301	0.28%
2010	7,439	7,439	-	2,755,088	0.27%
2009	10,273	10,273	-	3,804,788	0.27%
Component Unit School Board (professional)					
2018	\$ 181,805	\$ 181,805	\$ -	\$ 34,908,815	0.52%
2017	178,597	178,597	-	34,345,532	0.52%
2016	162,190	162,190	-	33,789,530	0.48%
2015	156,504	156,504	-	32,605,067	0.48%
2014	151,127	151,127	-	31,484,690	0.48%
2013	150,816	150,816	-	31,419,940	0.48%
2012	83,483	83,483	-	29,815,486	0.28%
2011	83,864	83,864	-	29,951,374	0.28%
2010	60,009	60,009	-	22,225,491	0.27%
2009	83,820	83,820	-	31,044,573	0.27%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 7,593
Interest	15,288
Changes in assumptions	(10,066)
Benefit payments	(7,151)
Net change in total HIC OPEB liability	<u>\$ 5,664</u>
Total HIC OPEB Liability - beginning	<u>221,976</u>
Total HIC OPEB Liability - ending (a)	<u><u>\$ 227,640</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 8,841
Net investment income	22,932
Benefit payments	(7,151)
Administrative expense	(376)
Other	1,155
Net change in plan fiduciary net position	<u>\$ 25,401</u>
Plan fiduciary net position - beginning	<u>197,015</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 222,416</u></u>
 County's net HIC OPEB liability - ending (a) - (b)	 \$ 5,224
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	 97.71%
 Covered payroll	 \$ 6,799,392
 County's net HIC OPEB liability as a percentage of covered payroll	 0.08%

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

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

Date	Contributions in Relation to					Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)		
2018	\$ 8,951	\$ 8,951	\$ -	\$ 6,885,719	0.13%		
2017	8,839	8,839	-	6,799,392	0.13%		
2016	8,891	8,891	-	6,838,899	0.13%		
2015	8,567	8,567	-	6,590,251	0.13%		
2014	6,364	6,364	-	7,071,347	0.09%		
2013	10,631	10,631	-	11,812,527	0.09%		
2012	8,708	8,708	-	10,885,524	0.08%		
2011	8,775	8,775	-	10,968,738	0.08%		
2010	16,944	16,944	-	11,296,267	0.15%		
2009	16,769	16,769	-	11,179,417	0.15%		

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.43519% \$	5,521,000 \$	34,345,532	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.

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

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2018	\$ 429,329	\$ 429,329	\$ -	\$ 34,904,821	1.23%
2017	381,235	381,235	-	34,345,532	1.11%
2016	358,152	358,152	-	33,787,916	1.06%
2015	345,571	345,571	-	32,601,067	1.06%
2014	349,000	349,000	-	31,441,455	1.11%
2013	348,709	348,709	-	31,415,214	1.11%
2012	178,893	178,893	-	29,815,486	0.60%
2011	179,708	179,708	-	29,951,383	0.60%
2010	231,148	231,148	-	31,275,139	0.74%
2009	335,281	335,281	-	31,044,573	1.08%

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

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

County Debt Service Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 511,900	\$ 511,900	\$ 515,487	\$ 3,587
Total revenues	\$ 511,900	\$ 511,900	\$ 515,487	\$ 3,587
EXPENDITURES				
Debt service:				
Principal retirement	\$ 4,035,920	\$ 4,035,920	\$ 4,212,946	\$ (177,026)
Interest and other fiscal charges	1,851,157	1,851,157	1,932,353	(81,196)
Total expenditures	\$ 5,887,077	\$ 5,887,077	\$ 6,145,299	\$ (258,222)
Excess (deficiency) of revenues over (under) expenditures	\$ (5,375,177)	\$ (5,375,177)	\$ (5,629,812)	\$ (254,635)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,375,177	\$ 5,375,177	\$ 5,814,184	\$ 439,007
Total other financing sources (uses)	\$ 5,375,177	\$ 5,375,177	\$ 5,814,184	\$ 439,007
Net change in fund balances	\$ -	\$ -	\$ 184,372	\$ 184,372
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 184,372	\$ 184,372

COUNTY OF SHENANDOAH, VIRGINIA

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

County Capital Projects Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,728	\$ 1,728
Miscellaneous	-	-	700,000	700,000
Total revenues	\$ -	\$ -	\$ 701,728	\$ 701,728
EXPENDITURES				
Capital projects	\$ -	\$ 326,114	\$ 928,303	\$ (602,189)
Total expenditures	\$ -	\$ 326,114	\$ 928,303	\$ (602,189)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (326,114)	\$ (226,575)	\$ 99,539
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 224,355	\$ 224,355
Total other financing sources (uses)	\$ -	\$ -	\$ 224,355	\$ 224,355
Net change in fund balances	\$ -	\$ (326,114)	\$ (2,220)	\$ 323,894
Fund balances - beginning	-	326,114	8,104,694	7,778,580
Fund balances - ending	\$ -	\$ -	\$ 8,102,474	\$ 8,102,474

COMBINING FUND STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Exhibit 32

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 88,519	\$ 100,084	\$ 188,603
Total assets	\$ 88,519	\$ 100,084	\$ 188,603
FUND BALANCES			
Assigned:			
Landfill contingency	\$ 88,519	\$ -	\$ 88,519
Capital projects	-	100,084	100,084
Total fund balances	\$ 88,519	\$ 100,084	\$ 188,603
Total liabilities and fund balances	\$ 88,519	\$ 100,084	\$ 188,603

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ -	\$ -
Miscellaneous	-	-	-
Total revenues	\$ -	\$ -	\$ -
 Excess (deficiency) of revenues over (under) expenditures	 \$ -	 \$ -	 \$ -
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -
 Net change in fund balances	 \$ -	 \$ -	 \$ -
Fund balances - beginning	88,519	100,084	188,603
Fund balances - ending	<u>\$ 88,519</u>	<u>\$ 100,084</u>	<u>\$ 188,603</u>

COUNTY OF SHENANDOAH, VIRGINIA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

Exhibit 34

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Ambulance Recovery</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,418	\$ 793,524	\$ 798,942
Receivables:			
Accounts receivable	-	322,257	322,257
Total assets	<u>\$ 5,418</u>	<u>\$ 1,115,781</u>	<u>\$ 1,121,199</u>
LIABILITIES			
Amounts held for social services clients	\$ 5,418	\$ -	\$ 5,418
Amounts held for locality rescue agencies	-	1,115,781	1,115,781
Total liabilities	<u>\$ 5,418</u>	<u>\$ 1,115,781</u>	<u>\$ 1,121,199</u>

COUNTY OF SHENANDOAH, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

Exhibit 35

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare				
ASSETS				
Cash and cash equivalents	\$ 11,313	\$ 1,258	\$ 7,153	\$ 5,418
Total assets	<u>\$ 11,313</u>	<u>\$ 1,258</u>	<u>\$ 7,153</u>	<u>\$ 5,418</u>
LIABILITIES				
Amounts held for social services clients	\$ 11,313	\$ 1,258	\$ 7,153	\$ 5,418
Total liabilities	<u>\$ 11,313</u>	<u>\$ 1,258</u>	<u>\$ 7,153</u>	<u>\$ 5,418</u>
Ambulance Recovery				
ASSETS				
Cash and cash equivalents	\$ 569,967	\$ 1,206,863	\$ 983,306	\$ 793,524
Accounts receivable	<u>325,695</u>	<u>1,206,792</u>	<u>1,210,230</u>	<u>322,257</u>
Total assets	<u>\$ 895,662</u>	<u>\$ 2,413,655</u>	<u>\$ 2,193,536</u>	<u>\$ 1,115,781</u>
LIABILITIES				
Amounts held for locality rescue agencies	\$ 895,662	\$ 986,743	\$ 766,624	\$ 1,115,781
Total liabilities	<u>\$ 895,662</u>	<u>\$ 986,743</u>	<u>\$ 766,624</u>	<u>\$ 1,115,781</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 581,280	\$ 1,208,121	\$ 990,459	\$ 798,942
Accounts receivable	<u>325,695</u>	<u>1,206,792</u>	<u>1,210,230</u>	<u>322,257</u>
Total assets	<u>\$ 906,975</u>	<u>\$ 2,414,913</u>	<u>\$ 2,200,689</u>	<u>\$ 1,121,199</u>
LIABILITIES				
Amounts held for social services clients	\$ 11,313	\$ 1,258	\$ 7,153	\$ 5,418
Amounts held for locality rescue agencies	<u>895,662</u>	<u>2,413,655</u>	<u>2,193,536</u>	<u>1,115,781</u>
Total liabilities	<u>\$ 906,975</u>	<u>\$ 2,414,913</u>	<u>\$ 2,200,689</u>	<u>\$ 1,121,199</u>

**DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

COUNTY OF SHENANDOAH, VIRGINIA
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

Exhibit 36

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,064,132	\$ 1,141,551	\$ 5,205,683
Receivables (net of allowance for uncollectibles):			
Accounts receivable	806,631	4,657	811,288
Due from other funds	90,791	-	90,791
Due from other governmental units	1,400,338	9,798	1,410,136
Inventories	-	88,127	88,127
Prepaid items	69,233	-	69,233
Deposits	5,000	-	5,000
Total assets	<u>\$ 6,436,125</u>	<u>\$ 1,244,133</u>	<u>\$ 7,680,258</u>
LIABILITIES			
Accounts payable	\$ 877,756	\$ 12,544	\$ 890,300
Accrued payroll	2,596,594	67,609	2,664,203
Due to other funds	-	90,791	90,791
Due to primary government	2,669,759	-	2,669,759
Total liabilities	<u>\$ 6,144,109</u>	<u>\$ 170,944</u>	<u>\$ 6,315,053</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ -	\$ 88,127	\$ 88,127
Prepaid items	69,233	-	69,233
Assigned:			
Capital projects	292,016	-	292,016
Cafeteria	-	985,062	985,062
Unassigned	(69,233)	-	(69,233)
Total fund balances	<u>\$ 292,016</u>	<u>\$ 1,073,189</u>	<u>\$ 1,365,205</u>
Total liabilities and fund balances	<u>\$ 6,436,125</u>	<u>\$ 1,244,133</u>	<u>\$ 7,680,258</u>

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

Total fund balances per above \$ 1,365,205

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 5,725,275	
Buildings and improvements	40,374,163	
Machinery and equipment	2,524,873	
Construction in progress	<u>728,497</u>	49,352,808

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

Pension related items	\$ 7,540,199	
OPEB related items	<u>629,689</u>	8,169,888

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

Compensated absences	\$ (901,496)	
Net pension liability	(53,637,873)	
Net OPEB liabilities	<u>(15,162,000)</u>	(69,701,369)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (7,728,693)	
OPEB related items	<u>(539,000)</u>	(8,267,693)

Net position of governmental activities \$ (19,081,161)

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 Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 12,150	\$ 15,689	\$ 27,839
Charges for services	2,552,746	634,041	3,186,787
Miscellaneous	188,469	91,622	280,091
Recovered costs	49,895	-	49,895
Intergovernmental:			
Local government	26,572,452	-	26,572,452
Commonwealth	35,029,383	55,280	35,084,663
Federal	2,911,542	1,529,783	4,441,325
Total revenues	<u>\$ 67,316,637</u>	<u>\$ 2,326,415</u>	<u>\$ 69,643,052</u>
EXPENDITURES			
Current:			
Education	\$ 67,024,621	\$ 2,266,788	\$ 69,291,409
Total expenditures	<u>\$ 67,024,621</u>	<u>\$ 2,266,788</u>	<u>\$ 69,291,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 292,016</u>	<u>\$ 59,627</u>	<u>\$ 351,643</u>
Net change in fund balances	\$ 292,016	\$ 59,627	\$ 351,643
Fund balances - beginning	-	1,013,562	1,013,562
Fund balances - ending	<u>\$ 292,016</u>	<u>\$ 1,073,189</u>	<u>\$ 1,365,205</u>

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

Net change in fund balances - total governmental funds \$ 351,643

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 1,994,260	
Depreciation expense	(2,497,074)	
Allocation of debt financed school assets based on current year repayments	<u>2,444,146</u>	1,941,332

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 2,309	
Pension expense	2,060,801	
OPEB expense	<u>(220,311)</u>	1,842,799

Change in net position of governmental activities \$ 4,135,774

COUNTY OF SHENANDOAH, VIRGINIA

Combining 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 16,000	\$ 16,000	\$ 12,150	\$ (3,850)
Charges for services	2,973,466	4,080,546	2,552,746	(1,527,800)
Miscellaneous	244,315	244,315	188,469	(55,846)
Recovered costs	40,000	40,000	49,895	9,895
Intergovernmental:				
Local government	26,785,946	26,785,946	26,572,452	(213,494)
Commonwealth	35,091,444	35,182,702	35,029,383	(153,319)
Federal	2,904,492	2,863,821	2,911,542	47,721
Total revenues	<u>\$ 68,055,663</u>	<u>\$ 69,213,330</u>	<u>\$ 67,316,637</u>	<u>\$ (1,896,693)</u>
EXPENDITURES				
Current:				
Education	\$ 68,055,663	\$ 69,213,330	\$ 67,024,621	\$ 2,188,709
Total expenditures	<u>\$ 68,055,663</u>	<u>\$ 69,213,330</u>	<u>\$ 67,024,621</u>	<u>\$ 2,188,709</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 292,016	\$ 292,016
Net change in fund balances	\$ -	\$ -	\$ 292,016	\$ 292,016
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,016</u>	<u>\$ 292,016</u>

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 5,361	\$ 5,361	\$ 15,689	\$ 10,328
879,000	879,000	634,041	(244,959)
47,200	47,200	91,622	44,422
-	-	-	-
-	-	-	-
40,000	40,000	55,280	15,280
1,400,000	1,400,000	1,529,783	129,783
<u>\$ 2,371,561</u>	<u>\$ 2,371,561</u>	<u>\$ 2,326,415</u>	<u>\$ (45,146)</u>
\$ 2,571,561	\$ 2,571,561	\$ 2,266,788	\$ 304,773
<u>\$ 2,571,561</u>	<u>\$ 2,571,561</u>	<u>\$ 2,266,788</u>	<u>\$ 304,773</u>
\$ (200,000)	\$ (200,000)	\$ 59,627	\$ 259,627
\$ (200,000)	\$ (200,000)	\$ 59,627	\$ 259,627
200,000	200,000	1,013,562	813,562
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,073,189</u>	<u>\$ 1,073,189</u>

SUPPORTING SCHEDULES

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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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	\$ 26,100,471	\$ 26,100,471	\$ 27,305,460	\$ 1,204,989
Real and personal public service corporation taxes	1,409,442	1,409,442	1,691,827	282,385
Personal property taxes	10,114,935	10,114,935	11,998,463	1,883,528
Mobile home taxes	13,000	13,000	60,334	47,334
Machinery and tools taxes	3,133,436	3,133,436	3,055,357	(78,079)
Merchants capital	270,425	270,425	330,888	60,463
Penalties	320,868	320,868	378,046	57,178
Interest	287,932	287,932	349,053	61,121
Total general property taxes	\$ 41,650,509	\$ 41,650,509	\$ 45,169,428	\$ 3,518,919
Other local taxes:				
Local sales and use taxes	\$ 3,265,000	\$ 3,265,000	\$ 3,651,977	\$ 386,977
Consumers' utility taxes	1,951,714	1,951,714	1,867,094	(84,620)
Utility license taxes	29,316	29,316	51,546	22,230
Motor vehicle licenses	850,000	850,000	891,545	41,545
Taxes on recordation and wills	318,286	318,286	366,337	48,051
Transient occupancy tax	147,569	147,569	160,944	13,375
Total other local taxes	\$ 6,561,885	\$ 6,561,885	\$ 6,989,443	\$ 427,558
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 19,500	\$ 19,500	\$ 22,877	\$ 3,377
Land use application fees	35,600	35,600	4,564	(31,036)
Transfer fees	-	-	2,065	2,065
Permits and other licenses	314,602	314,602	396,868	82,266
Total permits, privilege fees, and regulatory licenses	\$ 369,702	\$ 369,702	\$ 426,374	\$ 56,672
Fines and forfeitures:				
Court fines and forfeitures	\$ 76,000	\$ 76,000	\$ 51,449	\$ (24,551)
Revenue from use of money and property:				
Revenue from use of money	\$ 67,570	\$ 67,570	\$ 297,715	\$ 230,145
Revenue from use of property	364,702	364,702	406,253	41,551
Total revenue from use of money and property	\$ 432,272	\$ 432,272	\$ 703,968	\$ 271,696
Charges for services:				
Charges for courthouse security	\$ 96,200	\$ 96,200	\$ 91,554	\$ (4,646)
Law library fees	21,432	21,432	8,117	(13,315)
Charges for Commonwealth's Attorney	3,829	3,829	4,725	896
Charges for animal protection	9,430	9,430	9,370	(60)
Charges for courthouse construction	39,000	39,000	32,106	(6,894)
Charges for parks and recreation	323,024	323,024	562,856	239,832
Charges for spay and neuter	4,000	4,000	3,640	(360)
KidzRec	426,978	426,978	497,665	70,687
Charges for courthouse maintenance	25,000	25,000	20,326	(4,674)
Charges for ambulance recoveries	745,075	745,075	937,308	192,233
Charges for services - other	6,000	6,000	97,592	91,592
Total charges for services	\$ 1,699,968	\$ 1,699,968	\$ 2,265,259	\$ 565,291

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

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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	\$ 158,000	\$ 192,729	\$ 150,866	\$ (41,863)
Refunds and recoveries	94,890	202,084	488,809	286,725
Total miscellaneous	<u>\$ 252,890</u>	<u>\$ 394,813</u>	<u>\$ 639,675</u>	<u>\$ 244,862</u>
Recovered costs:				
Other recovered costs	\$ 853,714	\$ 963,071	\$ 497,565	\$ (465,506)
Total recovered costs	<u>\$ 853,714</u>	<u>\$ 963,071</u>	<u>\$ 497,565</u>	<u>\$ (465,506)</u>
Total revenue from local sources	<u>\$ 51,896,940</u>	<u>\$ 52,148,220</u>	<u>\$ 56,743,161</u>	<u>\$ 4,594,941</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 49,093	\$ 49,093	\$ 16,455	\$ (32,638)
Mobile home titling tax	8,200	8,200	10,509	2,309
State recordation tax	200,000	200,000	227,087	27,087
Personal property tax relief funds	3,647,829	3,647,829	3,647,829	-
Total noncategorical aid	<u>\$ 3,905,122</u>	<u>\$ 3,905,122</u>	<u>\$ 3,901,880</u>	<u>\$ (3,242)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 376,854	\$ 376,854	\$ 375,892	\$ (962)
Sheriff	1,775,994	1,777,900	1,794,237	16,337
Commissioner of revenue	128,390	128,390	128,995	605
Treasurer	130,009	130,009	127,901	(2,108)
Registrar/electoral board	44,101	44,101	42,321	(1,780)
Clerk of the Circuit Court	302,067	302,067	314,835	12,768
Total shared expenses	<u>\$ 2,757,415</u>	<u>\$ 2,759,321</u>	<u>\$ 2,784,181</u>	<u>\$ 24,860</u>
Other categorical aid:				
Litter control grant	\$ 18,000	\$ 18,000	\$ 17,800	\$ (200)
Welfare administration and assistance	745,485	745,485	1,023,274	277,789
Forfeited drug assets	-	24,740	8,389	(16,351)
DMV grant	-	-	-	-
Comprehensive services act	1,741,400	1,741,400	2,282,903	541,503
VJCCCA grant	31,204	31,204	26,824	(4,380)
Victim-witness grant	61,372	61,372	11,088	(50,284)
Wireless E-911 grant	105,698	105,698	111,441	5,743
Fire programs fund	73,188	73,188	83,776	10,588
Extradition of prisoners	1,280	4,588	5,576	988
Rent health department	-	-	7,200	7,200
Other categorical aid	52,449	114,047	248,837	134,790
Total other categorical aid	<u>\$ 2,830,076</u>	<u>\$ 2,919,722</u>	<u>\$ 3,827,108</u>	<u>\$ 907,386</u>
Total categorical aid	<u>\$ 5,587,491</u>	<u>\$ 5,679,043</u>	<u>\$ 6,611,289</u>	<u>\$ 932,246</u>
Total revenue from the Commonwealth	<u>\$ 9,492,613</u>	<u>\$ 9,584,165</u>	<u>\$ 10,513,169</u>	<u>\$ 929,004</u>

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

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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 federal government:				
Payments in lieu of taxes	\$ 170,000	\$ 170,000	\$ 202,133	\$ 32,133
Categorical aid:				
DMV ground transportation safety grant	\$ 24,760	\$ 24,760	\$ 19,985	\$ (4,775)
U.S. Forest Service Patrol	7,751	7,751	5,189	(2,562)
Bullet proof vest grant	-	3,735	3,735	-
Welfare administration and assistance	2,261,390	2,261,390	1,747,093	(514,297)
Forfeited drug assets	338,089	338,089	79,780	(258,309)
Project lifesaver	3,505	3,505	1,490	(2,015)
Homeland security grant	23,509	23,509	25,000	1,491
Triad grant	2,940	2,940	2,520	(420)
Other categorical aid	-	-	80,899	80,899
Total categorical aid	\$ 2,661,944	\$ 2,665,679	\$ 1,965,691	\$ (699,988)
Total revenue from the federal government	\$ 2,831,944	\$ 2,835,679	\$ 2,167,824	\$ (667,855)
Total General Fund	\$ 64,221,497	\$ 64,568,064	\$ 69,424,154	\$ 4,856,090
Debt Service Funds:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous:				
Interest subsidy	\$ 511,900	\$ 511,900	\$ 515,487	\$ 3,587
Total miscellaneous	\$ 511,900	\$ 511,900	\$ 515,487	\$ 3,587
Total Debt Service Fund	\$ 511,900	\$ 511,900	\$ 515,487	\$ 3,587
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,728	\$ 1,728
Miscellaneous:				
Donations	\$ -	\$ -	\$ 700,000	\$ 700,000
Total miscellaneous	\$ -	\$ -	\$ 700,000	\$ 700,000
Total Capital Projects Fund	\$ -	\$ -	\$ 701,728	\$ 701,728
Total Primary Government	\$ 64,733,397	\$ 65,079,964	\$ 70,641,369	\$ 5,561,405

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 16,000	\$ 16,000	\$ 12,150	\$ (3,850)
Total revenue from use of money and property	\$ 16,000	\$ 16,000	\$ 12,150	\$ (3,850)
Charges for services:				
Tuition and other payments	\$ 2,777,965	\$ 3,885,045	\$ 2,381,087	\$ (1,503,958)
Other charges for services	195,501	195,501	171,659	(23,842)
Total charges for services	\$ 2,973,466	\$ 4,080,546	\$ 2,552,746	\$ (1,527,800)
Miscellaneous:				
Other miscellaneous	\$ 244,315	\$ 244,315	\$ 188,469	\$ (55,846)
Total miscellaneous	\$ 244,315	\$ 244,315	\$ 188,469	\$ (55,846)
Recovered costs:				
Other recovered costs	\$ 40,000	\$ 40,000	\$ 49,895	\$ 9,895
Total revenue from local sources	\$ 3,273,781	\$ 4,380,861	\$ 2,803,260	\$ (1,577,601)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Shenandoah, Virginia	\$ 26,785,946	\$ 26,785,946	\$ 26,572,452	\$ (213,494)
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax	\$ 6,865,924	\$ 6,865,924	\$ 6,495,166	\$ (370,758)
Basic aid	16,287,117	16,287,117	16,470,851	183,734
Remedial summer school	91,753	91,753	66,989	(24,764)
Foster home children	43,980	43,980	49,906	5,926
GED	15,717	15,717	16,587	870
Gifted and talented	175,053	175,053	176,818	1,765
Remedial education	587,158	587,158	593,075	5,917
Special education	1,597,361	1,597,361	1,613,460	16,099
Textbook payments	400,361	400,361	404,396	4,035
Vocational education	706,375	797,633	796,066	(1,567)
Fringe benefits	3,366,129	3,366,129	3,400,053	33,924
Early reading intervention	97,250	97,250	107,596	10,346
Mentor teacher program	5,265	5,265	8,893	3,628
Homebound	12,726	12,726	13,957	1,231
Special education regional program	1,085,375	1,085,375	1,078,305	(7,070)
At risk program	443,295	443,295	449,090	5,795
Primary class size payments	704,109	704,109	707,983	3,874
School technology funds	284,000	284,000	310,000	26,000
School construction	-	-	9,108	9,108
Special education- foster children	-	-	4,568	4,568
Algebra readiness	66,963	66,963	67,075	112
English as a second language	231,731	231,731	262,047	30,316
Enrollment loss	-	-	10,220	10,220
Virginia preschool initiative payment	439,156	439,156	405,267	(33,889)
Academic year governors school	191,027	191,027	226,371	35,344
National board certification bonus	13,800	13,800	10,000	(3,800)
Other categorical aid	1,379,819	1,379,819	1,275,536	(104,283)
Total categorical aid	\$ 35,091,444	\$ 35,182,702	\$ 35,029,383	\$ (153,319)
Total revenue from the Commonwealth	\$ 35,091,444	\$ 35,182,702	\$ 35,029,383	\$ (153,319)

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2018 (Continued)

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Operating Fund (continued):				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,245,066	\$ 1,226,901	\$ 1,274,110	\$ 47,209
Forest reserve	14,900	14,900	15,614	714
Title II Part A	201,464	178,911	205,735	26,824
Title VI-B	1,266,785	1,266,785	1,259,337	(7,448)
Title III-Part A	36,509	36,556	-	(36,556)
Vocational education	100,000	100,000	84,600	(15,400)
Title III Part A	-	-	4,086	4,086
Preschool	39,768	39,768	22,574	(17,194)
Other	-	-	45,486	45,486
Total categorical aid	\$ 2,904,492	\$ 2,863,821	\$ 2,911,542	\$ 47,721
Total revenue from the federal government	\$ 2,904,492	\$ 2,863,821	\$ 2,911,542	\$ 47,721
Total School Operating Fund	\$ 68,055,663	\$ 69,213,330	\$ 67,316,637	\$ (1,896,693)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,361	\$ 5,361	\$ 15,689	\$ 10,328
Charges for services:				
School food services	\$ 879,000	\$ 879,000	\$ 634,041	\$ (244,959)
Miscellaneous:				
Miscellaneous	\$ 47,200	\$ 47,200	\$ 91,622	\$ 44,422
Total revenue from local sources	\$ 931,561	\$ 931,561	\$ 741,352	\$ (190,209)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 40,000	\$ 40,000	\$ 55,280	\$ 15,280
Total revenue from the Commonwealth	\$ 40,000	\$ 40,000	\$ 55,280	\$ 15,280

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

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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 Cafeteria Fund (continued):				
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 1,400,000	\$ 1,400,000	\$ 1,381,972	\$ (18,028)
USDA commodities	-	-	147,811	147,811
Total categorical aid	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,529,783</u>	<u>\$ 129,783</u>
Total revenue from the federal government	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,529,783</u>	<u>\$ 129,783</u>
Total School Cafeteria Fund	<u>\$ 2,371,561</u>	<u>\$ 2,371,561</u>	<u>\$ 2,326,415</u>	<u>\$ (45,146)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 70,427,224</u>	<u>\$ 71,584,891</u>	<u>\$ 69,643,052</u>	<u>\$ (1,941,839)</u>

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 227,745	\$ 227,745	\$ 226,087	\$ 1,658
General and financial information:				
County administrator	\$ 428,258	\$ 428,258	\$ 415,794	\$ 12,464
Budget	239,890	239,890	224,796	15,094
Legal services	84,000	84,000	196,970	(112,970)
Commissioner of revenue	460,806	460,805	452,240	8,565
Reassessment	-	-	275	(275)
Treasurer	578,456	578,456	564,782	13,674
Central accounting	84,000	84,000	83,431	569
Data processing	133,833	145,233	143,593	1,640
Geographic information system	106,420	113,920	111,351	2,569
Total general and financial information	\$ 2,115,663	\$ 2,134,562	\$ 2,193,232	\$ (58,670)
Board of elections:				
Electoral board and officials	\$ 80,582	\$ 80,582	\$ 77,281	\$ 3,301
Registrar	121,922	121,922	121,767	155
Total board of elections	\$ 202,504	\$ 202,504	\$ 199,048	\$ 3,456
Total general government administration	\$ 2,545,912	\$ 2,564,811	\$ 2,618,367	\$ (53,556)
Judicial administration:				
Courts:				
Circuit court	\$ 67,553	\$ 81,085	\$ 65,373	\$ 15,712
General district court	8,200	8,200	7,384	816
Special magistrates	4,025	4,025	2,001	2,024
Clerk of the circuit court	615,472	615,472	598,551	16,921
Sheriff	787,835	787,835	787,342	493
Juvenile domestic	13,275	13,275	10,274	3,001
Law library	12,500	12,500	9,677	2,823
Records restoration	-	-	2,940	(2,940)
Victim witness	83,237	83,237	84,318	(1,081)
Total courts	\$ 1,592,097	\$ 1,605,629	\$ 1,567,860	\$ 37,769
Commonwealth's attorney:				
Commonwealth's attorney	\$ 564,725	\$ 565,125	\$ 564,815	\$ 310
Total judicial administration	\$ 2,156,822	\$ 2,170,754	\$ 2,132,675	\$ 38,079
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,981,498	\$ 5,271,939	\$ 5,551,754	\$ (279,815)
Total law enforcement and traffic control	\$ 4,981,498	\$ 5,271,939	\$ 5,551,754	\$ (279,815)
Fire and rescue services:				
Volunteer fire department	\$ 1,097,773	\$ 1,189,730	\$ 855,103	\$ 334,627
Ambulance and rescue services	28,142	30,892	45,755	(14,863)
Forest fire extinction	9,495	9,495	9,495	-
Fire and rescue services	4,018,943	4,282,959	4,358,349	(75,390)
Total fire and rescue services	\$ 5,154,353	\$ 5,513,076	\$ 5,268,702	\$ 244,374

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Schedule 2
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Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Public safety: (continued)				
Correction and detention:				
Jail	\$ 2,241,769	\$ 2,241,769	\$ 2,311,752	\$ (69,983)
Juvenile probation and detention	524,383	524,383	516,378	8,005
Total correction and detention	<u>\$ 2,766,152</u>	<u>\$ 2,766,152</u>	<u>\$ 2,828,130</u>	<u>\$ (61,978)</u>
Inspections:				
Building	\$ 414,075	\$ 439,275	\$ 411,068	\$ 28,207
Other protection:				
Animal control	\$ 159,464	\$ 176,842	\$ 154,260	\$ 22,582
Animal shelter	251,333	280,943	252,256	28,687
Medical examiner	900	900	1,078	(178)
Emergency services	1,334,371	1,553,310	1,517,517	35,793
Total other protection	<u>\$ 1,746,068</u>	<u>\$ 2,011,995</u>	<u>\$ 1,925,111</u>	<u>\$ 86,884</u>
Total public safety	<u>\$ 15,062,146</u>	<u>\$ 16,002,437</u>	<u>\$ 15,984,765</u>	<u>\$ 17,672</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,190,485	\$ 1,213,046	\$ 1,157,835	\$ 55,211
Total public works	<u>\$ 1,190,485</u>	<u>\$ 1,213,046</u>	<u>\$ 1,157,835</u>	<u>\$ 55,211</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 322,998	\$ 322,998	\$ 322,998	\$ -
Mental health and mental retardation:				
Northwestern Community Services Board	\$ 241,646	\$ 241,646	\$ 241,646	\$ -
Total mental health and mental retardation	<u>\$ 241,646</u>	<u>\$ 241,646</u>	<u>\$ 241,646</u>	<u>\$ -</u>
Welfare:				
Welfare administration	\$ 4,053,396	\$ 4,053,396	\$ 3,850,972	\$ 202,424
Comprehensive services act	2,742,498	2,742,498	3,766,938	(1,024,440)
Area Agency on Aging	68,000	68,000	68,000	-
Tax relief for the elderly	226,684	226,684	249,131	(22,447)
Operation county/farm home	5,000	5,000	-	5,000
Other local health and welfare organizations	57,000	57,000	57,000	-
Total welfare administration	<u>\$ 7,152,578</u>	<u>\$ 7,152,578</u>	<u>\$ 7,992,041</u>	<u>\$ (839,463)</u>
Total health and welfare	<u>\$ 7,717,222</u>	<u>\$ 7,717,222</u>	<u>\$ 8,556,685</u>	<u>\$ (839,463)</u>

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

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Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 44,957	\$ 44,957	\$ 44,957	\$ -
Contribution to County School Board	26,785,946	27,817,414	26,572,452	1,244,962
Total education	\$ 26,830,903	\$ 27,862,371	\$ 26,617,409	\$ 1,244,962
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 706,617	\$ 741,617	\$ 976,350	\$ (234,733)
KidzRock	426,978	426,978	484,512	(57,534)
Total parks and recreation	\$ 1,133,595	\$ 1,168,595	\$ 1,460,862	\$ (292,267)
Cultural enrichment:				
Contributions to community programs	\$ 9,500	\$ 9,500	\$ 9,000	\$ 500
Total cultural enrichment	\$ 9,500	\$ 9,500	\$ 9,000	\$ 500
Library:				
Contribution to County Library	\$ 733,142	\$ 733,142	\$ 724,854	\$ 8,288
Total parks, recreation, and cultural	\$ 1,876,237	\$ 1,911,237	\$ 2,194,716	\$ (283,479)
Community development:				
Planning and community development:				
Community development	\$ 408,748	\$ 408,748	\$ 347,588	\$ 61,160
Economic development	293,009	293,009	290,502	2,507
Tourism	213,465	325,943	342,281	(16,338)
Litter control	18,000	18,000	17,800	200
Total planning and community development	\$ 933,222	\$ 1,045,700	\$ 998,171	\$ 47,529
Environmental management:				
Soil and water conservation district	\$ 361,214	\$ 361,214	\$ 337,194	\$ 24,020
Total environmental management	\$ 361,214	\$ 361,214	\$ 337,194	\$ 24,020
Cooperative extension program:				
Extension office	\$ 153,333	\$ 153,333	\$ 125,464	\$ 27,869
Total community development	\$ 1,447,769	\$ 1,560,247	\$ 1,460,829	\$ 99,418
Nondepartmental:				
Judgments and settlements	\$ 475	\$ 475	\$ 405	\$ 70
Revenue refunds	24,550	24,550	9,031	15,519
Contingencies	350,000	350,000	96,253	253,747
Total nondepartmental	\$ 375,025	\$ 375,025	\$ 105,689	\$ 269,336
Capital projects:				
Other capital projects	\$ 930,258	\$ -	\$ 5,566	\$ (5,566)
Total capital projects	\$ 930,258	\$ -	\$ 5,566	\$ (5,566)
Total General Fund	\$ 60,132,779	\$ 61,377,150	\$ 60,834,536	\$ 542,614

Governmental Funds
For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds:				
County Debt Service Fund				
Debt service:				
Principal	\$ 4,035,920	\$ 4,035,920	\$ 4,212,946	\$ (177,026)
Interest and other fiscal charges	1,851,157	1,851,157	1,932,353	(81,196)
Total County Debt Service Fund	<u>\$ 5,887,077</u>	<u>\$ 5,887,077</u>	<u>\$ 6,145,299</u>	<u>\$ (258,222)</u>
Capital Projects Funds:				
County Capital Projects Fund				
Capital projects expenditures:				
911 Radio	\$ -	\$ 25,000	\$ 25,000	\$ -
Construction of sheriff's office	-	162,045	855,163	(693,118)
Shelter modifications	-	3,948	3,948	-
Sheriff's office	-	135,121	44,192	90,929
Total County Capital Projects Expenditures	<u>\$ -</u>	<u>\$ 326,114</u>	<u>\$ 928,303</u>	<u>\$ (602,189)</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 326,114</u>	<u>\$ 928,303</u>	<u>\$ (602,189)</u>
Total Primary Government	<u>\$ 66,019,856</u>	<u>\$ 67,590,341</u>	<u>\$ 67,908,138</u>	<u>\$ (317,797)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instructional	\$ 52,545,626	\$ 52,741,961	\$ 50,636,840	\$ 2,105,121
Operating costs:				
Attendance and health services	\$ 2,725,260	\$ 2,771,861	\$ 2,873,611	\$ (101,750)
Pupil transportation	4,880,939	5,217,238	5,362,798	(145,560)
Operation and maintenance of school plant	6,318,730	6,778,174	6,258,947	519,227
Electronic technology	1,585,108	1,704,096	1,892,425	(188,329)
Total operating costs	<u>\$ 15,510,037</u>	<u>\$ 16,471,369</u>	<u>\$ 16,387,781</u>	<u>\$ 83,588</u>
Total School operating fund	<u>\$ 68,055,663</u>	<u>\$ 69,213,330</u>	<u>\$ 67,024,621</u>	<u>\$ 2,188,709</u>
School Cafeteria Fund:				
Education:				
School food services:				
School cafeteria	\$ 2,571,561	\$ 2,571,561	\$ 2,266,788	\$ 304,773
Total school cafeteria fund	<u>\$ 2,571,561</u>	<u>\$ 2,571,561</u>	<u>\$ 2,266,788</u>	<u>\$ 304,773</u>
Total Discretely Presented Component Unit School Board	<u>\$ 70,627,224</u>	<u>\$ 71,784,891</u>	<u>\$ 69,291,409</u>	<u>\$ 2,493,482</u>

STATISTICAL SECTION

STATISTICAL SECTION

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

1-5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

6-10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

11-13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

14-15

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

16-18

Sources:

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

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COUNTY OF SHENANDOAH, VIRGINIA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:				
Net investment in capital assets	\$ 3,525,823	\$ 4,902,912	\$ 3,331,416	\$ (352,810)
Restricted	315,168	315,168	4,372,985	3,896,099
Unrestricted	<u>8,482,928</u>	<u>5,193,805</u>	<u>5,091,476</u>	<u>16,893,494</u>
Total governmental activities net position	<u>\$ 12,323,919</u>	<u>\$ 10,411,885</u>	<u>\$ 12,795,877</u>	<u>\$ 20,436,783</u>
Business-type Activities:				
Net investment in capital assets	\$ 2,686,610	\$ 3,093,376	\$ 3,633,593	\$ 6,106,858
Restricted	59,736	-	-	-
Unrestricted	<u>1,818,107</u>	<u>1,415,311</u>	<u>1,436,310</u>	<u>(9,436,571)</u>
Total business-type activities net position	<u>\$ 4,564,453</u>	<u>\$ 4,508,687</u>	<u>\$ 5,069,903</u>	<u>\$ (3,329,713)</u>
Primary government:				
Net investment in capital assets	\$ 6,212,433	\$ 7,996,288	\$ 6,965,009	\$ 5,754,048
Restricted	374,904	315,168	4,372,985	3,896,099
Unrestricted	<u>10,301,035</u>	<u>6,609,116</u>	<u>6,527,786</u>	<u>7,456,923</u>
Total primary government net position	<u>\$ 16,888,372</u>	<u>\$ 14,920,572</u>	<u>\$ 17,865,780</u>	<u>\$ 17,107,070</u>

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 766,198	\$ 2,474,405	\$ 3,945,296	\$ 4,603,873	\$ 5,506,961	\$ 7,241,929
6,120,414	4,442,313	3,577,673	3,625,033	5,648,061	5,939,307
16,233,023	20,139,058	16,908,410	14,181,432	16,345,010	17,011,415
<u>\$ 23,119,635</u>	<u>\$ 27,055,776</u>	<u>\$ 24,431,379</u>	<u>\$ 22,410,338</u>	<u>\$ 27,500,032</u>	<u>\$ 30,192,651</u>
\$ 6,744,936	\$ 7,182,189	\$ 7,613,307	\$ 11,198,699	\$ 11,391,963	\$ 11,091,949
-	-	-	-	-	-
(9,790,291)	(7,811,096)	(9,038,825)	(11,194,508)	(9,748,424)	(9,588,862)
<u>\$ (3,045,355)</u>	<u>\$ (628,907)</u>	<u>\$ (1,425,518)</u>	<u>\$ 4,191</u>	<u>\$ 1,643,539</u>	<u>\$ 1,503,087</u>
\$ 7,511,134	\$ 9,656,594	\$ 11,558,603	\$ 15,802,572	\$ 16,898,924	\$ 18,333,878
6,120,414	4,442,313	3,577,673	3,625,033	5,648,061	5,939,307
6,442,732	12,327,962	7,869,585	2,986,924	6,596,586	7,422,553
<u>\$ 20,074,280</u>	<u>\$ 26,426,869</u>	<u>\$ 23,005,861</u>	<u>\$ 22,414,529</u>	<u>\$ 29,143,571</u>	<u>\$ 31,695,738</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General government administration	\$ 2,817,148	\$ 2,694,098	\$ 2,402,794	\$ 2,714,331
Judicial administration	1,686,886	1,563,538	1,794,214	1,908,573
Public safety	11,121,538	11,327,324	11,247,826	11,627,376
Public works	5,686,960	3,669,994	4,836,959	1,840,310
Health and welfare	6,331,863	6,147,406	6,728,853	7,462,916
Education	27,122,413	24,147,779	24,476,243	25,310,174
Parks, recreation, and cultural	1,465,416	1,820,175	1,487,353	1,528,660
Community development	1,151,216	965,207	1,606,664	745,870
Interest on long-term debt	2,003,040	2,152,971	2,728,110	2,845,792
Total governmental activities expenses	\$ 59,386,480	\$ 54,488,492	\$ 57,309,016	\$ 55,984,002
Business-type Activities:				
Sanitary Districts	\$ 2,600,989	\$ 2,354,749	\$ 2,297,808	\$ 2,211,341
North Fork Wastewater	-	-	-	169,990
Landfill	-	-	-	2,768,790
Total business-type activities expenses	\$ 2,600,989	\$ 2,354,749	\$ 2,297,808	\$ 5,150,121
Total primary government expenses	\$ 61,987,469	\$ 56,843,241	\$ 59,606,824	\$ 61,134,123
Program Revenues				
Governmental Activities:				
Charges for services:				
General government administration	\$ 402,330	\$ 363,868	\$ 362,673	\$ 363,009
Judicial administration	315,354	269,943	292,908	258,918
Public safety	122,117	122,681	78,043	73,224
Public works	1,075,280	1,005,193	1,070,662	-
Health and welfare	-	-	-	-
Education	522,635	469,308	465,158	388,851
Parks, recreation, and cultural	357,904	534,855	481,901	454,494
Operating grants and contributions	9,364,373	8,116,656	8,500,571	8,043,215
Capital grants and contributions	-	-	3,996,634	1,411,363
Total governmental activities program revenues	\$ 12,159,993	\$ 10,882,504	\$ 15,248,550	\$ 10,993,074
Business-type Activities:				
Charges for services:				
Sanitary Districts	\$ 1,468,721	\$ 1,446,521	\$ 1,555,987	\$ 1,534,485
North Fork Wastewater	-	-	-	132,693
Landfill	-	-	-	1,081,369
Capital grants and contributions	307,694	175,383	239,000	329,067
Total business-type activities program revenues	\$ 1,776,415	\$ 1,621,904	\$ 1,794,987	\$ 3,077,614
Total primary government program revenues	\$ 13,936,408	\$ 12,504,408	\$ 17,043,537	\$ 14,070,688
Net (expense) / revenue				
Governmental Activities	\$ (47,226,487)	\$ (43,605,988)	\$ (42,060,466)	\$ (44,990,928)
Business-type Activities	(824,574)	(732,845)	(502,821)	(2,072,507)
Total primary government net expense	\$ (48,051,061)	\$ (44,338,833)	\$ (42,563,287)	\$ (47,063,435)

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,463,006	\$ 1,969,430	\$ 2,668,706	\$ 2,897,841	\$ 2,844,200	\$ 2,986,698
1,982,483	2,073,679	2,083,473	2,042,118	2,214,773	2,303,707
13,053,085	13,932,695	12,701,606	14,947,334	15,601,779	15,269,440
1,414,273	1,228,217	1,677,832	1,147,692	1,203,056	1,130,117
6,971,130	6,420,661	6,513,167	7,143,608	8,038,337	8,379,289
24,661,559	25,808,176	27,252,564	28,333,067	27,662,686	29,061,555
1,426,020	1,548,584	1,589,374	1,666,378	1,977,186	2,162,708
892,852	1,086,801	732,115	1,491,749	1,099,573	1,114,388
2,639,028	2,285,296	2,187,944	2,037,564	1,879,970	1,715,549
<u>\$ 55,503,436</u>	<u>\$ 56,353,539</u>	<u>\$ 57,406,781</u>	<u>\$ 61,707,351</u>	<u>\$ 62,521,560</u>	<u>\$ 64,123,451</u>
\$ 2,249,735	\$ 2,189,967	\$ 2,199,988	\$ 2,233,317	\$ 2,050,702	\$ 2,089,228
209,261	177,751	256,978	272,530	265,486	276,138
2,833,612	409,841	2,726,110	4,063,526	2,802,246	2,737,626
<u>\$ 5,292,608</u>	<u>\$ 2,777,559</u>	<u>\$ 5,183,076</u>	<u>\$ 6,569,373</u>	<u>\$ 5,118,434</u>	<u>\$ 5,102,992</u>
<u>\$ 60,796,044</u>	<u>\$ 59,131,098</u>	<u>\$ 62,589,857</u>	<u>\$ 68,276,724</u>	<u>\$ 67,639,994</u>	<u>\$ 69,226,443</u>
\$ 332,185	\$ 329,430	\$ 426,174	\$ 412,296	\$ 426,606	\$ 519,425
249,069	196,855	231,627	206,785	237,787	208,277
1,046,987	924,949	622,799	861,624	741,236	952,459
-	2,400	8,022	473	-	2,400
27,283	-	-	-	-	-
355,435	397,445	367,829	390,566	-	-
262,619	428,031	383,428	427,623	844,570	1,060,521
7,994,332	8,941,953	7,492,689	8,263,660	11,213,697	8,576,980
1,102,782	1,190,549	492,667	390,388	79,708	700,000
<u>\$ 11,370,692</u>	<u>\$ 12,411,612</u>	<u>\$ 10,025,235</u>	<u>\$ 10,953,415</u>	<u>\$ 13,543,604</u>	<u>\$ 12,020,062</u>
\$ 1,628,981	\$ 1,650,491	\$ 1,662,924	\$ 1,823,913	\$ 1,783,104	\$ 1,832,866
100,784	105,479	66,336	65,473	85,581	103,685
1,095,874	1,036,704	1,207,176	1,240,290	1,367,091	1,387,496
515,666	202,000	104,333	36,168	117,500	134,000
<u>\$ 3,341,305</u>	<u>\$ 2,994,674</u>	<u>\$ 3,040,769</u>	<u>\$ 3,165,844</u>	<u>\$ 3,353,276</u>	<u>\$ 3,458,047</u>
<u>\$ 14,711,997</u>	<u>\$ 15,406,286</u>	<u>\$ 13,066,004</u>	<u>\$ 14,119,259</u>	<u>\$ 16,896,880</u>	<u>\$ 15,478,109</u>
\$ (44,132,744)	\$ (43,941,927)	\$ (47,381,546)	\$ (50,753,936)	\$ (48,977,956)	\$ (52,103,389)
(1,951,303)	217,115	(2,142,307)	(3,403,529)	(1,765,158)	(1,644,945)
<u>\$ (46,084,047)</u>	<u>\$ (43,724,812)</u>	<u>\$ (49,523,853)</u>	<u>\$ (54,157,465)</u>	<u>\$ (50,743,114)</u>	<u>\$ (53,748,334)</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property taxes	\$ 30,598,287	\$ 31,119,938	\$ 31,699,815	\$ 33,793,896
Local sales and use taxes	3,313,542	2,909,578	3,048,872	3,168,917
Consumer utility taxes	322,715	325,862	298,353	1,962,053
Motor vehicle licenses taxes	795,000	815,279	857,901	826,120
Taxes on recordation and wills	1,960,982	1,995,591	1,994,437	258,430
Other local taxes	132,608	107,777	147,423	164,242
Unrestricted grants and contributions	3,876,482	3,842,578	3,791,210	3,959,108
Unrestricted revenues from use of money and property	326,895	121,661	133,941	258,340
Miscellaneous	302,129	455,690	2,816,283	1,237,842
Transfers	-	-	(343,777)	7,002,886
Total governmental activities	\$ 41,628,640	\$ 41,693,954	\$ 44,444,458	\$ 52,631,834
Business-type Activities:				
Property taxes	\$ 522,155	\$ 541,459	\$ 561,634	\$ 562,552
Unrestricted revenues from use of money and property	39,957	21,019	19,004	23,331
Miscellaneous	116,020	114,601	139,622	89,893
Transfers	-	-	343,777	(7,002,886)
Total business-type activities	\$ 678,132	\$ 677,079	\$ 1,064,037	\$ (6,327,110)
Total primary government	\$ 42,306,772	\$ 42,371,033	\$ 45,508,495	\$ 46,304,724
Change in Net Position				
Governmental Activities	\$ (5,597,847)	\$ (1,912,034)	\$ 2,383,992	\$ 7,640,906
Business-type Activities	(146,442)	(55,766)	561,216	(8,399,617)
Total primary government	\$ (5,744,289)	\$ (1,967,800)	\$ 2,945,208	\$ (758,711)

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 35,569,694	\$ 37,418,269	\$ 39,124,452	\$ 41,148,042	\$ 42,461,477	\$ 44,834,747
3,224,641	3,207,116	3,262,733	3,246,390	3,536,415	3,651,977
1,943,136	1,994,637	1,955,209	1,881,288	1,937,678	1,867,094
825,623	830,861	864,693	871,892	871,435	891,545
347,126	304,745	291,431	347,726	410,384	366,337
154,857	160,650	166,728	176,892	168,394	212,490
3,874,170	4,066,927	4,036,318	4,092,036	4,146,519	4,104,013
130,565	360,343	452,848	422,388	569,096	705,696
2,705,887	1,106,265	771,242	782,381	1,323,671	1,155,162
(1,632,819)	(1,571,745)	(1,363,318)	(4,236,140)	(1,357,419)	(1,143,142)
\$ 47,142,880	\$ 47,878,068	\$ 49,562,336	\$ 48,732,895	\$ 54,067,650	\$ 56,645,919
\$ 592,586	\$ 572,600	\$ 569,402	\$ 580,181	\$ 560,226	\$ 562,737
10,256	6,084	2,685	5,783	12,389	23,197
-	48,904	59,139	11,134	8,040	8,727
1,632,819	1,571,745	1,363,318	4,236,140	1,357,419	1,143,142
\$ 2,235,661	\$ 2,199,333	\$ 1,994,544	\$ 4,833,238	\$ 1,938,074	\$ 1,737,803
\$ 49,378,541	\$ 50,077,401	\$ 51,556,880	\$ 53,566,133	\$ 56,005,724	\$ 58,383,722
\$ 3,010,136	\$ 3,936,141	\$ 2,180,790	\$ (2,021,041)	\$ 5,089,694	\$ 4,542,530
284,358	2,416,448	(147,763)	1,429,709	172,916	92,858
\$ 3,294,494	\$ 6,352,589	\$ 2,033,027	\$ (591,332)	\$ 5,262,610	\$ 4,635,388

COUNTY OF SHENANDOAH, VIRGINIA

Table 3

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Total
2009 \$	30,598,287 \$	3,313,542 \$	1,960,982 \$	795,000 \$	322,715 \$	36,990,526
2010	31,119,938	2,909,578	1,995,591	815,279	325,862	37,166,248
2011	31,699,815	3,048,872	1,994,437	857,901	298,353	37,899,378
2012	33,793,896	3,168,917	1,962,053	826,120	258,430	40,009,416
2013	35,569,694	3,224,641	1,943,136	825,623	347,126	41,910,220
2014	37,418,269	3,207,116	1,994,637	830,861	304,745	43,755,628
2015	39,124,452	3,262,733	1,955,209	864,693	291,431	45,498,518
2016	41,148,042	3,246,390	1,881,288	871,892	347,726	47,495,338
2017	42,461,477	3,536,415	1,937,678	871,435	410,384	49,217,389
2018	44,834,747	3,651,977	1,867,094	891,545	366,377	51,611,740

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COUNTY OF SHENANDOAH, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund				
Unreserved	\$ 11,621,797	\$ 10,747,591	\$ -	\$ -
Nonspendable	-	-	42,362	88,905
Restricted	-	-	4,372,985	3,896,099
Committed	-	-	-	5,035
Assigned	-	-	1,132,855	1,043,063
Unassigned	-	-	9,686,116	9,655,914
Total general fund	<u>\$ 11,621,797</u>	<u>\$ 10,747,591</u>	<u>\$ 15,234,318</u>	<u>\$ 14,689,016</u>
All other governmental funds				
Reserved				
Unreserved, reported in:				
Special revenue funds	\$ 641,844	\$ 566,016	\$ -	\$ -
Capital projects funds	8,895,067	18,156,955	-	-
Debt service funds	-	-	-	-
Restricted, reported in:				
Capital projects funds	-	-	8,653,713	2,505,751
Committed, reported in:				
Landfill contingency	-	-	-	39,303
Assigned, reported in:				
Debt service funds	-	-	-	-
Capital projects funds	-	-	6,918,627	8,046,955
Special revenue funds	-	-	576,406	99,893
Total all other governmental funds	<u>\$ 9,536,911</u>	<u>\$ 18,722,971</u>	<u>\$ 16,148,746</u>	<u>\$ 10,691,902</u>

Note: The County implemented GASB Statement 54 beginning with fiscal year 2011-see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 4

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,995	39,075	70,758	45,765	42,998	160,559
3,938,418	4,217,739	3,509,063	3,625,033	5,648,061	5,939,307
-	-	-	-	-	-
1,178,694	1,247,724	1,495,113	1,496,740	961,601	979,660
10,497,972	12,772,653	13,577,568	10,656,213	12,871,656	14,582,450
\$ <u>15,632,079</u>	\$ <u>18,277,191</u>	\$ <u>18,652,502</u>	\$ <u>15,823,751</u>	\$ <u>19,524,316</u>	\$ <u>21,661,976</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	182,987	-	-	-
1,788,689	224,574	68,610	-	-	-
-	-	-	-	-	-
-	-	-	-	-	184,372
8,780,403	8,192,892	7,937,178	7,863,564	8,104,694	8,102,474
99,903	164,067	188,603	188,603	188,603	188,603
\$ <u>10,668,995</u>	\$ <u>8,581,533</u>	\$ <u>8,377,378</u>	\$ <u>8,052,167</u>	\$ <u>8,293,297</u>	\$ <u>8,475,449</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	2009	2010	2011	2012
Revenues				
General property taxes	\$ 30,532,857	\$ 30,805,595	\$ 31,744,361	\$ 33,009,862
Other local taxes	6,524,847	6,154,087	6,346,986	6,379,762
Permits, privilege fees and regulatory licenses	353,584	340,486	330,143	321,647
Fines and forfeitures	91,857	114,651	107,215	77,345
Revenue from use of money and property	326,895	121,661	133,941	258,340
Charges for services	2,350,179	2,310,711	2,313,987	1,139,504
Miscellaneous	302,129	455,690	2,334,514	1,237,842
Recovered costs	276,908	312,420	482,269	276,297
Intergovernmental:				
Commonwealth	10,031,639	10,126,436	10,387,854	9,948,179
Federal	3,209,216	1,832,798	5,900,561	3,465,508
Total revenues	\$ 54,000,111	\$ 52,574,535	\$ 60,081,831	\$ 56,114,286
Expenditures				
General government administration	\$ 2,853,762	\$ 2,637,070	\$ 2,228,906	\$ 2,435,352
Judicial administration	1,677,491	1,553,936	1,579,642	1,685,561
Public safety	10,726,741	10,965,435	10,781,294	11,645,005
Public works	2,920,804	2,686,143	2,983,349	1,100,767
Health and welfare	6,320,719	6,127,943	6,707,951	6,876,762
Education	23,088,598	21,303,551	21,197,950	22,090,351
Parks, recreation and cultural	1,717,606	1,780,076	1,469,314	1,487,219
Community development	860,309	965,488	930,856	953,673
Nondepartmental	35,596	196,308	15,159	133,482
Capital projects	4,021,266	7,338,539	10,764,620	6,628,375
Debt service:				
Principal	4,024,084	4,430,936	4,390,177	7,176,059
Interest and other fiscal charges	2,093,305	1,875,209	2,932,961	2,800,854
Bond issuance costs	-	-	-	57,604
Total expenditures	\$ 60,340,281	\$ 61,860,634	\$ 65,982,179	\$ 65,071,064
Excess (deficiency) of revenues over (under) expenditures	\$ (6,340,170)	\$ (9,286,099)	\$ (5,900,348)	\$ (8,956,778)
Other financing sources (uses)				
Transfers in	\$ 6,688,843	\$ 6,078,976	\$ 3,874,348	\$ 5,861,710
Transfers out	(6,688,843)	(6,078,976)	(3,874,348)	(7,192,458)
Refunding bonds issued	-	-	-	-
Bonds issued	1,356,931	15,760,000	7,435,000	3,255,000
Premium on bonds issued	-	723,003	-	499,512
Capital leases	351,990	452,301	377,850	530,868
Notes Payable	-	662,649	-	-
Total other financing sources (uses)	\$ 1,708,921	\$ 17,597,953	\$ 7,812,850	\$ 2,954,632
Net change in fund balances	\$ (4,631,249)	\$ 8,311,854	\$ 1,912,502	\$ (6,002,146)
Debt service as a percentage of noncapital expenditures	10.86%	11.57%	13.26%	16.98%

Table 5

Fiscal Year											
2013		2014		2015		2016		2017		2018	
\$	35,693,366	\$	37,482,790	\$	39,515,727	\$	40,894,148	\$	42,563,588	\$	45,169,428
	6,495,383		6,498,009		6,540,794		6,524,188		6,924,306		6,989,443
	347,305		349,335		445,277		432,609		372,308		426,374
	78,423		71,259		83,303		66,671		60,697		51,449
	130,565		360,343		452,848		509,396		569,096		705,696
	1,847,850		1,858,516		1,511,299		1,800,087		1,817,194		2,265,259
	2,705,887		1,805,065		1,092,112		1,267,177		1,206,726		1,855,162
	499,341		550,983		512,397		492,482		526,766		497,565
	10,281,425		10,303,365		9,562,497		10,334,634		10,317,912		10,513,169
	2,689,859		3,896,064		2,459,177		2,332,300		5,122,012		2,167,824
\$	60,769,404	\$	63,175,729	\$	62,175,431	\$	64,653,692	\$	69,480,605	\$	70,641,369
\$	2,540,618	\$	2,463,728	\$	2,735,318	\$	2,861,575	\$	2,488,722	\$	2,618,367
	1,764,922		1,822,544		1,890,580		1,949,965		1,971,210		2,132,675
	13,244,694		14,007,900		13,795,977		14,736,082		15,198,189		15,984,765
	1,062,575		1,172,071		1,088,347		1,149,372		1,140,004		1,157,835
	6,775,287		6,353,432		6,836,916		7,474,288		8,037,115		8,556,685
	22,094,286		23,354,643		24,856,868		25,685,320		25,490,023		26,617,409
	1,384,394		1,408,573		1,465,408		1,522,188		1,944,929		2,194,716
	951,035		1,033,232		1,058,542		1,629,086		1,377,922		1,460,829
	16,891		13,374		14,152		13,533		21,829		105,689
	6,932,038		3,535,193		672,597		676,488		255,451		933,869
	3,897,642		3,802,563		3,830,034		4,037,566		4,160,835		4,212,946
	2,569,834		2,476,051		2,396,218		2,246,551		2,095,262		1,932,353
	156,175		-		-		-		-		-
\$	63,390,391	\$	61,443,304	\$	60,640,957	\$	63,982,014	\$	64,181,491	\$	67,908,138
\$	(2,620,987)	\$	1,732,425	\$	1,534,474	\$	671,678	\$	5,299,114	\$	2,733,231
\$	5,868,257	\$	5,833,132	\$	5,565,693	\$	5,235,600	\$	5,408,275	\$	6,038,539
	(7,501,076)		(7,404,877)		(6,929,011)		(9,471,740)		(6,765,694)		(7,181,681)
	-		-		-		-		-		-
	4,495,000		-		-		-		-		-
	285,655		-		-		-		-		-
	393,307		396,970		-		410,500		-		729,723
	-		-		-		-		-		-
\$	3,541,143	\$	(1,174,775)	\$	(1,363,318)	\$	(3,825,640)	\$	(1,357,419)	\$	(413,419)
\$	920,156	\$	557,650	\$	171,156	\$	(3,153,962)	\$	3,941,695	\$	2,319,812
	11.84%		10.86%		10.55%		9.98%		9.83%		9.32%

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Total
2009 \$	30,532,857 \$	3,313,542 \$	1,243,628 \$	795,000 \$	322,715 \$	36,207,742
2010	30,805,595	2,909,578	1,248,883	815,279	325,862	36,105,197
2011	31,744,361	3,048,872	1,994,437	857,901	298,353	37,943,924
2012	33,009,862	3,168,917	1,962,053	826,120	258,430	39,225,382
2013	35,693,366	3,224,641	1,943,136	825,623	347,126	42,033,892
2014	37,482,790	3,207,116	1,994,637	830,861	304,745	43,820,149
2015	39,515,727	3,262,733	1,955,209	864,693	291,431	45,889,793
2016	40,894,148	3,246,390	1,881,288	871,892	347,726	47,241,444
2017	42,563,588	3,536,415	1,937,678	871,435	410,384	49,319,500
2018	45,169,428	3,651,977	1,867,094	891,545	366,337	51,946,381

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COUNTY OF SHENANDOAH, VIRGINIA

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

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service (2)
2009 \$	3,921,886,100	\$ 372,121,056	\$ 5,469,665	\$ 60,505,707	\$ 48,726,763	\$ 122,679,339
2010	4,371,701,000	346,758,402	4,443,414	64,372,075	46,001,179	149,466,288
2011	4,403,310,900	357,328,471	4,360,059	78,202,016	44,439,756	200,723,875
2012	4,413,197,300	363,099,193	4,271,041	74,030,957	45,520,162	194,503,654
2013	4,441,341,600	367,548,462	4,141,738	75,260,772	46,502,386	194,991,068
2014	4,465,692,800	381,440,803	4,202,476	74,590,349	48,541,466	209,304,337
2015	4,479,926,100	393,610,302	4,298,296	70,749,206	47,243,710	222,281,742
2016	4,364,147,300	420,770,509	4,870,181	80,349,258	46,311,933	241,371,336
2017	4,383,540,000	431,716,486	4,964,567	96,057,176	53,095,887	254,718,911
2018	4,406,982,871	389,568,841	4,883,411	96,239,068	56,513,020	267,575,579

Source: Commissioner of Revenue

(1) Real estate assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Source: Virginia Department of Taxation.

Table 7

	Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$	4,531,388,630	\$ 5,115,011,435	88.59%	\$ 7.92
	4,982,742,358	4,877,868,192	102.15%	7.84
	5,088,365,077	5,202,827,277	97.80%	7.84
	5,094,622,307	4,702,872,987	108.33%	7.92
	5,129,786,026	4,735,332,803	108.33%	8.33
	5,183,772,231	4,785,167,757	108.33%	8.39
	5,218,109,356	4,910,237,467	106.27%	8.39
	5,157,820,517	4,999,826,015	103.16%	8.55
	5,224,093,027	5,195,001,021	100.56%	8.55
	5,221,762,790	5,192,683,761	100.56%	8.63

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

		Direct Rates										
Fiscal Year		Real Estate		Personal Property		Mobile Homes		Machinery and Tools		Merchants' Capital		Total Direct Rate
2009	\$	0.51	\$	3.15	\$	0.51	\$	3.15	\$	0.60	\$	7.92
2010		0.47		3.15		0.47		3.15		0.60		7.84
2011		0.47		3.15		0.47		3.15		0.60		7.84
2012		0.51		3.15		0.51		3.15		0.60		7.92
2013		0.54		3.50		0.54		3.15		0.60		8.33
2014		0.57		3.50		0.57		3.15		0.60		8.39
2015		0.57		3.50		0.57		3.15		0.60		8.39
2016		0.60		3.60		0.60		3.15		0.60		8.55
2017		0.60		3.60		0.60		3.15		0.60		8.55
2018		0.64		3.60		0.64		3.15		0.60		8.63

Source: County Commissioner of Revenue

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2018		Fiscal Year 2009	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Mfg	\$ 20,428,900	0.41%	\$ -	0.00%
Art Mortgage Borrower	Distribution	12,357,400	0.25%	13,795,500	0.32%
Schuller International Inc	Mfg	-	0.00%	9,929,900	0.23%
Howell Metal	Mfg	11,342,000	0.23%	10,304,200	0.24%
Loral Cyberstar Data Services	Communications	-	0.00%	8,939,600	0.21%
Bowman Andros Products	Mfg	9,753,800	0.20%	8,212,200	0.19%
Lowes Home Centers	Retail	9,308,000	0.19%	7,764,100	0.18%
Wal-Mart Real Estate	Retail	8,673,100	0.17%	7,199,700	0.17%
294 Front Royal LLC	Mfg	8,522,300	0.17%	9,163,000	0.21%
Valley Fertilizer and Chemical Co	Retail	8,409,800	0.17%	-	0.00%
Telesat Network Services	Communications	8,053,300	0.16%	-	0.00%
Masco Cabinetry	Mfg	7,068,600	0.14%	8,032,500	0.19%
Spectrum I Woodstock	Retail	-	0.00%	5,755,800	0.13%
		<u>\$ 103,917,200</u>	<u>2.09%</u>	<u>\$ 89,096,500</u>	<u>2.07%</u>

Source: Commissioner of Revenue

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax (1,3) Levy for Fiscal Year		Collected within the Fiscal Year of the Levy (1,3)		Collections in Subsequent Years (2)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$	31,221,250	\$ 28,851,374	92.41%	\$ 2,352,961	\$ 31,204,335	99.95%
2010		31,762,302	28,815,151	90.72%	2,923,649	31,738,800	99.93%
2011		32,838,732	29,867,700	90.95%	2,938,202	32,805,902	99.90%
2012		35,018,934	33,281,231	95.04%	1,691,472	34,972,703	99.87%
2013		36,226,476	33,721,380	93.08%	2,147,670	35,869,050	99.01%
2014		39,644,404	37,448,266	94.46%	1,787,878	39,236,144	98.97%
2015		39,858,420	37,876,812	95.03%	1,525,797	39,402,609	98.86%
2016		41,321,753	39,421,018	95.40%	1,231,355	40,652,373	98.38%
2017		43,635,676	41,757,773	95.70%	700,279	42,458,052	97.30%
2018		47,552,508	45,380,283	95.43%	-	45,380,283	95.43%

Source: Commissioner of Revenue, County Treasurer's office

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Does not include PPTRA reimbursements from the Commonwealth of Virginia.

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COUNTY OF SHENANDOAH, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Notes Payable
2009	\$ 31,999,361	\$ 3,774,000	\$ 4,044,912	\$ 2,341,443	\$ 2,591,701	\$ 11,721
2010	45,560,848	3,459,500	4,338,322	1,865,903	2,339,188	6,888
2011	50,367,176	3,145,000	3,972,674	1,060,237	2,284,811	1,379
2012	48,306,971	2,830,500	3,255,000	1,145,505	3,072,421	-
2013	45,442,086	2,516,000	7,595,000	1,131,300	2,802,329	-
2014	42,362,464	2,201,500	7,435,000	1,196,369	2,266,352	-
2015	39,210,472	1,887,000	7,265,000	863,395	1,906,076	-
2016	35,949,790	1,572,500	7,000,000	937,079	1,570,934	-
2017	32,565,081	1,258,000	6,720,000	616,021	1,341,214	-
2018	29,045,994	943,500	6,435,000	1,111,953	1,254,010	-

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

Table 11

Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 71,135	\$ 44,834,273	3.38%	\$ 1,094
53,284	57,623,933	4.34%	1,404
46,585	60,877,862	4.54%	1,450
4,301	58,614,698	4.24%	1,386
-	59,486,715	6.55%	1,644
-	55,461,685	6.57%	1,573
247,294	51,379,237	3.45%	1,207
187,007	47,217,310	3.05%	1,106
456,030	42,956,346	2.63%	998
731,182	39,521,639	2.38%	936

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2009	\$ 35,773,361	\$ -	\$ 39,818,273	0.88%	\$ 972
2010	49,020,348	-	49,020,348	0.98%	1,195
2011	53,512,176	-	53,512,176	1.05%	1,274
2012	51,137,471	-	51,137,471	1.00%	1,209
2013	47,958,086	-	47,958,086	0.93%	1,326
2014	44,563,964	-	44,563,964	0.86%	1,264
2015	41,097,472	-	41,097,472	0.79%	965
2016	37,522,290	-	37,522,290	0.73%	879
2017	33,823,081	-	33,823,081	0.65%	786
2018	29,989,494	-	29,989,494	0.57%	710

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

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Enterprise Fund Revenue Bonds						
	Water/Sewer/Refuse and Septage Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2009	\$ 2,147,619	\$ 2,149,861	\$ (2,242)	\$ 273,088	\$ 126,785	-0.56%	
2010	2,121,710	1,925,427	196,283	284,415	116,742	48.93%	
2011	2,276,247	1,863,237	413,010	264,005	102,950	112.55%	
2012	3,424,323	4,594,573	(1,170,250)	249,378	85,698	-349.25%	
2013	3,428,481	4,581,746	(1,153,265)	274,393	142,435	-276.68%	
2014	3,420,262	2,680,364	739,898	535,977	97,195	116.86%	
2015	3,567,662	5,103,920	(1,536,258)	360,276	78,771	-349.91%	
2016	3,726,774	6,505,367	(2,778,593)	335,145	63,841	-696.41%	
2017	3,235,776	5,065,643	(1,829,867)	290,957	52,791	-532.33%	
2018	3,324,047	5,053,336	(1,729,289)	205,199	50,253	-676.95%	

Note: Water/Sewer, refuse disposal charges and other include property taxes and investment earnings but not capital contributions. FY 2012 was the first year the landfill fund was included in the business-type activities.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2009	40,984	\$ 1,326,652,080	\$ 32,370	40.9	6,184	8.30%
2010	41,036	1,328,335,320	32,370	40.9	6,106	8.30%
2011	41,993	1,340,290,581	31,917	42.2	6,094	7.00%
2012	42,289	1,380,820,428	32,652	43.5	6,076	6.60%
2013	42,583	1,491,086,328	35,016	43.7	6,069	6.20%
2014	42,684	1,550,624,352	36,328	43.8	6,115	5.60%
2015	43,021	1,630,323,816	37,896	44.0	5,969	4.70%
2016	42,228	1,659,180,348	39,291	44.1	5,913	4.30%
2017	43,175	1,724,409,500	39,940	44.5	5,991	3.70%
2018	43,225	1,859,323,000	43,015	44.4	6,082	3.20%

Sources: Weldon Cooper Center, Virginia Employment Commission, and Bureau of Economic Analysis

Principal Employers

Current Year and Nine Years Prior

Employer	Fiscal Year 2018		Fiscal Year 2009	
	Employees	Rank	Employees	Rank
Shenandoah County School Board	1000+	1	1000+	1
George's Chicken	500 to 999	2	500 to 999	2
Shentel Management Company	500 to 999	3	100 to 249	9
Bowman Andros Products	500 to 999	4	-	-
LSC Communications US, LLC	250 to 499	5	-	-
Iac Strasburg LLC	250 to 499	6	250 to 499	5
Valley Health System	250 to 499	7	250 to 499	4
County of Shenandoah	250 to 499	8	250 to 499	6
Masco Builder Cabinet Gro	250 to 499	9	250 to 499	-
Wal Mart	100 to 249	10	250 to 499	8
R.R. Donnelly and Sons Company	-	-	500 to 999	3
Howell Metal Company	-	-	250 to 499	7
Bowman Apple Products	-	-	100 to 249	10

Source: Virginia Employment Commission

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration	27	25	22	22	21	24	24	24	23	23
Judicial administration	20	21	21	19	15	19	19	19	20	26
Public safety:										
Sheriff's department	67	70	70	71	84	69	57	57	57	59
Fire and rescue	33	32	33	34	42	44	48	48	50	50
Building inspections	8	7	7	5	5	6	6	6	6	6
Animal control	2	2	2	2	2	2	2	2	2	2
Emergency communications	*	*	*	*	*	18	18	18	18	18
Public works:										
General maintenance	5	7	7	6	6	6	6	6	6	6
Landfill	20	20	20	22	19	17	17	17	17	17
Health and welfare:										
Department of social services	34	35	35	35	35	35	41	41	40	44
Culture and recreation:										
Parks and recreation	6	5	4	5	5	5	5	5	5	5
Library	7	5	6	6	6	6	6	7	8	8
Tourism	*	*	1	1	1	1	1	1	1	1
Community development:										
Planning	5	5	4	5	5	5	5	5	5	5
Totals	<u>234</u>	<u>234</u>	<u>232</u>	<u>233</u>	<u>246</u>	<u>257</u>	<u>255</u>	<u>256</u>	<u>258</u>	<u>270</u>

Source: Individual County departments

* Information unavailable

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriffs department:										
Physical arrests										
Traffic violations/arrests	3222	2800	2200	2110	2070	2195	2138	2269	2017	2275
Civil papers	10479	9269	9163	12308	10500	12428	13141	11912	14055	1433
Fire and rescue:										
Number of calls answered	9967	9998	10303	13124	11150	5933	7232	7426	7469	7677
Building inspections:										
Permits issued	120	127	88	90	78	82	99	89	115	1610
Animal control:										
Number of calls answered	2102	1636	1544	1729	1643	1847	1656	1548	1576	1717
Public works										
Landfill:										
Refuse collected (tons/day)	135	130	133	116	117.02	132	138.5	148.3	162.2	179
Recycling (tons/day)	6.1	7.5	9.0	7.8	6.8	7.2	7.0	7.3	18.4	7.4
Health and welfare										
Department of Social Services:										
Caseload	5141	5780	5998	5854	5753	10905	*	10935	11000	10219
Culture and recreation										
Parks and recreation:										
Recreation facility permits	1571	2059	1298	1291	1137	1853	1833	1743	1762	1680
Youth sports participants	1606	1430	1449	1209	1156	1013	1403	1512	1644	1732
Community development										
Planning:										
Zoning permits issued	434	303	374	438	375	331	260	318	293	330
Component Unit - School Board										
Education:										
School age population	6184	6106	6094	6076	6069	6115	5696	5913	5991	6082
Number of teachers	529	501	496	523	520	521	522	529	530	538
Local expenditures per pupil	3509	3433	3440	3557	3711	3832	4116	4414	4347	4484

Source: Individual County departments

* Information unavailable

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	4	2	2	2	2	2	3	3	5	4
Public safety										
Sheriffs department:										
Patrol units	50	50	47	46	51	56	56	56	56	58
Building inspections:										
Vehicles	5	5	5	4	4	4	4	4	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance:										
Trucks/vehicles	6	6	6	6	6	6	6	7	7	5
Landfill:										
Vehicles	21	20	22	22	23	23	23	19	22	22
Equipment	16	16	16	18	21	21	21	18	20	20
Sites	15	15	15	15	15	16	16	16	15	15
Health and welfare										
Department of Social Services:										
Vehicles	10	10	10	10	12	12	12	12	13	13
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	6	5	5	5	4	4	4	4	4	5
Parks acreage	345	345	345	345	645	645	645	645	645	645
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	3	2	2	2	2	2	2	2	4	4
Component Unit - School Board										
Education:										
Schools	10	10	10	10	10	10	10	10	10	10
School buses	104	104	109	108	108	110	110	112	112	112

Source: Individual County departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF SHENANDOAH, VIRGINIA

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

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**TO THE HONORABLE MEMBERS
OF THE BOARD OF SUPERVISORS
COUNTY OF SHENANDOAH, VIRGINIA**

Report on Compliance for Each Major Federal Program

We have audited County of Shenandoah, 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 Shenandoah, Virginia's major federal programs for the year ended June 30, 2018. County of Shenandoah, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, County of Shenandoah, 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 Shenandoah, 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 Shenandoah, 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 Shenandoah, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2018

COUNTY OF SHENANDOAH, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unavailable	\$ 407,801
Total Department of Agriculture			\$ 407,801
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	Unavailable	\$ 245,349
Refugee and Entrant Assistance - State Administered Programs	93.566	Unavailable	13,134
Promoting Safe and Stable Families	93.556	Unavailable	22,485
Low-Income Home Energy Assistance	93.568	Unavailable	29,294
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Unavailable	36,810
Adoption Incentive Payments	93.603	Unavailable	796
Chafee Education and Training Vouchers Program	93.599	Unavailable	2,115
Foster Care - Title IV-E	93.658	Unavailable	223,303
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	Unavailable	634
Chafee Foster Care Independence Program	93.674	Unavailable	2,139
Social Services Block Grant	93.667	Unavailable	171,326
Children's Health Insurance Program	93.767	Unavailable	16,799
Adoption Assistance	93.659	Unavailable	154,205
Medical Assistance Program	93.778	Unavailable	420,903
Total Department of Health and Human Services			\$ 1,339,292
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	110274	\$ 25,000
Total Department of Homeland Security			\$ 25,000
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Local Law Enforcement Block Grant	16.000	Unavailable	\$ 9,199
Crime Victim Assistance	16.575	CJS86015,CJS7601601	80,899
Equitable Sharing Program	16.922	Unavailable	659,595
Bulletproof Vest Partnership Program	16.607	Unavailable	3,735
Total Department of Justice			\$ 753,428

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
		154AL-2017-57250-WES	
		DEL,154AL-18 58199 WES	
Alcohol Open Container Requirements	20.607	DEL	\$ 19,985
Total Department of Transportation			\$ 19,985
Total Expenditures of Federal Awards - Primary Government			\$ 2,545,506
COMPONENT UNIT SCHOOL BOARD:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	40253	\$ 363,265
National School Lunch Program	10.555	40254	1,008,909
Department of Agriculture:			
Food Distribution-School Lunch	10.555	40.623	147,811
Subtotal CFDA 10.555			\$ 1,156,720
Summer Food Service Program for Children	10.559	Unavailable	9,798
Total Child Nutrition Cluster			\$ 1,529,783
Schools and Roads - Grants to States	10.665	43841	15,614
Total Department of Agriculture			\$ 1,545,397
Department of Education:			
Pass Through Payments:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 1,274,110
Supporting Effective Instruction State Grant	84.367	61480	205,735
Higher Education Institutional Aid	84.031	Unavailable	4,086
Special Education Cluster:			
Special Education - State Grants	84.027	43071	\$ 1,259,337
Special Education - Preschool Grants	84.173	62521	22,574
Total Special Education Cluster:			\$ 1,281,911
Career and Technical Education - Basic Grants to States	84.048	61095	84,600
English Language Acquisition State Grants	84.365	Unavailable	45,486
Total Department of Education			\$ 2,895,928
Total Expenditures of Federal Awards Component Unit School Board			\$ 4,441,325
Total Expenditures of Federal Awards			\$ 6,986,831

COUNTY OF SHENANDOAH, VIRGINIA

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

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Shenandoah, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Shenandoah, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Shenandoah, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(2) County of Shenandoah, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the County had food commodities totaling \$88,127 in inventory.

NOTE D - Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

NOTE E - Loans

County of Shenandoah had no federal loans required to be presented in the Schedule.

NOTE F - Subrecipients

No awards were passed through to subrecipients.

NOTE G-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:	\$ 2,167,824
Reconciling items:	
Expenditures with forfeited drug asset proceeds less than current year revenues	579,815
Payment in lieu of taxes not included above	(202,133)
Total primary government	<u>\$ 2,545,506</u>
Discretely presented component unit - School Board	<u>\$ 4,441,325</u>
Total discretely presented component unit - School Board	<u>\$ 4,441,325</u>
Total expenditures of federal awards per basic financial statements	<u>\$ 6,986,831</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 6,986,831</u>

COUNTY OF SHENANDOAH, 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 x no

- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution
	Special Education Cluster
84.027	Special Education State Grants
84.173	Special Education-Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary of Prior Findings

None