

COUNTY OF WASHINGTON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF WASHINGTON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

COUNTY OF WASHINGTON, VIRGINIA

BOARD OF SUPERVISORS

Allison B. Mays, Vice-Chair J. Eddie Copenhaver Phillip B. McCall	Saul A. Hernandez, Chair Jason N. Berry, Clerk	Randy L. Pennington Dwayne Ball G. Michael Rush
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COUNTY SCHOOL BOARD

Tom Musick, Vice-Chair Elizabeth P. Lowe Dayton Owens	Billy W. Brooks, Chair Melissa Caudill, Clerk	Dr. Douglas E. Arnold Terry D. Fleenor Sanders Henderson
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SOCIAL SERVICES BOARD

Jack C. Phelps, Vice-Chair Doris Neese Wells Janet Combs	David M. Cline, Chair	David Winship Kathryn A. Roark Kay Poole
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OTHER OFFICIALS

Clerk of the Circuit Court.....	Patricia S. Moore
Commonwealth's Attorney	Joshua S. Cumbow
Commissioner of the Revenue.....	Layton David Henry
Treasurer	Fred W. Parker
Sheriff	Fred P. Newman
Superintendent of Schools	Dr. Brian Ratliff
Director of Social Services	Kathy Johnson
County Administrator	Jason N. Berry
Finance Director	Tammy Copenhaver
County Attorney	Lucy E. Phillips

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 27 to the financial statements, in 2018, the County of Washington, Virginia adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 27 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 129, and 130-151 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 Washington, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the County of Washington, 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 Washington, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Washington, Virginia's internal control over financial reporting and compliance.

Prohman, Fawcett, & Associates

Blacksburg, Virginia
November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Washington, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights:

- The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,188,517 (net position). Of this amount, \$13,286,262 was considered unrestricted.
- The change in net position of the County's governmental activities was \$1,550,702 for the current fiscal year. In the prior fiscal year, the change in net position of the County's governmental activities was (\$893,581).
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$21,410,002. Of the amount \$14,621,564 was considered unassigned, \$871,385 was considered assigned, \$5,055,371 was considered committed, \$759,069 was considered restricted and \$102,613 was considered nonspendable.
- During the year, the County had revenues in excess of expenditures in the General Fund of \$553,045. In the prior fiscal year, the expenditures were in excess of the revenues for the General Fund by \$1,918,451.

Overview of the Financial Statements:

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

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

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

Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide the readers with a broad overview of the County’s finances in a manner similar to a private-sector business.

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

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

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). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide Financial Statements include not only the County of Washington, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Washington, Virginia is financially accountable. The financial statements also include three discretely presented component units that we do not control, but do exercise a significant financial relationship with. These include the Park Authority, the Industrial Development Authority and the Virginia Highlands Airport Authority.

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 Washington, 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 statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The County maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund and the School Capital Improvement Fund, of which all three are considered to be major funds.

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

Proprietary Funds – The County maintains one proprietary fund. This Internal Service Fund accounts for activities similar to those found in the private sector.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. We are 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 assets. The County excludes these activities from the County's Government-wide Financial Statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and presentation of combining financial statements for the discretely presented component units and the non-major funds.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$22,188,517 at the close of the most recent fiscal year.

A significant portion of the County's net position \$8,043,186 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position \$759,069, are subject to restrictions on how they may be used. The remaining balance of net position \$13,386,262 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2018 and 2017.

Statement of Net Position

	Governmental Activities	Governmental Activities
	2018	2017
Current and other assets	\$ 42,629,528	\$ 41,570,397
Capital and other assets	30,935,234	31,835,009
Total assets	<u>\$ 73,564,762</u>	<u>\$ 73,405,406</u>
Deferred outflows of resources	<u>\$ 2,645,415</u>	<u>\$ 3,656,265</u>
Current and other liabilities	\$ 3,876,514	\$ 2,579,056
Long-term liabilities	34,620,320	38,165,708
Total liabilities	<u>\$ 38,496,834</u>	<u>\$ 40,744,764</u>
Deferred inflows of resources	<u>\$ 15,524,826</u>	<u>\$ 13,895,792</u>
Net position:		
Net investment in capital assets	\$ 8,043,186	\$ 6,592,427
Restricted	759,069	1,884,906
Unrestricted	13,386,262	13,943,782
Total net position	<u>\$ 22,188,517</u>	<u>\$ 22,421,115</u>

Statement of Activities

	Governmental Activities 2018	Governmental Activities 2017
Program revenues		
Charges for services	\$ 2,245,836	\$ 1,937,707
Operating grants and contributions	10,776,143	11,472,283
Capital grants and contributions	137,679	486,654
General revenues		
Property taxes	38,072,161	37,193,772
Other taxes	10,014,078	10,019,462
Revenue from use of money and property	216,464	130,177
Miscellaneous	1,317,667	1,347,159
Gain on disposal of capital assets	-	-
Grants and contributions not restricted to specific programs	4,337,419	4,375,293
Total revenues	67,117,447	66,962,507
Expenses		
General government	3,689,352	4,036,671
Judicial administration	1,604,907	1,646,936
Public safety	13,065,517	12,289,555
Public works	3,595,141	3,460,678
Health and welfare	8,951,575	8,895,767
Education	29,877,348	30,413,235
Parks, recreation and cultural	2,195,660	2,190,464
Community development	1,815,211	4,127,452
Interest on debt	772,034	795,330
Total expenses	65,566,745	67,856,088
Change in net position	\$ 1,550,702	\$ (893,581)

At the end of the current fiscal year, the County is able to report positive balances in all categories of net positions.

Financial Analysis of the County's Funds

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

Governmental Funds – The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of 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 \$21,410,002; .5% or \$102,613 constitutes nonspendable fund balance, 3.5% or \$759,069 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately 23.6% or \$5,055,371 has been committed by action of the Board of Supervisors and 4.1% or \$871,385 has been assigned by the Board of Supervisors. The remaining balance, \$14,621,564 or 68.3% is unassigned, meaning there is no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$21,166,705 of this amount \$14,645,008 was considered unassigned. The School Capital Improvement fund had restricted fund balance of \$212,000.

Total general fund revenues increased \$605,491 and expenditures decreased \$1,762,701 over prior year amounts. For fiscal year ended June 30, 2018, revenues exceeded expenditures by \$553,045 for the general fund, as compared to the fiscal year ended June 30, 2017, expenditures exceeded revenues by \$1,918,451 for the general fund.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$66,301,046 for fiscal year 2018. The actual revenues were \$67,334,017 which is a favorable variance of \$1,032,971. The favorable variance is attributed to revenue from general property taxes, other local taxes, fines and forfeitures, and intergovernmental revenues from federal sources received in excess of the budgeted amount. The budgeted expenditures were \$70,107,000 for the County. The actual expenditures were \$66,844,644 which is a favorable variance of \$3,262,356 which is attributed largely to expenditures for all departments budgeted for more than was actually spent.

Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2018 amounts to \$30,935,234 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The main capital expenditures during fiscal year 2018 were for the purchase of vehicles for the sheriff’s department and the purchase of voting equipment.

Additional information on the County of Washington’s capital assets can be found in Note 15 of this report.

Long-term debt – At the end of the current fiscal year, the County’s primary government had total debt outstanding as follows:

Primary Government:		
Compensated absences	\$	1,534,910
Net OPEB liabilities		3,158,790
Net pension liability		5,504,200
General obligation bonds		10,026,832
Lease revenue notes		13,056,262
Capital lease		60,746
Landfill post-closure costs		57,582
Literary loans		1,220,998
Total	\$	<u>34,620,320</u>

Additional information on the County of Washington’s long-term debt can be found in Note 8 of this report.

Economic Factors

The June 2018 unemployment rate for the County of Washington, Virginia was 3.7%, which is a moderate decrease from a rate of 4.3% in June 2017. This is slightly above the state’s average unemployment rate of 3.3% and below the national average rate of 4.2%.

Request for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, Government Center Building, One Government Center Place, Suite A, Abingdon, Virginia 24210.

Basic Financial Statements

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

	Primary Government Governmental Activities	Component Units	
		School Board	Other
ASSETS			
Cash and cash equivalents	\$ 16,248,424	\$ 5,594,471	\$ 2,883,473
Investments	6,347,254	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	16,979,465	-	-
Accounts receivable	641,012	775,180	96,021
Notes receivable	-	-	11,585,653
Rent receivable	-	-	33,201
Grants receivable	-	-	350,849
Due from primary government	-	3,242,381	30,000
Due from other governmental units	2,295,760	1,602,140	48,008
Inventories	-	-	59,659
Prepaid items	102,613	769,598	27,765
Net OPEB asset	15,000	-	-
Capital assets (net of accumulated depreciation):			
Land	1,828,672	2,819,475	27,433,400
Buildings and system	27,755,391	8,521,547	3,611,370
Improvements other than buildings	69,623	-	6,570,556
Machinery and equipment	1,281,548	5,926,008	569,825
Construction in progress	-	92,000	4,614,687
Total assets	\$ 73,564,762	\$ 29,342,800	\$ 57,914,467
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 1,472,790	\$ -	\$ 1,835,049
Pension related items	1,114,467	8,141,909	25,415
OPEB related items	58,158	652,000	-
Total deferred outflows of resources	\$ 2,645,415	\$ 8,793,909	\$ 1,860,464
LIABILITIES			
Accounts payable	\$ 247,048	\$ 378,455	\$ 469,489
Accrued liabilities	-	850,626	-
Reconciled overdraft	20,135	-	-
Accrued wages	86,662	5,411,142	22,010
Accrued interest payable	160,288	-	70,509
Due to component unit	3,272,381	-	-
Unearned revenue	90,000	-	49,254
Long-term liabilities:			
Due within one year	3,704,279	2,188,724	962,088
Due in more than one year	30,916,041	86,366,122	17,449,872
Total liabilities	\$ 38,496,834	\$ 95,195,069	\$ 19,023,222
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 13,604,527	\$ -	\$ -
Pension related items	1,720,634	9,441,633	24,230
OPEB related items	199,665	668,577	-
Total deferred inflows of resources	\$ 15,524,826	\$ 10,110,210	\$ 24,230
NET POSITION			
Net investment in capital assets	\$ 8,043,186	\$ 17,359,030	\$ 40,418,414
Restricted	759,069	-	-
Unrestricted	13,386,262	(84,527,600)	309,065
Total net position	\$ 22,188,517	\$ (67,168,570)	\$ 40,727,479

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Other Component Units
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 3,689,352	\$ 131,705	\$ 418,596	\$ -	\$ (3,139,051)	\$ -
Judicial administration	1,604,907	20,204	869,220	-	(715,483)	-
Public safety	13,065,517	1,618,247	2,797,193	137,679	(8,512,398)	-
Public works	3,595,141	398,541	38,528	-	(3,158,072)	-
Health and welfare	8,951,575	-	6,473,727	-	(2,477,848)	-
Education	29,877,348	-	-	-	(29,877,348)	-
Parks, recreation, and cultural	2,195,660	75,363	169,429	-	(1,950,868)	-
Community development	1,815,211	1,776	9,450	-	(1,803,985)	-
Nondepartmental	-	-	-	-	-	-
Interest on long-term debt	772,034	-	-	-	(772,034)	-
Total government activities	\$ 65,566,745	\$ 2,245,836	\$ 10,776,143	\$ 137,679	\$ (52,407,087)	\$ -
COMPONENT UNITS:						
School Board	\$ 77,127,920	\$ 2,524,043	\$ 48,088,878	\$ -	\$ -	\$ (26,514,999)
Other Component Units	3,237,617	1,479,834	471,536	2,471,725	-	1,185,478
Total component units	\$ 80,365,537	\$ 4,003,877	\$ 48,560,414	\$ 2,471,725	\$ -	\$ (26,514,999)
General revenues:						
General property taxes					\$ 38,072,161	\$ -
Other local taxes:						
Local sales and use taxes					6,908,056	-
Consumers' utility taxes					1,147,976	-
Franchise license taxes					67,579	-
Utility license taxes					121,741	-
Motor vehicle licenses					1,139,477	-
Bank stock taxes					17,086	-
Taxes on recordation and wills					459,537	-
Hotel and motel room taxes					152,626	-
Unrestricted revenues from use of money and property					216,464	13,688
Miscellaneous					1,317,667	1,345,714
Payments from Washington County					-	28,306,466
Grants and contributions not restricted to specific programs					4,337,419	-
Total general revenues					\$ 53,957,789	\$ 29,665,868
Change in net position					\$ 1,550,702	\$ 3,150,869
Net position - beginning, as restated					20,637,815	(70,319,439)
Net position - ending					\$ 22,188,517	\$ (67,168,570)

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 16,036,424	\$ -	\$ 212,000	\$ 16,248,424
Investments	6,347,254	-	-	6,347,254
Receivables (net of allowance for uncollectibles):				
Taxes receivable	16,979,465	-	-	16,979,465
Other receivables	641,012	-	-	641,012
Due from other governmental units	2,295,760	-	-	2,295,760
Prepaid items	47,872	54,741	-	102,613
Total assets	<u>\$ 42,347,787</u>	<u>\$ 54,741</u>	<u>\$ 212,000</u>	<u>\$ 42,614,528</u>
LIABILITIES				
Accounts payable	\$ 243,739	\$ 3,309	\$ -	\$ 247,048
Reconciled overdraft	-	20,135	-	20,135
Accrued wages	86,662	-	-	86,662
Due to component unit	3,272,381	-	-	3,272,381
Unearned revenue	90,000	-	-	90,000
Total liabilities	<u>\$ 3,692,782</u>	<u>\$ 23,444</u>	<u>\$ -</u>	<u>\$ 3,716,226</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 17,488,300	\$ -	\$ -	\$ 17,488,300
FUND BALANCES				
Nonspendable	\$ 47,872	\$ 54,741	\$ -	\$ 102,613
Restricted	547,069	-	212,000	759,069
Committed	5,055,371	-	-	5,055,371
Assigned	871,385	-	-	871,385
Unassigned	14,645,008	(23,444)	-	14,621,564
Total fund balances	<u>\$ 21,166,705</u>	<u>\$ 31,297</u>	<u>\$ 212,000</u>	<u>\$ 21,410,002</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,347,787</u>	<u>\$ 54,741</u>	<u>\$ 212,000</u>	<u>\$ 42,614,528</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	21,410,002
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	1,828,672	
Buildings and system		27,755,391	
Improvements other than buildings		69,623	
Machinery and equipment		1,281,548	30,935,234

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

Unavailable revenue	\$	3,883,773	
Net OPEB asset		15,000	3,898,773

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds

Deferred charge on refunding	\$	1,472,790	
Pension related items		1,114,467	
OPEB related items		58,158	2,645,415

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

General obligation bonds and note	\$	(9,861,817)	
General obligation bond premium		(165,015)	
Literary loans		(1,220,998)	
Lease revenue notes		(12,263,858)	
Lease revenue notes premium		(792,404)	
Capital lease		(60,746)	
Landfill post-closure liability		(57,582)	
Net OPEB liabilities		(3,158,790)	
Net pension liability		(5,504,200)	
Compensated absences		(1,534,910)	
Accrued interest payable		(160,288)	(34,780,608)

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

Pension related items	\$	(1,720,634)	
OPEB related items		(199,665)	(1,920,299)

Net position of governmental activities	\$	22,188,517
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 38,080,529	\$ -	\$ -	\$ 38,080,529
Other local taxes	10,014,078	-	-	10,014,078
Permits, privilege fees, and regulatory licenses	215,341	-	-	215,341
Fines and forfeitures	1,404,827	-	-	1,404,827
Revenue from the use of money and property	216,464	-	-	216,464
Charges for services	625,668	-	-	625,668
Miscellaneous	1,317,667	-	-	1,317,667
Recovered costs	313,202	-	-	313,202
Intergovernmental:				
Commonwealth	12,019,019	105,000	-	12,124,019
Federal	3,127,222	-	-	3,127,222
Total revenues	<u>\$ 67,334,017</u>	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 67,439,017</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,474,046	\$ -	\$ -	\$ 3,474,046
Judicial administration	1,703,350	-	-	1,703,350
Public safety	13,015,910	7,000	-	13,022,910
Public works	3,316,763	131,032	-	3,447,795
Health and welfare	9,098,096	-	-	9,098,096
Education	28,638,880	-	902,502	29,541,382
Parks, recreation, and cultural	2,170,289	-	-	2,170,289
Community development	1,833,451	-	-	1,833,451
Nondepartmental	376,911	-	-	376,911
Debt service:				
Principal retirement	2,407,802	-	-	2,407,802
Interest and other fiscal charges	809,146	-	-	809,146
Total expenditures	<u>\$ 66,844,644</u>	<u>\$ 138,032</u>	<u>\$ 902,502</u>	<u>\$ 67,885,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 489,373</u>	<u>\$ (33,032)</u>	<u>\$ (902,502)</u>	<u>\$ (446,161)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 25,000	\$ -	\$ 25,000
Transfers out	(25,000)	-	-	(25,000)
Issuance of capital lease	88,672	-	-	88,672
Total other financing sources (uses)	<u>\$ 63,672</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 88,672</u>
Net change in fund balances	\$ 553,045	\$ (8,032)	\$ (902,502)	\$ (357,489)
Fund balances - beginning	20,613,660	39,329	1,114,502	21,767,491
Fund balances - ending	<u>\$ 21,166,705</u>	<u>\$ 31,297</u>	<u>\$ 212,000</u>	<u>\$ 21,410,002</u>

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

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

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

Net change in fund balances - total governmental funds	\$	(357,489)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 579,790	
Depreciation Expense	(1,457,085)	(877,295)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(22,480)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(8,368)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 treatment of long-term obligations and related items.

Debt issued or incurred:		
Increase in landfill post-closure liability	\$ (1,018)	
Capital lease	(88,672)	
Principal repayments:		
General obligation bonds and note	1,429,436	
Literary loans	282,023	
Lease revenue notes	668,417	
Capital lease	27,926	2,318,112

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.

Amortization of bond premium	\$ 99,906	
Amortization of deferred amount on refunding	(68,502)	
Change in compensated absences	(124,715)	
OPEB expense	(85,879)	
Pension expense	671,704	
Change in accrued interest payable	5,708	498,222

Change in net position of governmental activities	\$	<u>1,550,702</u>
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The notes to the financial statements are an integral part of this statement.

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

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,442,184
	<hr/>
LIABILITIES	
Current liabilities:	
Incurred but unpaid liability	\$ 850,626
	<hr/>
NET POSITION	
Unrestricted	\$ 2,591,558
Total net position	<u>\$ 2,591,558</u>

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

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

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 9,215,430
OPERATING EXPENSES	
Insurance claims and expenses	\$ 9,387,413
 Operating income (loss)	 \$ (171,983)
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 29,593
 Change in net position	 \$ (142,390)
Total net position - beginning	2,733,948
Total net position - ending	\$ 2,591,558

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

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

	Internal Service <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 9,215,430
Payments for premiums	(9,577,829)
Net cash provided by (used for) operating activities	<u>\$ (362,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 29,593
Net cash provided by (used for) investing activities	<u>\$ 29,593</u>
Net increase (decrease) in cash and cash equivalents	\$ (332,806)
Cash and cash equivalents - beginning	3,774,990
Cash and cash equivalents - ending	<u><u>\$ 3,442,184</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (171,983)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ (190,416)
Net cash provided by (used for) operating activities	<u><u>\$ (362,399)</u></u>

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 281,913
Accounts receivable	2,729
Total assets	<u>\$ 284,642</u>
LIABILITIES	
Amounts held for social services clients	\$ 80,871
Amounts held for school board employee fringe benefits	25,936
Amounts held for soil erosion deposits	32,114
Amounts held for commonwealth attorney collection program	145,721
Total liabilities	<u>\$ 284,642</u>

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

The County of Washington, Virginia is a political subdivision governed by an elected seven-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 - None

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

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

Other Discretely Presented Component Units:

The Virginia Highlands Airport Authority was created by the County of Washington to operate a regional airport. Washington County Board of Supervisors appoints the members of the Airport Authority. The County contributes a significant amount to the Authority's operations and there exists a financial benefit/burden relationship. A complete financial report of the Authority can be obtained by contacting the Authority.

The Industrial Development Authority of Washington County is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Washington County. Washington County Board of Supervisors appoints the members of the Board of Directors of the Industrial Development Authority. There exists a financial benefit/burden relationship between the County and the Industrial Development Authority. A complete financial report of the Authority can be obtained by contacting the Authority.

The Park Authority of Washington County, Virginia is authorized to acquire, operate and maintain public parks and recreation areas within Washington County, Virginia. Washington County Board of Supervisors appoints the eight member board of directors of the Park Authority. There exists a financial benefit/burden relationship between the County and the Park Authority. A complete financial report of the Authority can be obtained by contacting the Authority.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

A. Financial Reporting Entity (Continued)

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail Authority, Appalachian Juvenile Commission, and the Highlands Community Services. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$3,614,733 to the Regional Jail, \$222,432 to the Juvenile Commission, and \$300,000 to the Community Services Board. The County does not have any ongoing financial 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.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Forfeited Asset, Law Library, Road Improvement, Economic Development Fund, Traffic Enforcement, Anthem County Health Fund, and IDA Revenue Bond.

The County Capital Improvements Fund is reported as a major *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

The County reports the following nonmajor governmental fund:

The School Capital Projects Fund is reported as a nonmajor *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the School Board.

The County reports the following internal service fund:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the School Board's Self-health Insurance Fund.

Additionally, the County reports the following fund type:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Fringe Benefits, Soil Erosion Deposits and Commonwealth Attorney Collection Program funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. 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. 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 or 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

2. Investments

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

3. Receivables and payables

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on May 20th and November 20th. Personal property taxes are due and collectible annually on November 20th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$758,057 at June 30, 2018 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

7. Capital assets (Continued)

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

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

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

Assets	Years
Buildings	50
Building improvements	20-50
Structures, lines, and accessories	20-40
Machinery and equipment	3-30
Land improvements	10

8. Compensated Absences

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

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

10. Fund equity

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

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

Restricted -amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation;

Committed -amounts that have been committed (establish, modify or rescind) by formal action by the entity's "highest level of decision-making authority"; which the County of Washington, Virginia considers to be the Board of Directors; 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 -amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Washington, Virginia considers this level of authority to be the Board of Directors or any Committee granted such authority by the Board of Directors;

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

The County's highest decision-making level is the Board of Supervisors. Action from the Board of Supervisors is required to commit or release funds from commitment.

The County's Board of Supervisors has authorized the County Administrator to assign fund balance to a specific purpose as approved within the County fund balance policy. The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the short of the life of the refunded or refunding debt. The other item is comprised of certain items related to 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.

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

12. Pensions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

13. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Political Subdivision and Teacher Employee Health Insurance Credit Program

The 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.

14. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

15. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, 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. All nonfiduciary funds have legally adopted budgets.
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. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the General Capital Projects Funds. The School Operating Fund and School Capital Projects 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. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

A. Budgetary information (Continued)

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

B. Excess of expenditures over appropriations

For fiscal year 2018, no departments had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2018, no funds had deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2018 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP investments and Moody's rating scale for commercial paper.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAf/S1
LGIP	\$ 553	\$ -
VIP Stable NAV Liq. Pool	4,315,433	-
VIP 1-3 Yr High Quality Bond Fund	-	2,031,268

Concentration of Credit Risk

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

Interest Rate Risk

Investment Type	Fair Value	Less than 1 yr
Local Government Investment Pool (LGIP)	\$ 553	\$ 553
Virginia Investment Pool	6,346,701	6,346,701

External Investment Pools

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 pool 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.

Note 4 - Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments that are measured using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investments in the VIP are using the NAV per share, which is determined by dividing the total value of the VIP Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the VIP Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 4 - Fair Value Measurement: (Continued)

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

Investment	6/30/2018
Investments measured at the net asset value (NAV):	
VACO/VML VIP Stable Nav Liquidity Pool	\$ 4,315,433
VACO/VML VIP 1-3 Year High Quality Bond Fund	2,031,268
Total investments measured at NAV	<u>\$ 6,346,701</u>

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 5,607	\$ 295
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,205,448	-
State sales tax	-	959,016
Categorical aid-shared expenses	148,180	-
Categorical aid-other	295,127	-
Noncategorical aid	103,436	-
Categorical aid-VPA funds	178,276	-
Categorical aid-CSA funds	143,651	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	216,035	-
Categorical aid-other	-	642,829
Totals	<u>\$ 2,295,760</u>	<u>\$ 1,602,140</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>3,272,381</u>	\$ <u>-</u>
Component Unit - School Board:		
School Fund	\$ <u>-</u>	\$ <u>3,242,381</u>
Component Unit - Park Authority:		
Washington Park Authority	\$ <u>-</u>	\$ <u>30,000</u>

Note 7-Interfund Transfers and Balances:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 25,000
County Capital Improvements Fund	25,000	-
Total	\$ <u>25,000</u>	\$ <u>25,000</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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General Obligation bonds and note	\$ 11,291,253	\$ -	\$ (1,429,436)	\$ 9,861,817
General Obligation bond premium	189,027	-	(24,012)	165,015
Literary loans	1,503,021	-	(282,023)	1,220,998
Lease revenue notes	12,932,275	-	(668,417)	12,263,858
Lease revenue premium	868,298	-	(75,894)	792,404
Capital lease	-	88,672	(27,926)	60,746
Landfill post-closure liability	56,564	1,018	-	57,582
Net OPEB liabilities	3,257,585	235,669	(334,464)	3,158,790
Net pension liability	8,498,957	4,408,477	(7,403,234)	5,504,200
Compensated absences	1,410,195	1,182,361	(1,057,646)	1,534,910
Total	<u>\$ 40,007,175</u>	<u>\$ 5,916,197</u>	<u>\$ (11,303,052)</u>	<u>\$ 34,620,320</u>

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 282,023	\$ 36,630	\$ 1,453,465	\$ 180,620	\$ 684,438	\$ 401,603
2020	282,023	28,169	1,467,610	150,170	703,966	381,538
2021	279,260	19,709	1,297,369	121,731	732,008	360,778
2022	234,068	11,331	971,566	98,734	752,036	339,318
2023	57,555	4,309	901,898	81,656	772,064	314,233
2024-2028	86,069	3,437	3,769,909	183,118	4,099,450	1,146,980
2029-2033	-	-	-	-	2,135,731	516,282
2034-2038	-	-	-	-	1,650,884	245,111
2039-2041	-	-	-	-	733,281	23,103
Totals	<u>\$ 1,220,998</u>	<u>\$ 103,585</u>	<u>\$ 9,861,817</u>	<u>\$ 816,029</u>	<u>\$ 12,263,858</u>	<u>\$ 3,728,946</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Advanced Refunding:

The Washington County Industrial Development Authority (IDA) issued \$15,977,360 (including a premium of \$1,187,360) of Public Facilities Lease Revenue and Refunding Bonds, Series 2016 for the purpose of providing funds to refund in advance of their maturities the Public Facilities Lease Revenue and Refunding Bonds, Series 2010 of \$23,523,021 and to pay the costs incurred in connection with the issuance and delivery of the Series 2016 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the County's and IDA's financial statements. A portion of the proceeds of the Series 2016 Bonds, together with amounts contributed from the Refunded 2010 Bonds Debt Service Reserve Fund, will be used to purchase the Restricted Escrow Fund Securities and to provide the cash that will be placed in an irrevocable escrow account to advance refund the Refunded 2010 Bonds. The Escrow agent will pay the scheduled debt service requirement of the Refunded 2010 Bonds on each scheduled payment date.

The reacquisition price exceeded the carrying amount of the old debt by \$2,009,547. This amount is being shown as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. The advanced refunding was undertaken to reduce the total debt service payments over the next 24 years by \$3,348,535 and resulted in an economic gain of \$1,718,389 on a present value basis.

These bonds were originally issued to purchase and renovate the County Administration and Sheriff's Office building, which amounted to 80.14% of the issuance. The remaining amount was issued for an IDA project. As such the County has shown the 80.14% as a long term liability on its books as a lease revenue bond. The remaining amount of 19.86% is shown as a long term liability on the IDA's books. The County agreed to pay the debt service of the 19.86%, appropriated annually by the Board of Supervisors.

A breakdown of the outstanding balance by entity as of June 30, 2018 follows:

	Primary Government	Component Unit - IDA	Total
Lease revenue notes	\$ 10,794,858	\$ 2,675,142	\$ 13,470,000
Premium	792,404	196,370	988,774
Total	<u>\$ 11,587,262</u>	<u>\$ 2,871,512</u>	<u>\$ 14,458,774</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Note						
GO Bond	4.1-5.225%	5/13/1999	2020	\$ 1,400,000	\$ 140,000	\$ 70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	272,672	66,641
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	325,793	51,975
GO Bond	5.05%	11/1/2007	2027	1,565,886	842,860	78,188
GO Bond	5.05%	11/1/2007	2027	1,204,508	648,348	60,144
GO Bond	5.05%	11/1/2007	2027	1,243,435	669,299	62,088
GO Bond	5.05%	11/1/2007	2027	989,925	532,845	49,429
Early retirement refunding note	2.50%	9/15/2014	2020	1,854,000	970,000	315,000
QSC Bond	5.31%	7/1/2010	2027	8,145,000	5,460,000	700,000
Total General Obligation Bonds and Note					\$ 9,861,817	\$ 1,453,465

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Literary Loans:						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 141,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	200,237	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	234,538	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	106,000	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	132,282	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	32,860	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	90,666	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	83,856	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	153,876	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	45,446	6,490
Total Literary Loans					\$ 1,220,998	\$ 282,023
Leave Revenue Notes:						
Lease Revenue Note	2%-4%	6/16/2016	2041	\$ 3,969,636	\$ 3,615,348	\$ 179,828
Lease Revenue Note	2%-4%	6/16/2016	2041	7,883,070	7,179,510	357,110
Lease Revenue Note	2.49%	9/24/2015	2026	1,612,500	1,469,000	147,500
Total Lease Revenue Notes					\$ 12,263,858	\$ 684,438
Other Obligations:						
Capital lease	5.59%	7/20/2017	7/20/2020	\$ 88,672	\$ 60,746	\$ 32,172
Landfill Post-closure liability	n/a	n/a	n/a	n/a	57,582	-
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	18,712	3,118
Premium on \$5,003,754 bonds	n/a	n/a	n/a	n/a	146,303	19,751
Premium on \$7,883,070 bonds	n/a	n/a	n/a	n/a	792,404	78,129
Net OPEB liabilities	n/a	n/a	n/a	n/a	3,158,790	-
Net pension liability	n/a	n/a	n/a	n/a	5,504,200	-
Compensated Absences	n/a	n/a	n/a	n/a	1,534,910	1,151,183
Total Other Obligations					\$ 11,273,647	\$ 1,284,353
Total Long-term obligations					\$ 34,620,320	\$ 3,704,279

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board-Indebtedness:

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

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Compensated absences	\$ 3,075,395	\$ 2,149,449	\$ (2,306,546)	\$ 2,918,298
Net OPEB liabilities	16,068,470	1,057,220	(1,698,030)	15,427,660
Net pension liability	66,994,696	10,491,063	(20,140,153)	57,345,606
Supplemental Retirement Program	11,888,698	2,578,049	(1,603,465)	12,863,282
Total	\$ 98,027,259	\$ 16,275,781	\$ (25,748,194)	\$ 88,554,846

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 2,918,298	\$ 2,188,724
Net OPEB liabilities	n/a	n/a	n/a	n/a	15,427,660	-
Net pension liability	n/a	n/a	n/a	n/a	57,345,606	-
Supplemental Retirement Program	n/a	n/a	n/a	n/a	12,863,282	-
Total Other Obligations					\$ 88,554,846	\$ 2,188,724

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan:

Plan Description

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a 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
<p>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.</p>	<p>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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>*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.</p>
<p>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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>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.</p> <p><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.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p> <p><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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><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.</p> <p>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.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><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:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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.

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 (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	190	134
Inactive members:		
Vested inactive members	41	9
Non-vested inactive members	30	18
Inactive members active elsewhere in VRS	76	13
Total inactive members	147	40
Active members	257	91
Total covered employees	594	265

(1) Includes Component Unit Washington Park Authority

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Contributions (Continued)

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 10.61% 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 \$1,106,407 and \$1,097,538 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit Washington County Park Authority's (WCPA) contractually required contribution rate for the year ended June 30, 2018 was 10.61% 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 WCPA were \$4,336 and \$4,308 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 11.42% 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 were \$284,527 and \$310,218 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County's, Component Unit WCPA'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.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

Post-Disablement:

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

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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Washington County Retirement Plan, Washington County Public Schools Retirement Plan, and 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, 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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	\$ 46,078,933	\$ 37,579,977	\$ 8,498,956
Changes for the year:			
Service cost	\$ 1,232,016	\$ -	\$ 1,232,016
Interest	3,146,004	-	3,146,004
Change in assumptions	(112,337)	-	(112,337)
Differences between expected and actual experience	(1,148,228)	-	(1,148,228)
Impact in change of proportion	(2,775)	(2,264)	(511)
Contributions - employer	-	1,074,445	(1,074,445)
Contributions - employee	-	513,810	(513,810)
Net investment income	-	4,553,902	(4,553,902)
Benefit payments, including refunds of employee contributions	(2,266,495)	(2,266,495)	-
Administrative expenses	-	(26,409)	26,409
Other changes	-	(4,048)	4,048
Net changes	\$ 848,185	\$ 3,842,941	\$ (2,994,756)
Balances at June 30, 2017	\$ 46,927,118	\$ 41,422,918	\$ 5,504,200

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit Washington County Park Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 178,089	\$ 145,242	\$ 32,847
Changes for the year:			
Service cost	\$ 4,836	\$ -	\$ 4,836
Interest	12,349	-	12,349
Change in assumptions	(441)	-	(441)
Differences between expected and actual experience	(4,507)	-	(4,507)
Impact in change of proportion	2,775	2,263	512
Contributions - employer	-	4,218	(4,218)
Contributions - employee	-	2,017	(2,017)
Net investment income	-	17,876	(17,876)
Benefit payments, including refunds of employee contributions	(8,897)	(8,897)	-
Administrative expenses	-	(104)	104
Other changes	-	(16)	16
Net changes	\$ 6,115	\$ 17,357	\$ (11,242)
Balances at June 30, 2017	\$ 184,204	\$ 162,599	\$ 21,605

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Changes in Net Pension Liability (Continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 14,960,841	\$ 11,782,145	\$ 3,178,696
Changes for the year:			
Service cost	\$ 279,258	\$ -	\$ 279,258
Interest	1,015,129	-	1,015,129
Changes of assumptions	(55,104)	-	(55,104)
Differences between expected and actual experience	(592,020)	-	(592,020)
Contributions - employer	-	304,534	(304,534)
Contributions - employee	-	142,076	(142,076)
Net investment income	-	1,409,419	(1,409,419)
Benefit payments, including refunds of employee contributions	(917,986)	(917,986)	-
Administrative expenses	-	(8,434)	8,434
Other changes	-	(1,242)	1,242
Net changes	\$ (270,723)	\$ 928,367	\$ (1,199,090)
Balances at June 30, 2017	\$ 14,690,118	\$ 12,710,512	\$ 1,979,606

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability	\$ 11,450,175	\$ 5,504,200	\$ 548,891
Component Unit Washington County Park Authority			
Net Pension Liability	\$ 44,946	\$ 21,605	\$ 2,155
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 3,482,377	\$ 1,979,606	\$ 697,249

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County, Component Unit WCPA, and Component Unit School Board (nonprofessional) recognized pension expense of \$411,910, \$1,772, and \$(35,000), respectively. At June 30, 2018, the County, Component Unit WCPA, 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- Washington County Park Authority		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,060	\$ 1,061,594	\$ 31	\$ 4,152	\$ 1,706	\$ 341,164
Net difference between projected and actual earnings on pension plan investments	-	579,457	-	2,323	-	176,227
Change in assumptions	-	79,199	-	311	-	31,755
Change in proportionate share	-	384	384	-	-	-
Employer contributions subsequent to the measurement date	1,106,407	-	4,336	-	284,527	-
Total	\$ 1,114,467	\$ 1,720,634	\$ 4,751	\$ 6,786	\$ 286,233	\$ 549,146

\$1,106,407, \$4,336, and \$284,527 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit WCPA's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	Primary Government	Component Unit Washington County Park Authority	Component Unit School Board (nonprofessional)
2019	\$ (882,275)	\$ (3,308)	\$ (397,708)
2020	(299,366)	(1,084)	(35,428)
2021	(141,279)	(450)	5,998
2022	(389,654)	(1,529)	(120,302)
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)Component Unit School Board (professional)*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

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

Each School Division's contractually required employee 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 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$5,665,000 and \$5,123,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$55,366,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.45021% as compared to 0.45537% at June 30, 2016.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$2,953,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,921,000
Net difference between projected and actual earnings on pension plan investments	-	2,011,000
Change of assumptions	808,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,936,000
Employer contributions subsequent to the measurement date	<u>5,665,000</u>	<u>-</u>
Total	<u>\$ 6,473,000</u>	<u>\$ 8,868,000</u>

\$5,665,000 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 ended 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:

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (3,307,000)
2020	(1,159,000)
2021	(1,263,000)
2022	(2,054,000)
Thereafter	(277,000)

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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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

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)	<u>\$ 12,297,975</u>
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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real 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 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 82,681,000	\$ 55,366,000	\$ 32,772,000

Pension Plan Fiduciary Net Position

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Primary Government Other Postemployment Benefits - Healthcare:

Plan Description

In addition to the pension benefits described in Note 9, the County administers a single-employer defined benefit healthcare plan, The Washington County OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include Medical and Life Insurance. Health benefits are offered for the lifetime of the retiree. Health benefits are offered to the spouse until the earlier of the death of the retiree or the death of the spouse. Spouses who are predeceased by the retiree are eligible to continue coverage through COBRA only. Retirees age 65 and over may elect the Advantage 65 Medicare supplement. Medicare eligible spouses are also eligible to elect the Advantage 65 Medicare supplement.

Plan Membership

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

Total active employees with coverage	262
Total active employees without coverage	-
Total retirees with coverage	21
Total retirees without coverage	-
Total	<u>283</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board of Supervisors. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$76,284.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Primary Government Other Postemployment Benefits - Healthcare: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal, level percentage of pay
Salary Increases	Non-Law Officers 5.35% to 3.50% depending on years of service Law Officers 4.75% to 3.50% depending on years of service
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumptions starts at 6.10% in 2017 and gradually declines to 4.40% by the year 2087
Discount Rate	3.50% for accounting and funding disclosures as of July 1, 2017 3.87% for accounting and funding disclosures as of June 30, 2018
Retirement Age	The average age at retirement is 62

Mortality rates for active employees were based on RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for public safety employees) and Females set back 3 years. Retired employees were based on RP-2000 Combined Healthy mortality tables projected to 2020 using Scale AA with Females set back 1 year. Disabled employees were based on RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rates are based on the Bond Buyer 20-year Bond GO Index as of their respective measurement dates.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Primary Government Other Postemployment Benefits - Healthcare: (Continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	\$	2,244,585
Changes for the year:		
Service cost		147,277
Interest		82,392
Difference between expected and actual experience		-
Changes in assumptions		(89,180)
Contributions - employer		-
Net investment income		-
Benefit payments		(76,284)
Net changes	\$	64,205
Balances at June 30, 2018	\$	2,308,790

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 2,560,404	\$ 2,308,790	\$ 2,088,664

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Primary Government Other Postemployment Benefits - Healthcare: (Continued)

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.10%) or one percentage point higher (6.10%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (4.10%)	Trend (5.10%)	1% Increase (6.10%)
\$ 2,053,138	\$ 2,308,790	\$ 2,613,182

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$213,154. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	72,665
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 72,665

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

Year Ended June 30	
2019	\$ (16,515)
2020	(16,515)
2021	(16,515)
2022	(16,515)
2023	(6,605)
Thereafter	-

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Component Unit School Board Other Postemployment Benefits - Healthcare:

Plan Description

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

Benefits Provided

The benefits provided are the same as those provided to active employees, and include Medical and Life Insurance. Health benefits are offered until the retiree becomes eligible for Medicare. Health benefits are offered to the spouse until the earlier of the death of the retiree, the death of the spouse, or the spouse's attainment of Medicare eligibility. Spouses who are predeceased by the retiree are eligible to continue coverage through COBRA only. Retirees age 65 and over are not eligible to continue medical coverage in the plan.

Plan Membership

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

Total active employees with coverage	850
Total active employees without coverage	-
Total retirees with coverage	66
Total retirees without coverage	-
Total	<u>916</u>

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$394,844.

Total OPEB Liability

The Schools' net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Component Unit School Board Other Postemployment Benefits - Healthcare:
(Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal, level percentage of pay
Salary Increases	Non-law officers 5.35% to 3.50% depending on years of service
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumptions starts at 6.10% in 2017 and gradually declines to 4.40% by the year 2087
Discount Rate	3.50% for accounting and funding disclosures as of July 1, 2017 3.87% for accounting and funding disclosures as of June 30, 2018
Retirement Age	The average age at retirement is 62

Mortality rates for active employees were based on RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for public safety employees) and Females set back 3 years. Retired employees were based on RP-2000 Combined Healthy mortality tables projected to 2020 using Scale AA with Females set back 1 year. Disabled employees were based on RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rates are based on the Bond Buyer 20-year Bond GO Index as of their respective measurement dates.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Component Unit School Board Other Postemployment Benefits - Healthcare:
(Continued)

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$	6,357,470
Changes for the year:		
Service cost		323,245
Interest		226,975
Difference between expected and actual experience		-
Changes in assumptions		(177,186)
Contributions - employer		-
Net investment income		-
Benefit payments		(394,844)
Net changes	\$	(21,810)
Balances at June 30, 2018	\$	6,335,660

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 6,824,231	\$ 6,335,660	\$ 5,880,129

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Component Unit School Board Other Postemployment Benefits - Healthcare:
(Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.10%) or one percentage point higher (6.10%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (4.10%)	Trend (5.10%)	1% Increase (6.10%)
\$ 5,633,092	\$ 6,335,660	\$ 7,168,112

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

For the year ended June 30, 2018, the Schools will recognize OPEB expense in the amount of \$525,611. At June 30, 2018, the Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	152,577
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 152,577

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

Year Ended June 30	
2019	\$ (24,609)
2020	(24,609)
2021	(24,609)
2022	(24,609)
2023	(24,609)
Thereafter	(29,532)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-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
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • County of Richmond • County of Portsmouth • County of Roanoke • County of Norfolk • Roanoke County School Board <p>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.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Plan Description (Continued)*

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the County were \$56,158 and \$54,167 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$14,000 and \$14,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$183,000 and \$184,000 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 \$850,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (nonprofessional) reported a liability of \$221,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$2,888,000 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 County's proportion was 0.05647% as compared to 0.05788% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (nonprofessional) proportion was 0.01473% as compared to 0.01462% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.19188% as compared to 0.19335% at June 30, 2016.

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

For the year ended June 30, 2018, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$4,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-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

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$28,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component-Unit School Board (Non-professional)		Component-Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,000	\$ -	\$ 6,000	\$ -	\$ 63,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	32,000	-	8,000	-	109,000
Change in assumptions	-	44,000	-	11,000	-	149,000
Changes in proportion	-	21,000	-	-	-	22,000
Employer contributions subsequent to the measurement date	56,158	-	14,000	-	183,000	-
Total	\$ 56,158	\$ 116,000	\$ 14,000	\$ 25,000	\$ 183,000	\$ 343,000

\$56,158, \$14,000, and \$183,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Non-professional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit- School Board (Non-professional)	Component Unit- School Board (Professional)
2019	\$ (23,000)	\$ (5,000)	\$ (70,000)
2020	(23,000)	(5,000)	(70,000)
2021	(23,000)	(5,000)	(70,000)
2022	(23,000)	(5,000)	(70,000)
2023	(15,000)	(3,000)	(43,000)
Thereafter	(9,000)	(2,000)	(20,000)

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

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

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-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%

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-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%

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,099,000	\$ 850,000	\$ 647,000
Component Unit-School Board (Nonprofessional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 286,000	\$ 221,000	\$ 169,000
Component Unit-School Board (Professional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 3,735,000	\$ 2,888,000	\$ 2,201,000

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-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
<p>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.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <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.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-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:

	Primary Government	Component Unit - School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	29	-
Inactive members:		
Vested inactive members	3	53
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	32	53
Active members	83	94
Total covered employees	115	147

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's contractually required employer contribution rate for the year ended June 30, 2018 was 0.07% of covered employee compensation. The Component Unit - School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 0.80% 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 \$2,000 and \$2,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the Component Unit - School board (Nonprofessional) to the Health Insurance Credit Program were \$21,000 and \$22,000 for the year ended June 30, 2018 and June 30, 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Net HIC OPEB Liability (Asset)

The County and Component Unit-School Board's (Nonprofessional) net Health Insurance Credit OPEB liability(asset) were measured as of June 30, 2017. The total Health Insurance Credit OPEB liability(asset) 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.

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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-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%

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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.

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%

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Changes in Net HIC OPEB Liability (Asset) - Primary Government

	Increase (Decrease)		
	Total	Plan	Net
	HIC OPEB	Fiduciary	HIC OPEB
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 210,000	\$ 212,000	\$ (2,000)
Changes for the year:			
Service cost	\$ 3,000	\$ -	\$ 3,000
Interest	14,000	-	14,000
Assumption changes	(4,000)	-	(4,000)
Contributions - employer		2,000	(2,000)
Net investment income	-	24,000	(24,000)
Benefit payments	(8,000)	(8,000)	-
Other changes	1,000	1,000	-
Net changes	\$ 6,000	\$ 19,000	\$ (13,000)
Balances at June 30, 2017	\$ 216,000	\$ 231,000	\$ (15,000)

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

Changes in Net HIC OPEB Liability - Component Unit-School Board (Nonprofessional)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 309,000	\$ 13,000	\$ 296,000
Changes for the year:			
Service cost	\$ 4,000	\$ -	\$ 4,000
Interest	21,000	-	21,000
Assumption changes	(4,000)	-	(4,000)
Contributions - employer		22,000	(22,000)
Net investment income	-	1,000	(1,000)
Benefit payments	(25,000)	(25,000)	-
Other changes	(1,000)	(1,000)	-
Net changes	\$ (5,000)	\$ (3,000)	\$ (2,000)
Balances at June 30, 2017	\$ 304,000	\$ 10,000	\$ 294,000

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board (Nonprofessional) Net HIC OPEB Liability (Asset)	\$ 4,000	\$ (15,000)	\$ (32,000)

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit-School Board (Nonprofessional)			
Net HIC OPEB Liability	\$ 319,000	\$ 294,000	\$ 272,000

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

For the year ended June 30, 2018, the County and Component Unit-School Board (Nonprofessional) recognized Health Insurance Credit Program OPEB expense of \$0 and \$23,000, 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 the County and Component Unit-School Board's (Nonprofessional) Health Insurance Credit Program from the following sources:

	Primary Government		Component-Unit School Board (Non-professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 8,000	\$ -	\$ -
Change in assumptions	-	3,000	-	3,000
Employer contributions subsequent to the measurement date	2,000	-	21,000	-
Total	\$ 2,000	\$ 11,000	\$ 21,000	\$ 3,000

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Health Insurance Credit (HIC) Program: (Continued)

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

\$2,000 and \$21,000 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and Component Unit-School Board's (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit- School Board (Non-professional)
2019	\$ (3,000)	\$ (1,000)
2020	(3,000)	(1,000)
2021	(3,000)	(1,000)
2022	(2,000)	-
2023	-	-
Thereafter	-	-

Health Insurance Credit Program Plan Data

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-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
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <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: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • 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 FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-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 \$434,000 and \$393,000 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 \$5,689,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.44848% as compared to 0.45534% 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 \$452,000. 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 WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 10,000
Change in assumptions	-	59,000
Change in proportion	-	76,000
Employer contributions subsequent to the measurement date	434,000	-
Total	\$ 434,000	\$ 145,000

\$434,000 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	\$ (22,000)
2020	(22,000)
2021	(22,000)
2022	(22,000)
2023	(20,000)
Thereafter	(37,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease	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	\$ 6,350,000	\$ 5,689,000	\$ 5,128,000

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.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,828,672	\$ -	\$ -	\$ 1,828,672
Construction in progress	140,259	105,000	(245,259)	-
Total capital assets not being depreciated	<u>\$ 1,968,931</u>	<u>\$ 105,000</u>	<u>\$ (245,259)</u>	<u>\$ 1,828,672</u>
Capital assets, being depreciated:				
Buildings	\$ 36,113,859	\$ -	\$ -	\$ 36,113,859
Improvements other than buildings	264,395	-	-	264,395
Machinery and equipment	8,776,346	720,049	(606,178)	8,890,217
Total capital assets being depreciated	<u>\$ 45,154,600</u>	<u>\$ 720,049</u>	<u>\$ (606,178)</u>	<u>\$ 45,268,471</u>
Accumulated depreciation:				
Buildings	\$ (7,636,812)	\$ (721,656)	\$ -	\$ (8,358,468)
Improvements other than buildings	(183,493)	(11,279)	-	(194,772)
Machinery and equipment	(7,468,217)	(724,150)	583,698	(7,608,669)
Total accumulated depreciation	<u>\$ (15,288,522)</u>	<u>\$ (1,457,085)</u>	<u>\$ 583,698</u>	<u>\$ (16,161,909)</u>
Total capital assets being depreciated, net	<u>\$ 29,866,078</u>	<u>\$ (737,036)</u>	<u>\$ (22,480)</u>	<u>\$ 29,106,562</u>
Governmental activities capital assets, net	<u>\$ 31,835,009</u>	<u>\$ (632,036)</u>	<u>\$ (267,739)</u>	<u>\$ 30,935,234</u>

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

Governmental activities:	
General government administration	\$ 181,575
Judicial administration	2,569
Public safety	410,842
Public works	388,830
Health and welfare	21,281
Education	335,966
Parks, recreation, and cultural	<u>116,022</u>
Total depreciation expense-primary government	<u>\$ 1,457,085</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Capital Assets: (Continued)

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,819,475	\$ -	\$ -	\$ 2,819,475
Construction in progress	-	92,000	-	92,000
Total capital assets not being depreciated	\$ 2,819,475	\$ 92,000	\$ -	\$ 2,911,475
Capital assets, being depreciated:				
Buildings	\$ 43,037,945	\$ 719,870	\$ (8,850)	\$ 43,748,965
Machinery and equipment	22,556,402	1,327,491	(861,307)	23,022,586
Total capital assets being depreciated	\$ 65,594,347	\$ 2,047,361	\$ (870,157)	\$ 66,771,551
Accumulated depreciation:				
Buildings	\$ (34,479,095)	\$ (757,173)	\$ 8,850	\$ (35,227,418)
Machinery and equipment	(16,693,919)	(1,227,222)	824,563	(17,096,578)
Total accumulated depreciation	\$ (51,173,014)	\$ (1,984,395)	\$ 833,413	\$ (52,323,996)
Total capital assets being depreciated, net	\$ 14,421,333	\$ 62,966	\$ (36,744)	\$ 14,447,555
Governmental activities capital assets, net	\$ 17,240,808	\$ 154,966	\$ (36,744)	\$ 17,359,030

Note 16-Capital Leases:

The County has entered into a lease agreement to finance the acquisition of three vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the above mentioned machinery and equipment acquired through a capital lease are as follows:

	Governmental Activities
Machinery & Equipment	\$ 88,672
Accumulated Depreciation	(22,168)
Total	\$ 66,504

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16-Capital Leases: (Continued)

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Governmental Activities
2019	\$ 32,172
2020	32,172
Total minimum lease payments	\$ 64,344
Less: amount representing interest	(3,598)
Present value of minimum lease payments	<u>\$ 60,746</u>

Note 17-Risk Management:

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

Note 18-Contingent Liabilities:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 19-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Patricia S. Moore, Clerk of the Circuit Court	\$ 330,000
Fred W. Parker, Treasurer	750,000
Layton David Henry, Commissioner of the Revenue	3,000
Fred P. Newman, Sheriff	30,000
All constitutional officers: blanket bond	50,000
 <u>Virginia Association of Counties</u>	
All Social Services employees: blanket bond	\$ 250,000
All County employees-blanket bond	250,000

Component Unit - School Board:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
All School Board employees: blanket bond	\$ 100,000
 <u>Travelers-Surety:</u>	
Melissa W. Caudill, Clerk of the School Board	\$ 10,000
 <u>United States Fidelity and Guaranty Company-Surety:</u>	
Deputy Clerk of the School Board	\$ 10,000
Textbook Clerk	10,000
Dr. Brian Ratliff, Superintendent of Schools	10,000

Note 20-Landfill Liability:

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$57,582 liability is the total estimated post-closure care liability at June 30, 2018 and represents what it would cost to perform all post-closure care in 2018. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the DEQ's assurance requirements for landfill post-closure costs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program:

Defined Benefit Plan

Plan Description:

The effective date of the Supplemental Retirement Program for Washington County Public Schools is January 1, 2006.

The Supplemental Retirement Program is a single-employer defined benefit plan. The Supplemental Retirement Program has one participating employer, the Washington County Public School System. Participants who meet the following eligibility requirements are eligible to receive benefits from the plan:

- Participant is a former employee of Washington County, Virginia public school system and has retired for purposes of eligibility to receive retirement benefits under the Virginia Retirement System;
- Participant has a bona fide separation from service of at least 30 days during a period of time the employee would normally be working;
- Participant is not eligible for disability retirement benefits under the Virginia Retirement System or Social Security; and
- Participant has at least 10 consecutive years of employment with the Washington County Public Schools immediately preceding retirement.

A participant may elect to receive a retirement benefit in one of the forms of payment shown below. The retirement benefit shall commence in accordance with plan provisions and the participant must elect to have his retirement benefit commence no later than his Social Security Retirement Age. Optional forms of payments:

- Monthly payment of 20% of contracted salary divided by 12 for 84 months following date of retirement
- Monthly payment of 23.33% of contracted salary divided by 12 for 72 months following date of retirement
- Monthly payment of 28% of contracted salary divided by 12 for 60 months following date of retirement.

If a participant dies prior to the commencement of his retirement benefit, his beneficiary shall receive a death benefit equal to the retirement benefit the participant would have received had the participant retired the day before his death. The participant's beneficiary shall choose a form of benefit as described above. In the event a participant dies after the first year of participation in the plan, the benefit will be the entire remaining balance of the participant's account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program: (Continued)

Contributions Policy

All funding is paid by the employer, Washington County Public Schools, and no employee contributions are allowed or required.

Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability

The following assumptions were used to determine contribution rates and net pension liability:

Actuarial Methods:

- Actuarial Cost Method—The actuarial cost method used to determine the actuarial accrued liability and the normal cost for both funding and financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the School's contribution requirement. Under this method, the cost of each individual's pension is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members.
- Asset Cost Method—
 - GASB 68--Market value of assets
 - Actuarially determined contribution—Market value of assets
- Amortization Method—
 - GASB 68 recognition period—For differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees determined at the beginning of the measurement period. The differences between projected and actual earnings on pension plan investments will be recognized over a closed five-year period.
 - Actuarially determined contribution—The unfunded liability will be amortized as a level dollar method over an open 20 year period.

Actuarial Assumptions for GASB 68 Results:

- Valuation date—July 1, 2018
- Measurement date—June 30, 2018
- Mortality table—
 - Pre-retirement—RP 2000 Combined Mortality Table projected with Scale AA to 2020 with males set back three years and females set back five years.
 - Post-retirement—RP 2000 Combined Mortality Table projected with Scale AA to 2020 with males set back two years and females set back three years.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program: (Continued)

Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability
(Continued)

- Interest rate—
 - Discount rate—July 1, 2018 and 2017 valuations is 2%.
 - Expected long term rate of return—July 1, 2018 and 2017 valuations is 2%.
 - Municipal bond rate—July 1, 2018 valuation is 3.87%. July 1, 2017 valuation is 3.53%.
- Inflation—not applicable
- Salary increase—2.5% per year
- Ad-hoc COLA—None

Actuarial Assumptions for Recommended Contribution that Differ from the GASB 68 Assumptions:

All assumptions are the same for the recommended contribution as those used for the GASB 68 assumption except the following:

- Discount rate—4% per year

Plan Membership

As of June 30, 2018, membership in the Supplemental Retirement Program was comprised as follows:

Active participants	981
Terminated vested participants	108
Participants receiving benefits	<u>22</u>
Total	1,111

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program: (Continued)

Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the Washington County School Board's obligation to the Defined Benefit Plan. The net pension liability at June 30, 2018 is as follows:

Total pension liability (TPL)	\$ 20,833,427
Plan fiduciary net position	7,970,145
Net pension liability (NPL)	12,863,282
Plan fiduciary net position as a percentage of the total pension liability	38.26%
Covered employee payroll	38,643,824
Net pension liability as a percentage of covered employee payroll	33.29%

Expected Rate of Return and Target Allocation

The long-term expected rate of return on pension plan investments was determined by the client using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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.

Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the net pension liability. As an illustration, the following table presents the net pension liability for the Supplemental Retirement Program calculated using the discount rate of 2%, as well as what the Supplemental Retirement Program's net pension liability would be if it were calculated using a discount rate of one percentage point lower (1%) or one percentage point higher (3%) than the current rate:

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

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total Pension Liability	\$ 22,288,100	\$ 20,833,427	\$ 19,473,836
Plan Fiduciary Net Position	7,970,145	7,970,145	7,970,145
Net Pension Liability	14,317,955	12,863,282	11,503,691

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program: (Continued)

Summary of Deferred Outflows and Inflows of Resources

The Washington County Public Schools reports deferred outflows of resources and deferred inflows of resources on its Statement of Net Position as a result of pension related activities required under GAAP.

Deferred outflows of resources represent a consumption of net position that is applied to future periods and, thus, is not recognized as an outflow of resources or expense until a later year. Deferred inflows of resources are an acquisition of net position that is not recognized in the current year but are recognized as an inflow of resources or revenue in a future year.

Since certain pension expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts increase the expense, they are labeled as deferred outflows and amounts that decrease the expense are labeled as deferred inflows. These outflows and inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all employees that are provided with pensions through the pension plan at the beginning of the measurement period. Investment gains/losses are amortized over a five year period.

The component make up of deferred inflows of resources and deferred outflows of resources is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,382,676	\$ -
Net difference between projected and actual earnings on pension plan investments	-	24,487
Total	<u>\$ 1,382,676</u>	<u>\$ 24,487</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-School Board Supplemental Retirement Program: (Continued)

Summary of Deferred Outflows and Inflows of Resources (Continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over specific years and recognized in pension expense in future years as shown below:

Amortization Schedule of Deferred Outflows and Inflows of Resources

Year Ended June 30,	
2019	\$ 201,586
2020	201,586
2021	201,586
2022	211,751
2023	210,249
Thereafter	331,431

Components of Pension Expense

	Pension Expense
Service Cost	\$ 990,851
Interest Cost	397,014
Projected Earnings on Plan Assets	(153,894)
Recognition of Outflow of Resources due to differences between expected and actual experience in the measurement of total pension liability	210,249
Recognition of Inflow of Resources due to differences between projected and actual earnings on plan investments	(8,663)
Administrative Expense	10,000
Pension Expense	<u>\$ 1,445,557</u>

The Defined Benefit Plan is considered part of the Washington County School Board's financial reporting entity and is included in the financial statements as a Pension Trust Fund.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 22-Unavailable Revenue and Deferred Revenue:

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

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable/deferred revenue		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 3,883,773
Tax assessments due after June 30	12,826,042	12,826,042
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>778,485</u>	<u>778,485</u>
Total unavailable/deferred revenue	\$ <u><u>13,604,527</u></u>	\$ <u><u>17,488,300</u></u>

Note 23-Self Health Insurance:

The Washington County School Board established a limited risk management program for health insurance for School Board employees. Premiums are paid into the health plan fund from the School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of \$9,387,413 was paid in benefits and administrative costs. The risk assumed by the School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$850,626 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2018 were as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2017-18	\$ <u><u>1,041,042</u></u>	\$ <u><u>9,196,997</u></u>	\$ <u><u>(9,387,413)</u></u>	\$ <u><u>850,626</u></u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 24-Tax Abatement:

The County offers partial exemption from real property taxes for real property devoted to commercial and industrial uses that is rehabilitated and which qualifies in accordance with the criteria set out in the Code of Virginia, 58.1-3221 and Washington County Code section 58-131, et. seq.

Virginia code section 58.1-3221 established that the governing body of any county may by ordinance, provide for the partial exemption from taxation of real property on which any structure or other improvement no less than twenty years of age has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use, subject to such conditions as the ordinance may prescribe. The ordinance may, in addition to any other restrictions as allowed by the statute, restrict such exemptions to real property located within described zones or districts for which boundaries shall be determined by the governing body. Having considered these powers and the benefit to public health, safety, and welfare that may be created by adaptive reuse and/or replacement of old commercial or industrial structures that may otherwise fall into disuse and disrepair, the Board of Supervisors of Washington County finds it in the best interest of public health, safety, and welfare to provide for such partial exemption from taxation within a specified geographic area as allowed by state law. The County adopted Ordinance 2011-011 on October 25, 2011.

Under this ordinance, an application is submitted to the Commissioner of Revenue of Washington County, Virginia to determine the eligibility for partial tax exemption from real property tax for certain rehabilitated, renovated, or replacement commercial or industrial structures. The real estate taxes abated according to this ordinance for fiscal year 2018 is \$70,059.

Note 25-Litigation:

As of June 30, 2018, there were no matters of litigation involving the County which would materially affect the County's financial position should a court decision on pending matters not be favorable.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 26-Fund Balance:

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable:				
Prepaid items	\$ 47,872	\$ 54,741	\$ -	\$ -
Restricted:				
Forfeited Asset Sharing	\$ 264,003	\$ -	\$ -	\$ -
Health Insurance	1,407	-	-	-
Washington County Park Authority	29,943	-	-	-
IDA Project Funds	251,716	-	-	-
Capital Improvements	-	-	212,000	-
Total	\$ 547,069	\$ -	\$ 212,000	\$ -
Committed:				
Road Improvements	\$ 13,143	\$ -	\$ -	\$ -
Law Library	42,228	-	-	-
Cash Flows	5,000,000	-	-	-
Total	\$ 5,055,371	\$ -	\$ -	\$ -
Assigned:				
Economic Incentives	\$ 300,000	\$ -	\$ -	\$ -
Traffic Enforcement	565,785	-	-	-
School Board - Textbook	-	-	-	1,606,226
School Board - Food Service	-	-	-	376,165
School Capital Needs	5,600	-	-	-
Total	\$ 871,385	\$ -	\$ -	\$ 1,982,391

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 27-Adoption of Accounting Principles:

The County and Component Unit School Board 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 and Component Unit School Board implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018.

This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Component Unit School Board
Net Position, July 1, 2017, as previously stated	\$ 22,421,115	\$ (58,043,704)
GASB 75 Implementation	(1,783,300)	(12,275,735)
Net Position, July 1, 2017, as restated	<u>\$ 20,637,815</u>	<u>\$ (70,319,439)</u>

Note 28-Upcoming Pronouncements:

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

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

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 28-Upcoming Pronouncements: (Continued)

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

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 36,966,500	\$ 37,173,075	\$ 38,080,529	\$ 907,454
Other local taxes	9,604,000	9,604,000	10,014,078	410,078
Permits, privilege fees, and regulatory licenses	163,250	163,250	215,341	52,091
Fines and forfeitures	1,044,117	1,101,422	1,404,827	303,405
Revenue from the use of money and property	120,000	119,996	216,464	96,468
Charges for services	449,692	449,692	625,668	175,976
Miscellaneous	1,359,021	1,479,818	1,317,667	(162,151)
Recovered costs	607,274	685,988	313,202	(372,786)
Intergovernmental:				
Commonwealth	12,403,385	12,701,736	12,019,019	(682,717)
Federal	2,731,910	2,822,069	3,127,222	305,153
Total revenues	<u>\$ 65,449,149</u>	<u>\$ 66,301,046</u>	<u>\$ 67,334,017</u>	<u>\$ 1,032,971</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,466,876	\$ 3,915,956	\$ 3,474,046	\$ 441,910
Judicial administration	1,778,340	2,181,192	1,703,350	477,842
Public safety	12,530,865	14,038,975	13,015,910	1,023,065
Public works	3,475,885	3,624,043	3,316,763	307,280
Health and welfare	9,553,149	9,845,060	9,098,096	746,964
Education	27,534,651	28,141,349	28,638,880	(497,531)
Parks, recreation, and cultural	2,162,067	2,341,052	2,170,289	170,763
Community development	1,742,676	2,017,816	1,833,451	184,365
Nondepartmental	599,795	351,157	376,911	(25,754)
Debt service:				
Principal retirement	2,158,084	2,158,084	2,407,802	(249,718)
Interest and other fiscal charges	1,492,316	1,492,316	809,146	683,170
Total expenditures	<u>\$ 66,494,704</u>	<u>\$ 70,107,000</u>	<u>\$ 66,844,644</u>	<u>\$ 3,262,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,045,555)</u>	<u>\$ (3,805,954)</u>	<u>\$ 489,373</u>	<u>\$ 4,295,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ -
Proceeds of capital lease	-	-	88,672	88,672
Total other financing sources (uses)	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 63,672</u>	<u>\$ 88,672</u>
Net change in fund balances	\$ (1,070,555)	\$ (3,830,954)	\$ 553,045	\$ 4,383,999
Fund balances - beginning	1,070,555	3,830,954	20,613,660	16,782,706
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,166,705</u>	<u>\$ 21,166,705</u>

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,232,016	\$ 1,216,787	\$ 1,197,031	\$ 1,190,097
Interest	3,146,004	3,051,538	2,921,020	2,786,695
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,148,228)	(543,493)	47,701	-
Impact of change in proportion	(2,775)	(2,340)	-	-
Changes in assumptions	(112,337)	-	-	-
Benefit payments, including refunds of employee contributions	(2,266,495)	(2,478,612)	(2,119,088)	(1,996,668)
Net change in total pension liability	\$ 848,185	\$ 1,243,880	\$ 2,046,664	\$ 1,980,124
Total pension liability - beginning	46,078,933	44,835,054	42,788,390	40,808,274
Total pension liability - ending (a)	<u>\$ 46,927,118</u>	<u>\$ 46,078,934</u>	<u>\$ 44,835,054</u>	<u>\$ 42,788,398</u>
Plan fiduciary net position				
Impact of change in proportion	\$ (2,264)	\$ (1,963)	\$ -	\$ -
Contributions - employer	1,074,445	1,325,357	1,286,475	1,374,053
Contributions - employee	513,810	507,065	496,874	504,115
Net investment income	4,553,902	641,519	1,653,959	4,958,189
Benefit payments, including refunds of employee contributions	(2,266,495)	(2,478,612)	(2,119,088)	(1,996,668)
Administrative expense	(26,409)	(23,371)	(22,642)	(26,594)
Other	(4,048)	(275)	(352)	262
Net change in plan fiduciary net position	\$ 3,842,941	\$ (30,280)	\$ 1,295,226	\$ 4,813,357
Plan fiduciary net position - beginning	37,579,977	37,610,257	36,315,031	31,501,680
Plan fiduciary net position - ending (b)	<u>\$ 41,422,918</u>	<u>\$ 37,579,977</u>	<u>\$ 37,610,257</u>	<u>\$ 36,315,037</u>
County's net pension liability - ending (a) - (b)	\$ 5,504,200	\$ 8,498,957	\$ 7,224,797	\$ 6,473,361
Plan fiduciary net position as a percentage of the total pension liability	88.27%	81.56%	83.89%	84.87%
Covered payroll	\$ 10,344,991	\$ 10,341,453	\$ 9,974,884	\$ 9,957,113
County's net pension liability as a percentage of covered payroll	53.21%	82.18%	72.43%	65.01%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board - Supplemental Retirement Pension Plan
For the Years Ended June 30, 2017 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 990,851	\$ 1,011,218
Interest	397,014	384,337
Changes of benefit terms	-	-
Differences between expected and actual experience	1,180,230	475,415
Impact of change in proportion	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,189,082)	(1,244,478)
Net change in total pension liability	\$ 1,379,013	\$ 626,492
Total pension liability - beginning	19,454,414	18,827,922
Total pension liability - ending (a)	\$ 20,833,427	\$ 19,454,414
Plan fiduciary net position		
Impact of change in proportion	\$ -	\$ -
Contributions - employer	1,457,080	1,116,599
Contributions - employee	-	-
Net investment income	146,385	188,569
Benefit payments, including refunds of employee contributions	(1,189,082)	(1,244,478)
Administrative expense	(9,954)	(2,208)
Other	-	-
Net change in plan fiduciary net position	\$ 404,429	\$ 58,482
Plan fiduciary net position - beginning	7,565,716	7,507,234
Plan fiduciary net position - ending (b)	\$ 7,970,145	\$ 7,565,716
School Board's net pension liability - ending (a) - (b)	\$ 12,863,282	\$ 11,888,698
Plan fiduciary net position as a percentage of the total pension liability	38.26%	38.89%
Covered payroll	\$ 38,643,824	\$ 39,204,917
School Board's net pension liability as a percentage of covered payroll	33.29%	30.32%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit Washington County Park Authority
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 4,836	\$ 4,703	\$ 4,564	\$ 4,537
Interest	12,349	11,794	11,136	10,624
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(4,507)	(2,101)	182	-
Impact of change in proportion	2,775	2,340	-	-
Changes in assumptions	(441)	-	-	-
Benefit payments, including refunds of employee contributions	(8,897)	(9,580)	(8,079)	(7,612)
Net change in total pension liability	\$ 6,115	\$ 7,156	\$ 7,803	\$ 7,549
Total pension liability - beginning	178,090	170,933	163,130	155,573
Total pension liability - ending (a)	<u>\$ 184,205</u>	<u>\$ 178,089</u>	<u>\$ 170,933</u>	<u>\$ 163,122</u>
Plan fiduciary net position				
Impact of change in proportion	\$ 2,264	\$ 1,963	\$ -	\$ -
Contributions - employer	4,218	5,122	4,905	5,238
Contributions - employee	2,017	1,960	1,894	1,922
Net investment income	17,876	2,479	6,306	18,902
Benefit payments, including refunds of employee contributions	(8,897)	(9,580)	(8,079)	(7,612)
Administrative expense	(104)	(90)	(86)	(101)
Other	(16)	(1)	(1)	1
Net change in plan fiduciary net position	\$ 17,358	\$ 1,853	\$ 4,939	\$ 18,350
Plan fiduciary net position - beginning	145,242	143,389	138,450	120,094
Plan fiduciary net position - ending (b)	<u>\$ 162,600</u>	<u>\$ 145,242</u>	<u>\$ 143,389</u>	<u>\$ 138,444</u>
Component Unit WCPA's net pension liability - ending (a) - (b)	\$ 21,605	\$ 32,847	\$ 27,544	\$ 24,678
Plan fiduciary net position as a percentage of the total pension liability	88.27%	81.56%	83.89%	84.87%
Covered payroll	\$ 39,982	\$ 39,427	\$ 38,029	\$ 37,961
Component Unit WCPA's net pension liability as a percentage of covered payroll	54.04%	83.31%	72.43%	65.01%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 279,258	\$ 293,270	\$ 279,645	\$ 286,590
Interest	1,015,129	991,923	969,365	949,439
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(592,020)	8,966	46,177	-
Changes in assumptions	(55,104)	-	-	-
Benefit payments, including refunds of employee contributions	(917,986)	(1,007,279)	(938,586)	(964,155)
Net change in total pension liability	\$ (270,723)	\$ 286,880	\$ 356,601	\$ 271,874
Total pension liability - beginning	14,960,841	14,673,961	14,317,360	14,045,486
Total pension liability - ending (a)	\$ 14,690,118	\$ 14,960,841	\$ 14,673,961	\$ 14,317,360
Plan fiduciary net position				
Contributions - employer	\$ 304,534	\$ 321,291	\$ 329,457	\$ 353,164
Contributions - employee	142,076	132,681	131,838	130,716
Net investment income	1,409,419	198,960	542,672	1,687,553
Benefit payments, including refunds of employee contributions	(917,986)	(1,007,279)	(938,586)	(964,155)
Administrative expense	(8,434)	(7,746)	(7,794)	(9,397)
Other	(1,242)	(87)	(112)	89
Net change in plan fiduciary net position	\$ 928,367	\$ (362,180)	\$ 57,475	\$ 1,197,970
Plan fiduciary net position - beginning	11,782,145	12,144,325	12,086,850	10,888,880
Plan fiduciary net position - ending (b)	\$ 12,710,512	\$ 11,782,145	\$ 12,144,325	\$ 12,086,850
School Division's net pension liability - ending (a) - (b)	\$ 1,979,606	\$ 3,178,696	\$ 2,529,636	\$ 2,230,510
Plan fiduciary net position as a percentage of the total pension liability	86.52%	78.75%	82.76%	84.42%
Covered payroll	\$ 2,716,445	\$ 2,620,073	\$ 2,674,140	\$ 2,617,034
School Division's net pension liability as a percentage of covered payroll	72.87%	121.32%	94.60%	85.23%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, additional years will be included as they become available.

County of Washington, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2018*

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.45021%	0.45537%	0.46113%	0.48436%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 55,366,000	\$ 63,816,000	\$ 58,039,000	\$ 58,533,000
Employer's Covered Payroll	35,392,792	34,658,445	34,284,601	35,253,945
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.43%	184.13%	169.29%	166.03%
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. Since 2015 is the first year for this presentation, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 1,106,407	\$ 1,106,407	\$ -	\$ 10,742,040	10.30%
2017	1,097,538	1,097,538	-	10,344,991	10.61%
2016	1,325,194	1,325,194	-	10,341,453	12.81%
2015	1,286,475	1,286,475	-	9,974,884	12.90%
2014	1,374,081	1,374,081	-	9,957,113	13.80%
2013	1,300,182	1,300,182	-	9,421,612	13.80%
2012	959,836	959,836	-	8,654,962	11.09%
2011	940,189	940,189	-	8,477,805	11.09%
2010	763,626	763,626	-	8,282,274	9.22%
2009	764,542	764,542	-	8,292,211	9.22%
Component Unit Washington County Park Authority					
2018	\$ 4,336	\$ 4,336	\$ -	\$ 42,166	10.28%
2017	4,308	4,308	-	39,982	10.77%
2016	5,176	5,176	-	39,427	13.13%
2015	4,905	4,905	-	38,029	12.90%
2014	5,239	5,239	-	37,961	13.80%
2013	4,957	4,957	-	35,920	13.80%
2012	3,659	3,659	-	32,997	11.09%
2011	3,584	3,584	-	32,321	11.09%
2010	2,911	2,911	-	31,576	9.22%
2009	2,915	2,915	-	31,614	9.22%
Component Unit School Board (nonprofessional)					
2018	\$ 284,527	\$ 284,527	\$ -	\$ 2,626,988	10.83%
2017	310,218	310,218	-	2,716,445	11.42%
2016	322,026	322,026	-	2,620,073	12.29%
2015	329,457	329,457	-	2,674,140	12.32%
2014	353,300	353,300	-	2,617,034	13.50%
2013	366,464	366,464	-	2,714,546	13.50%
2012	277,364	277,364	-	2,426,635	11.43%
2011	278,732	278,732	-	2,438,596	11.43%
2010	288,778	288,778	-	2,491,609	11.59%
2009	321,288	321,288	-	2,772,110	11.59%
Component Unit School Board (professional)					
2018	\$ 5,665,000	\$ 5,665,000	\$ -	\$ 35,260,376	16.07%
2017	5,123,000	5,123,000	-	35,392,792	14.47%
2016	4,848,000	4,848,000	-	34,658,445	13.99%
2015	4,960,000	4,960,000	-	34,284,601	14.47%
2014	4,110,610	4,110,610	-	35,253,945	11.66%
2013	4,145,991	4,145,991	-	35,557,384	11.66%
2012	2,047,185	2,047,185	-	32,340,995	6.33%
2011	1,269,544	1,269,544	-	32,303,919	3.93%
2010	2,266,366	2,266,366	-	25,724,926	8.81%
2009	3,093,123	3,093,123	-	35,109,228	8.81%
Component Unit School Board - Supplemental Retirement Pension Plan					
2018	\$ 1,457,080	\$ 1,457,080	\$ -	\$ 38,643,824	3.77%
2017	1,433,150	1,116,599	316,551	39,204,917	2.85%

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

County of Washington, Virginia
Notes to Required Supplementary Information
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 Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Disability Rates	Adjusted rates to better fit experience at each year age and service
Salary Scale	Lowered rates
Line of Duty Disability	No change
	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 147,277
Interest	82,392
Changes in assumptions	(89,180)
Differences between expected and actual experience	-
Benefit payments	(76,284)
Net change in total OPEB liability	\$ 64,205
Total OPEB liability - beginning	2,244,585
Total OPEB liability - ending	<u>\$ 2,308,790</u>
 Covered-employee or payroll	 \$ 10,514,119
 County's total OPEB liability (asset) as a percentage of covered-employee or payroll	 21.96%

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

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

Valuation Date: 6/30/2016
Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Salary Increase Rates	Non-Law Officers 5.35% to 3.50% depending on years of service
	Law Officers 4.75% to 3.50% depending on years of service
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% in 2018 and gradually declines to 4.70% by the year 2087
Discount Rate	3.50% for accounting and funding disclosures as of July 1, 2017
	3.87% for accounting and funding disclosures as of June 30, 2018
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety Employees) and Females set back 3 years.
	Post-Retirement: RP-2000 Combined Healthy mortality tables projected to 2020 using Scale AA with Females set back 1 year.
	Disabled: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

	2018
Total OPEB liability	
Service cost	\$ 323,245
Interest	226,975
Changes in assumptions	(177,186)
Differences between expected and actual experience	-
Benefit payments	(394,844)
Net change in total OPEB liability	\$ (21,810)
Total OPEB liability - beginning	6,357,470
Total OPEB liability - ending	\$ 6,335,660
Covered-employee or payroll	\$ 32,112,464
County's total OPEB liability (asset) as a percentage of covered-employee or payroll	19.73%

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

County of Washington, Virginia
Notes to Required Supplementary Information - School OPEB
For the Year Ended June 30, 2018

Valuation Date: 6/30/2016
Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Salary Increase Rates	Non-Law Officers 5.35% to 3.50% depending on years of service
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% in 2018 and gradually declines to 4.70% by the year 2087
Discount Rate	3.50% for accounting and funding disclosures as of July 1, 2017 3.87% for accounting and funding disclosures as of June 30, 2018
Retirement Age	The average age at retirement is 62
Mortality Rates	Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety Employees) and Females set back 3 years. Post-Retirement: RP-2000 Combined Healthy mortality tables projected to 2020 using Scale AA with Females set back 1 year. Disabled: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.05647%	\$ 850,000	\$ 10,416,753	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.01473%	\$ 221,000	\$ 2,716,445	8.14%	48.86%
Component Unit School Board (professional)					
2017	0.19188%	\$ 2,888,000	\$ 35,393,745	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.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 56,158	\$ 56,158	-	\$ 10,799,595	0.52%
2017	54,167	54,167	-	10,416,753	0.52%
2016	49,923	49,923	-	10,400,684	0.48%
2015	48,292	48,292	-	10,060,894	0.48%
2014	47,990	47,990	-	9,997,908	0.48%
2013	45,447	45,447	-	9,468,150	0.48%
2012	24,370	24,370	-	8,703,599	0.28%
2011	23,851	23,851	-	8,518,383	0.28%
2010	16,901	16,901	-	6,259,497	0.27%
2009	22,532	22,532	-	8,345,049	0.27%
Component Unit School Board (nonprofessional)					
2018	\$ 14,000	\$ 14,000	-	\$ 2,617,104	0.53%
2017	14,000	14,000	-	2,716,445	0.52%
2016	12,607	12,607	-	2,626,388	0.48%
2015	12,836	12,836	-	2,674,140	0.48%
2014	12,562	12,562	-	2,617,034	0.48%
2013	13,030	13,030	-	2,714,546	0.48%
2012	6,795	6,795	-	2,426,635	0.28%
2011	6,828	6,828	-	2,438,596	0.28%
2010	5,059	5,059	-	1,873,733	0.27%
2009	7,485	7,485	-	2,772,110	0.27%
Component Unit School Board (professional)					
2018	\$ 183,000	\$ 183,000	-	\$ 35,275,151	0.52%
2017	184,000	184,000	-	35,393,745	0.52%
2016	166,775	166,775	-	34,744,814	0.48%
2015	164,567	164,567	-	34,284,725	0.48%
2014	170,023	170,023	-	35,421,424	0.48%
2013	170,611	170,611	-	35,543,959	0.48%
2012	90,555	90,555	-	32,340,996	0.28%
2011	90,451	90,451	-	32,303,922	0.28%
2010	69,724	69,724	-	25,823,564	0.27%
2009	95,150	95,150	-	35,240,753	0.27%

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

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Washington, Virginia
Schedule of Changes in the Employer's Net OPEB Asset and Related Ratios
Primary Government
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 3,000
Interest	14,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(4,000)
Benefit payments	(8,000)
Other changes	1,000
Net change in total HIC OPEB liability	\$ 6,000
Total HIC OPEB Liability - beginning	210,000
Total HIC OPEB Liability - ending (a)	<u>\$ 216,000</u>
Plan fiduciary net position	
Contributions - employer	\$ 2,000
Net investment income	24,000
Benefit payments	(8,000)
Administrative expense	-
Other	1,000
Net change in plan fiduciary net position	\$ 19,000
Plan fiduciary net position - beginning	212,000
Plan fiduciary net position - ending (b)	<u>\$ 231,000</u>
Employer's net HIC OPEB asset - ending (a) - (b)	\$ (15,000)
Plan fiduciary net position as a percentage of the total HIC OPEB asset	106.94%
Covered payroll	\$ 3,039,394
Employer's net HIC OPEB asset as a percentage of covered payroll	-0.49%

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

County of Washington, Virginia
Schedule of Changes in the Employer's Net OPEB Asset and Related Ratios
School Board (nonprofessional)
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 4,000
Interest	21,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(4,000)
Benefit payments	(25,000)
Other changes	(1,000)
Net change in total HIC OPEB liability	\$ (5,000)
Total HIC OPEB Liability - beginning	309,000
Total HIC OPEB Liability - ending (a)	<u>\$ 304,000</u>
Plan fiduciary net position	
Contributions - employer	\$ 22,000
Net investment income	1,000
Benefit payments	(25,000)
Administrative expense	-
Other	(1,000)
Net change in plan fiduciary net position	\$ (3,000)
Plan fiduciary net position - beginning	13,000
Plan fiduciary net position - ending (b)	<u>\$ 10,000</u>
Employer's net HIC OPEB liability - ending (a) - (b)	\$ 294,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	3.29%
Covered payroll	\$ 2,716,445
Employer's net HIC OPEB liability as a percentage of covered payroll	10.82%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 2,000	\$ 2,000	\$ -	\$ 3,136,197	0.06%
2017	2,000	2,000	-	3,039,394	0.07%
2016	3,413	3,413	-	3,102,845	0.11%
2015	3,232	3,232	-	2,938,344	0.11%
2014	1,230	1,230	-	3,074,512	0.04%
2013	3,772	3,772	-	9,430,471	0.04%
2012	2,605	2,605	-	8,684,692	0.03%
2011	2,553	2,553	-	8,510,201	0.03%
2010	6,651	6,651	-	8,313,524	0.08%
2009	6,659	6,659	-	8,323,492	0.08%
Component Unit School Board (nonprofessional)					
2018	\$ 20,000	\$ 20,000	\$ -	\$ 2,617,104	0.76%
2017	21,000	21,000	-	2,716,445	0.77%
2016	18,602	18,602	-	2,620,073	0.71%
2015	18,986	18,986	-	2,674,140	0.71%
2014	22,506	22,506	-	2,617,034	0.86%
2013	23,345	23,345	-	2,714,546	0.86%
2012	18,928	18,928	-	2,426,635	0.78%
2011	19,021	19,021	-	2,438,596	0.78%
2010	33,157	33,157	-	2,493,033	1.33%
2009	36,903	36,903	-	2,774,638	1.33%

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

County of Washington, Virginia
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%

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.44848% \$	5,689,000 \$	35,393,745	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.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 434,000	\$ 434,000	\$ -	\$ 35,275,151	1.23%
2017	393,000	393,000	-	35,393,745	1.11%
2016	368,033	368,033	-	34,720,087	1.06%
2015	363,418	363,418	-	34,284,725	1.06%
2014	393,178	393,178	-	35,421,424	1.11%
2013	394,394	394,394	-	35,531,009	1.11%
2012	194,046	194,046	-	32,340,996	0.60%
2011	193,824	193,824	-	32,303,922	0.60%
2010	267,539	267,539	-	25,724,923	1.04%
2009	379,180	379,180	-	35,109,232	1.08%

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

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

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

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

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

Other Supplementary Information

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

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ 191,740	\$ 105,000	\$ (86,740)
Total revenues	\$ -	\$ 191,740	\$ 105,000	\$ (86,740)
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 10,687	\$ 7,000	\$ 3,687
Public works	25,000	259,417	131,032	128,385
Parks, recreation, and cultural	-	32,000	-	32,000
Total expenditures	\$ 25,000	\$ 302,104	\$ 138,032	\$ 164,072
Excess (deficiency) of revenues over (under) expenditures	\$ (25,000)	\$ (110,364)	\$ (33,032)	\$ 77,332
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Total other financing sources (uses)	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Net change in fund balances	\$ -	\$ (85,364)	\$ (8,032)	\$ 77,332
Fund balances - beginning	-	85,364	39,329	(46,035)
Fund balances - ending	\$ -	\$ -	\$ 31,297	\$ 31,297

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

	School Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Current:				
Education	\$ 1,442,664	\$ 1,186,949	\$ 902,502	\$ 284,447
Total expenditures	\$ 1,442,664	\$ 1,186,949	\$ 902,502	\$ 284,447
Excess (deficiency) of revenues over (under) expenditures	\$ (1,442,664)	\$ (1,186,949)	\$ (902,502)	\$ 284,447
Net change in fund balances	\$ (1,442,664)	\$ (1,186,949)	\$ (902,502)	\$ 284,447
Fund balances - beginning	1,442,664	1,186,949	1,114,502	(72,447)
Fund balances - ending	\$ -	\$ -	\$ 212,000	\$ 212,000

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

	Agency Funds			Commonwealth	Total
	Special <u>Welfare</u>	Fringe <u>Benefits</u>	Soil Erosion <u>Deposits</u>	Attorney Collection <u>Program</u>	
ASSETS					
Cash and cash equivalents	\$ 80,871	\$ 25,936	\$ 32,114	\$ 142,992	\$ 281,913
Cash in custody of others	-	-	-	-	-
Accounts receivable	-	-	-	2,729	2,729
Total assets	<u>\$ 80,871</u>	<u>\$ 25,936</u>	<u>\$ 32,114</u>	<u>\$ 145,721</u>	<u>\$ 284,642</u>
LIABILITIES					
Amounts held for social services clients	\$ 80,871	\$ -	\$ -	\$ -	\$ 80,871
Amounts held for school board employee fringe benefits	-	25,936	-	-	25,936
Amounts held for soil erosion deposits	-	-	32,114	-	32,114
Amounts held for commonwealth attorney collection program	-	-	-	145,721	145,721
Total liabilities	<u>\$ 80,871</u>	<u>\$ 25,936</u>	<u>\$ 32,114</u>	<u>\$ 145,721</u>	<u>\$ 284,642</u>

County of Washington, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2018

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 91,422	\$ 34,121	\$ (44,672)	\$ 80,871
Fringe Benefits	34,335	97,836	(106,235)	25,936
Soil Erosion Deposits	16,125	17,294	(1,305)	32,114
Commonwealth Attorney Collection Program	152,808	149,210	(159,026)	142,992
Total cash and cash equivalents	<u>\$ 294,690</u>	<u>\$ 298,461</u>	<u>\$ (311,238)</u>	<u>\$ 281,913</u>
Accounts receivable				
Commonwealth Attorney Collection Program	\$ 5,682	\$ -	\$ (2,953)	\$ 2,729
Total accounts receivable	<u>\$ 5,682</u>	<u>\$ -</u>	<u>\$ (2,953)</u>	<u>\$ 2,729</u>
Total Assets	<u><u>\$ 300,372</u></u>	<u><u>\$ 298,461</u></u>	<u><u>\$ (314,191)</u></u>	<u><u>\$ 284,642</u></u>
Liabilities				
Amounts held for social services clients	\$ 91,422	\$ 34,121	\$ (44,672)	\$ 80,871
Amounts held for school board employees	34,335	97,836	(106,235)	25,936
Amounts held for soil erosion deposits	16,125	17,294	(1,305)	32,114
Amounts held for Commonwealth Attorney	158,490	149,210	(161,979)	145,721
Total Liabilities	<u><u>\$ 300,372</u></u>	<u><u>\$ 298,461</u></u>	<u><u>\$ (314,191)</u></u>	<u><u>\$ 284,642</u></u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,152,287
Accounts receivable	775,180
Due from primary government	3,242,381
Due from other governmental units	1,602,140
Total assets	<u>\$ 7,771,988</u>
LIABILITIES	
Accounts payable	\$ 378,455
Accrued wages	5,411,142
Total liabilities	<u>\$ 5,789,597</u>
FUND BALANCES	
Assigned	\$ 1,982,391
Total fund balances	<u>\$ 1,982,391</u>
Total liabilities and fund balances	<u>\$ 7,771,988</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,982,391
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,819,475
Buildings and system	8,521,547
Improvements other than buildings	5,926,008
Construction in progress	<u>92,000</u>
	17,359,030
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
Prepaid items	769,598
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 8,141,909
OPEB related items	<u>652,000</u>
	8,793,909
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	2,591,558
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB liabilities	\$ (15,427,660)
Net pension liability - VRS	(57,345,606)
Compensated absences	(2,918,298)
Net pension liability - supplemental retirement	<u>(12,863,282)</u>
	(88,554,846)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (9,441,633)
OPEB related items	<u>(668,577)</u>
	(10,110,210)
Net position of governmental activities	<u>\$ (67,168,570)</u>

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

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 13,688
Charges for services	2,524,043
Miscellaneous	1,345,714
Recovered costs	203,668
Intergovernmental:	
Local government	28,306,466
Commonwealth	41,846,248
Federal	6,242,630
Total revenues	<u>\$ 80,482,457</u>
EXPENDITURES	
Current:	
Education	<u>\$ 80,819,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (336,824)</u>
Net change in fund balances	\$ (336,824)
Fund balances - beginning	2,319,215
Fund balances - ending	<u><u>\$ 1,982,391</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (336,824)
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 expense in the current period.	
Capital Outlay	\$ 2,139,361
Depreciation Expense	<u>(1,984,395)</u>
	154,966
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(36,744)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	305,118
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	\$ 157,097
Pension expense	3,038,413
OPEB expense	<u>11,233</u>
	3,206,743
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(142,390)
Change in net position of governmental activities	<u><u>\$ 3,150,869</u></u>

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

	School Operating Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 10,889	\$ 10,892	\$ 13,688	\$ 2,796
Charges for services	2,551,718	2,551,718	2,524,043	(27,675)
Miscellaneous	1,157,500	1,157,500	1,345,714	188,214
Recovered costs	46,354	46,354	203,668	157,314
Intergovernmental:				
Local government	27,202,237	27,808,935	28,306,466	497,531
Commonwealth	41,770,376	41,770,376	41,846,248	75,872
Federal	8,183,283	8,183,283	6,242,630	(1,940,653)
Total revenues	\$ 80,922,357	\$ 81,529,058	\$ 80,482,457	\$ (1,046,601)
EXPENDITURES				
Current:				
Education	\$ 83,392,357	\$ 84,162,082	\$ 80,819,281	\$ 3,342,801
Excess (deficiency) of revenues over (under) expenditures	\$ (2,470,000)	\$ (2,633,024)	\$ (336,824)	\$ 2,296,200
Net change in fund balances	\$ (2,470,000)	\$ (2,633,024)	\$ (336,824)	\$ 2,296,200
Fund balances - beginning	2,470,000	2,633,024	2,319,215	(313,809)
Fund balances - ending	\$ -	\$ -	\$ 1,982,391	\$ 1,982,391

FIDUCIARY FUNDS

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

Fringe Benefits - The Fringe Benefits fund accounts for those funds belonging to School Board employees.

Soil Erosion Deposits - The Soil Erosion Deposits fund accounts for erosion and sediment control deposits obtained on construction projects from the contractor. When the project has met the requirements, the deposit is released to the contractor.

Commonwealth Attorney Collection Program - The Commonwealth Attorney Collection Program fund accounts for the collection of delinquent fines, costs, forfeitures, penalties, and interest collected by the Commonwealth Attorney's office. A portion of the collections are remitted to the State.

County of Washington, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2018

	Employee Early Retirement Incentive <u>Plan</u>
ASSETS	
Cash and cash equivalents	\$ 239,937
Receivables:	
Interest and dividends	96
Contributions	242,847
Investments, at fair value:	
Equity securities	3,629,899
Mutual Funds	3,857,366
Total assets	<u>7,970,145</u>
NET POSITION	
Held in trust for retirement plan	<u>\$ 7,970,145</u>

County of Washington, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2018

	Employee Early Retirement Incentive <u>Plan</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,457,080
Investment earnings:	
Interest	\$ 1,909
Dividends	128,857
Net increase in the fair market value of investments	15,619
Total investment earnings	<u>\$ 146,385</u>
Less investment expense	
Net investment earnings	\$ 146,385
Total additions	<u>\$ 1,603,465</u>
DEDUCTIONS	
Benefits	\$ 1,189,082
Administrative expenses	9,954
Total deductions	<u>\$ 1,199,036</u>
Change in net assets	\$ 404,429
Net position - beginning	7,565,716
Net position - ending	<u><u>\$ 7,970,145</u></u>

County of Washington, Virginia
Combining Statement of Net Position
Other Component Units
June 30, 2018

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 260,856	\$ 1,468,775	\$ 1,153,842	\$ 2,883,473
Cash in custody of others	30,000	-	-	30,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	48,178	47,843	96,021
Notes receivable	-	11,585,653	-	11,585,653
Rent receivable	-	33,201	-	33,201
Grants receivable	-	-	350,849	350,849
Due from other governmental units	-	48,008	-	48,008
Inventories	-	-	59,659	59,659
Prepaid items	-	3,113	24,652	27,765
Capital assets (net of accumulated depreciation):				
Land	753,776	14,654,863	12,024,761	27,433,400
Buildings and system	183,456	900,517	2,527,397	3,611,370
Improvements other than buildings	275,892	657,363	5,637,301	6,570,556
Machinery and equipment	9,719	10,400	549,706	569,825
Construction in progress	-	-	4,614,687	4,614,687
Total assets	<u>\$ 1,513,699</u>	<u>\$ 29,410,071</u>	<u>\$ 26,990,697</u>	<u>\$ 57,914,467</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ 1,835,049	\$ -	\$ 1,835,049
Pension related items	4,661	-	20,754	25,415
Total deferred outflows of resources	<u>\$ 4,661</u>	<u>\$ 1,835,049</u>	<u>\$ 20,754</u>	<u>\$ 1,860,464</u>
LIABILITIES				
Accounts payable	\$ 5,711	\$ 20,856	\$ 442,922	\$ 469,489
Accrued wages	4,376	-	17,634	22,010
Accrued interest payable	-	55,750	14,759	70,509
Deferred revenue	-	-	49,254	49,254
Long-term liabilities:				
Due within one year	-	940,790	21,298	962,088
Due in more than one year	21,529	15,012,783	2,415,560	17,449,872
Total liabilities	<u>\$ 31,616</u>	<u>\$ 16,030,179</u>	<u>\$ 2,961,427</u>	<u>\$ 19,023,222</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 6,751	-	\$ 17,479	\$ 24,230
NET POSITION				
Net investment in capital assets	\$ 1,222,843	\$ 16,223,143	\$ 22,972,428	\$ 40,418,414
Unrestricted	257,150	(1,008,202)	1,060,117	309,065
Total Net Position	<u>\$ 1,479,993</u>	<u>\$ 15,214,941</u>	<u>\$ 24,032,545</u>	<u>\$ 40,727,479</u>

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

County of Washington, Virginia
Combining Statement of Activities
Other Component Units
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Component Unit		
			Grants and Contributions	Capital Grants and Contributions	Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority
OTHER COMPONENT UNITS:							
Washington Park Authority	\$ 260,291	\$ 219,933	\$ -	\$ -	\$ (40,358)	\$ -	\$ (40,358)
Industrial Development Authority	1,202,666	-	471,536	-	-	(731,130)	(731,130)
Virginia Highlands Airport Authority	1,774,660	1,259,901	-	2,471,725	-	-	1,956,966
Total other component units	\$ 3,237,617	\$ 1,479,834	\$ 471,536	\$ 2,471,725	\$ (40,358)	\$ (731,130)	\$ 1,956,966
					\$ (40,358)	\$ (731,130)	\$ 1,956,966
							\$ 1,185,478
General revenues:							
Unrestricted revenues from use of money and property					\$ 148	\$ 284,636	\$ 298,815
Miscellaneous					812	5,332	16,920
Payments from Washington County					-	754,877	236,462
Total general revenues					\$ 960	\$ 1,044,845	\$ 552,197
Change in net position					\$ (39,398)	\$ 313,715	\$ 2,509,163
Net position - beginning					1,519,391	14,901,226	21,523,382
Net position - ending					\$ 1,479,993	\$ 15,214,941	\$ 24,032,545
							\$ 40,727,479

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

Supporting Schedules

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 25,275,000	\$ 25,275,000	\$ 25,255,902	\$ (19,098)
Real and personal public service corporation taxes	1,250,000	1,456,575	1,645,069	188,494
Personal property taxes	6,860,000	6,860,000	7,421,929	561,929
Mobile home taxes	126,500	126,500	116,631	(9,869)
Machinery and tools taxes	2,800,000	2,800,000	2,935,564	135,564
Penalties	305,000	305,000	327,950	22,950
Interest	350,000	350,000	377,484	27,484
Total general property taxes	\$ 36,966,500	\$ 37,173,075	\$ 38,080,529	\$ 907,454
Other local taxes:				
Local sales and use taxes	\$ 6,750,000	\$ 6,750,000	\$ 6,908,056	\$ 158,056
Consumers' utility taxes	1,150,000	1,150,000	1,147,976	(2,024)
Franchise license taxes	-	-	67,579	67,579
Utility license taxes	140,000	140,000	121,741	(18,259)
Motor vehicle licenses	1,090,000	1,090,000	1,139,477	49,477
Bank stock taxes	37,500	37,500	17,086	(20,414)
Taxes on recordation and wills	301,500	301,500	459,537	158,037
Hotel and motel room taxes	135,000	135,000	152,626	17,626
Total other local taxes	\$ 9,604,000	\$ 9,604,000	\$ 10,014,078	\$ 410,078
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 27,500	\$ 27,500	\$ 33,163	\$ 5,663
Zoning, subdivision plat and soil erosion permits	2,000	2,000	1,776	(224)
Building permits	86,250	86,250	109,540	23,290
Waste hauling fees	27,500	27,500	24,410	(3,090)
Other permits and licenses	20,000	20,000	46,452	26,452
Total permits, privilege fees, and regulatory licenses	\$ 163,250	\$ 163,250	\$ 215,341	\$ 52,091
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 1,044,117	\$ 1,101,422	\$ 1,404,827	\$ 303,405
Revenue from use of money and property:				
Revenue from use of money	\$ 120,000	\$ 119,996	\$ 216,464	\$ 96,468
Charges for services:				
Excess fees of clerk	\$ -	\$ -	\$ 2,040	\$ 2,040
Charges for law enforcement and traffic control	17,932	17,932	19,811	1,879
Charges for transportation of prisoners	7,500	7,500	4,454	(3,046)
Charges for copies	12,000	12,000	15,343	3,343
Charges for Commonwealth's Attorney	6,000	6,000	2,821	(3,179)
Charges for highways and streets	5,000	5,000	1,435	(3,565)
Commission fees	58,560	58,560	131,705	73,145
Charges for sanitation and waste removal and other related fees	270,000	270,000	372,696	102,696
Charges for parks and recreation	44,000	44,000	52,706	8,706
Charges for library	28,700	28,700	22,657	(6,043)
Total charges for services	\$ 449,692	\$ 449,692	\$ 625,668	\$ 175,976
Miscellaneous:				
Miscellaneous	\$ 234,100	\$ 354,897	\$ 283,857	\$ (71,040)
Revenue Sharing - Bristol	350,000	350,000	350,000	-
Bristol, Tenn.-payment in lieu of taxes	1,250	1,250	-	(1,250)
Bristol, VA utilities board	48,671	48,671	-	(48,671)
Tennessee Valley Authority-payment in lieu of taxes	725,000	725,000	683,810	(41,190)
Total miscellaneous	\$ 1,359,021	\$ 1,479,818	\$ 1,317,667	\$ (162,151)
Recovered costs:				
Insurance recoveries	\$ -	\$ 930	\$ 6,652	\$ 5,722

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs: (Continued)				
Regional jail	\$ -	\$ 31,102	\$ 13,870	\$ (17,232)
Facility management CS building	90,000	90,000	75,196	(14,804)
Alcohol, tobacco and firearms funds	18,000	18,000	15,126	(2,874)
Other recovered costs	499,274	545,956	202,358	(343,598)
Total recovered costs	\$ 607,274	\$ 685,988	\$ 313,202	\$ (372,786)
Total revenue from local sources	\$ 50,313,854	\$ 50,777,241	\$ 52,187,776	\$ 1,410,535
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 34,672	\$ (5,328)
Mobile home titling tax	65,000	65,000	93,415	28,415
Motor vehicle rental tax	11,000	11,000	10,531	(469)
Grantors tax	100,000	100,000	100,376	376
Communications sales taxes	1,700,000	1,700,000	1,477,842	(222,158)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	\$ 4,475,286	\$ 4,475,286	\$ 4,276,122	\$ (199,164)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 491,366	\$ 491,366	\$ 495,874	\$ 4,508
Sheriff	2,235,000	2,274,330	2,296,582	22,252
Commissioner of revenue	174,885	174,885	176,323	1,438
Treasurer	155,000	155,000	159,880	4,880
Registrar/electoral board	48,250	48,250	47,458	(792)
Clerk of the Circuit Court	374,990	374,990	373,346	(1,644)
Total shared expenses	\$ 3,479,491	\$ 3,518,821	\$ 3,549,463	\$ 30,642
Other categorical aid:				
Virginia Public Assistance	\$ 2,625,558	\$ 2,645,058	\$ 2,290,238	\$ (354,820)
Comprehensive services	1,242,134	1,386,934	1,312,066	(74,868)
Victim witness grant	103,601	103,601	17,498	(86,103)
Litter control grant	39,000	39,000	38,528	(472)
EMS grant-Four for life	70,000	70,000	50,660	(19,340)
Fire programs	135,000	135,000	148,486	13,486
Dog and cat sterilization grant	1,500	1,500	1,428	(72)
E-911 wireless grant	45,000	45,000	65,384	20,384
Library state aid	160,685	160,685	154,429	(6,256)
Asset forfeiture funds	-	14,961	32,679	17,718
SLC E-rate	-	20,189	20,189	-
School resource officer	26,130	26,130	32,530	6,400
DOJ - internet crimes against children	-	40,191	8,129	(32,062)
VDOT road improvement grant	-	17,300	4,800	(12,500)
Library of VA preservation of records	-	2,080	2,080	-
Police equipment	-	-	1,644	1,644
Other state grants	-	-	12,666	12,666
Total other categorical aid	\$ 4,448,608	\$ 4,707,629	\$ 4,193,434	\$ (514,195)
Total categorical aid	\$ 7,928,099	\$ 8,226,450	\$ 7,742,897	\$ (483,553)
Total revenue from the Commonwealth	\$ 12,403,385	\$ 12,701,736	\$ 12,019,019	\$ (682,717)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 500	\$ 500	\$ 61,297	\$ 60,797

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Virginia Public Assistance	\$ 2,703,600	\$ 2,703,600	\$ 2,871,423	\$ 167,823
Library grant	-	15,000	15,000	-
Victim witness grant	-	-	67,443	67,443
DMV Highway safety	-	25,183	16,515	(8,668)
VDEM grant	-	-	18,030	18,030
DCJS-VSTOP grant	27,810	27,810	27,811	1
Alcohol safety	-	39,036	45,053	6,017
DHCD	-	-	4,650	4,650
Bullet proof vest	-	10,940	-	(10,940)
Total categorical aid	<u>\$ 2,731,410</u>	<u>\$ 2,821,569</u>	<u>\$ 3,065,925</u>	<u>\$ 244,356</u>
Total revenue from the federal government	<u>\$ 2,731,910</u>	<u>\$ 2,822,069</u>	<u>\$ 3,127,222</u>	<u>\$ 305,153</u>
Total General Fund	<u>\$ 65,449,149</u>	<u>\$ 66,301,046</u>	<u>\$ 67,334,017</u>	<u>\$ 1,032,971</u>
Capital Projects Funds				
County Capital Improvements Fund				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA wireless E911 grant	\$ -	\$ 159,740	\$ 105,000	\$ (54,740)
VDOT Whites Mill Restore	-	32,000	-	(32,000)
Total categorical aid	<u>\$ -</u>	<u>\$ 191,740</u>	<u>\$ 105,000</u>	<u>\$ (86,740)</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 191,740</u>	<u>\$ 105,000</u>	<u>\$ (86,740)</u>
Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ 191,740</u>	<u>\$ 105,000</u>	<u>\$ (86,740)</u>
Total Primary Government	<u>\$ 65,449,149</u>	<u>\$ 66,492,786</u>	<u>\$ 67,439,017</u>	<u>\$ 946,231</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 9,677	\$ 9,680	\$ 12,670	\$ 2,990
Revenue from the use of property	1,212	1,212	1,018	(194)
Total revenue from use of money and property	<u>\$ 10,889</u>	<u>\$ 10,892</u>	<u>\$ 13,688</u>	<u>\$ 2,796</u>
Charges for services:				
Charges for education	\$ 610,000	\$ 610,000	\$ 746,415	\$ 136,415
Governor's School	521,648	521,648	591,261	69,613
Transportation of pupils	43,000	43,000	80,765	37,765
Cafeteria sales	1,377,070	1,377,070	1,105,602	(271,468)
Total charges for services	<u>\$ 2,551,718</u>	<u>\$ 2,551,718</u>	<u>\$ 2,524,043</u>	<u>\$ (27,675)</u>
Miscellaneous:				
Other miscellaneous	<u>\$ 1,157,500</u>	<u>\$ 1,157,500</u>	<u>\$ 1,345,714</u>	<u>\$ 188,214</u>
Recovered costs:				
Other recovered costs	<u>\$ 46,354</u>	<u>\$ 46,354</u>	<u>\$ 203,668</u>	<u>\$ 157,314</u>
Total revenue from local sources	<u>\$ 3,766,461</u>	<u>\$ 3,766,464</u>	<u>\$ 4,087,113</u>	<u>\$ 320,649</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 27,202,237	\$ 27,808,935	\$ 28,306,466	\$ 497,531
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 7,784,647	\$ 7,784,647	\$ 7,378,121	\$ (406,526)
Basic school aid	19,851,750	19,851,750	19,970,616	118,866
GED funding	23,573	23,573	24,881	1,308
Summer remedial	82,466	82,466	67,146	(15,320)
Regular foster care	386,236	386,236	119,132	(267,104)
Adult high school courses	-	-	39,949	39,949
Gifted and talented	\$ 216,783	\$ 216,783	\$ 217,964	\$ 1,181
Remedial education	731,641	731,641	735,629	3,988
National board certified teacher	-	-	5,000	5,000
Compensation supplement	-	-	199,260	199,260
Preschool initiative	502,101	502,101	502,101	-
Special education	2,063,950	2,063,950	2,075,201	11,251
Textbook payment	495,800	495,800	498,502	2,702
Vocational adult education	43,920	43,920	42,418	(1,502)
Vocational education	537,440	537,440	540,370	2,930
Vocational equipment	21,000	21,000	34,175	13,175
Vocational educational occupational tech ed	212,095	212,095	65,636	(146,459)
Social security fringe benefits	1,246,500	1,246,500	1,253,294	6,794
Retirement fringe benefits	2,854,303	2,854,303	2,869,862	15,559
Life insurance fringe benefits	85,810	85,810	86,278	468
State lottery payments	-	-	1,245,893	1,245,893
Early reading intervention	50,984	50,984	65,855	14,871
Governors school	755,598	755,598	794,486	38,888
Jobs for Virginia graduates-lottery proceeds	-	-	25,000	25,000
At risk payments	659,538	659,538	673,845	14,307
Adult literacy	-	-	93,045	93,045
Homebound	44,893	44,893	29,564	(15,329)
School food	50,191	50,191	56,845	6,654
Regional programs	236,972	236,972	273,445	36,473
Project graduation	7,663	7,663	7,663	-
Special education - foster care	-	-	163,820	163,820
Mentor teacher program	3,370	3,370	2,482	(888)
Primary class size	907,506	907,506	911,275	3,769
Technology	414,000	414,000	440,000	26,000
SOL algebra readiness	90,232	90,232	92,356	2,124
Special ed jail program	1,448	1,448	812	(636)
Security grant	-	-	64,813	64,813
English as a second language	25,582	25,582	34,109	8,527
GED testing	-	-	81,718	81,718
Other state funds	1,382,384	1,382,384	63,687	(1,318,697)
Total categorical aid	\$ 41,770,376	\$ 41,770,376	\$ 41,846,248	\$ 75,872
Total revenue from the Commonwealth	\$ 41,770,376	\$ 41,770,376	\$ 41,846,248	\$ 75,872
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 22,000	\$ 22,000	\$ 20,739	\$ (1,261)
Adult basic education	471,438	471,438	382,194	(89,244)
Title I	1,525,000	1,525,000	1,504,561	(20,439)
Title VI-B, special education flow-through	1,525,000	1,525,000	1,529,816	4,816
Title VI-B, special education preschool	50,000	50,000	45,609	(4,391)
Title IV Part A LEA	-	41,128	29,757	(11,371)
Vocational education	117,000	117,000	136,667	19,667

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title II Part A	\$ 400,000	\$ 400,000	\$ 227,340	\$ (172,660)
School breakfast and lunch program	1,936,936	1,936,936	2,365,947	429,011
Other federal	2,135,909	2,094,781	-	(2,094,781)
Total categorical aid	<u>\$ 8,183,283</u>	<u>\$ 8,183,283</u>	<u>\$ 6,242,630</u>	<u>\$ (1,940,653)</u>
Total revenue from the federal government	<u>\$ 8,183,283</u>	<u>\$ 8,183,283</u>	<u>\$ 6,242,630</u>	<u>\$ (1,940,653)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 80,922,357</u>	<u>\$ 81,529,058</u>	<u>\$ 80,482,457</u>	<u>\$ (1,046,601)</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 160,182	\$ 162,182	\$ 145,288	\$ 16,894
General and financial administration:				
County administrator	\$ 231,522	\$ 234,701	\$ 230,534	\$ 4,167
Personnel	92,483	92,483	87,058	5,425
Legal services	227,485	227,485	181,537	45,948
Commissioner of revenue	662,143	662,143	648,176	13,967
Treasurer	759,235	962,477	751,153	211,324
Central accounting and purchasing	279,391	279,391	257,116	22,275
Information technology	630,246	656,335	583,791	72,544
Assessor	65,000	65,000	27,061	37,939
Auditor	75,000	75,000	70,900	4,100
Total general and financial administration	\$ 3,022,505	\$ 3,255,015	\$ 2,837,326	\$ 417,689
Board of elections:				
Registrar	\$ 195,284	\$ 192,484	\$ 190,327	\$ 2,157
Electoral board	88,905	306,275	301,105	5,170
Total board of elections	\$ 284,189	\$ 498,759	\$ 491,432	\$ 7,327
Total general government administration	\$ 3,466,876	\$ 3,915,956	\$ 3,474,046	\$ 441,910
Judicial administration:				
Courts:				
Circuit court	\$ 76,173	\$ 76,173	\$ 64,623	\$ 11,550
General district court	34,840	34,840	25,474	9,366
Juvenile and domestic relations court	200	200	3,435	(3,235)
Special magistrates	5,245	5,245	4,864	381
Clerk of the circuit court	685,358	715,594	638,500	77,094
Law library	12,000	50,345	10,252	40,093
Total courts	\$ 813,816	\$ 882,397	\$ 747,148	\$ 135,249
Commonwealth's attorney:				
Commonwealth's attorney	\$ 964,524	\$ 1,298,795	\$ 956,202	\$ 342,593
Total judicial administration	\$ 1,778,340	\$ 2,181,192	\$ 1,703,350	\$ 477,842
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,873,651	\$ 3,224,828	\$ 2,939,728	\$ 285,100
Litter Control	152,503	153,061	145,168	7,893
Victim witness assistance	111,995	112,423	93,412	19,011
Animal control	275,603	287,969	253,842	34,127
Interstate enforcement	2,053,602	2,483,633	2,088,423	395,210
Court security	380,542	405,483	387,427	18,056
Other Sheriff grants	147,424	268,133	207,317	60,816
Total law enforcement and traffic control	\$ 5,995,320	\$ 6,935,530	\$ 6,115,317	\$ 820,213
Fire and rescue services:				
Volunteer fire departments	\$ 1,269,395	\$ 1,546,445	\$ 1,501,445	\$ 45,000
E-911	719,177	717,116	710,388	6,728
Total fire and rescue services	\$ 1,988,572	\$ 2,263,561	\$ 2,211,833	\$ 51,728
Correction and detention:				
Regional jail payments	\$ 3,390,984	\$ 3,593,443	\$ 3,614,733	\$ (21,290)
Juvenile probation and detention	222,432	222,432	222,432	-
Total correction and detention	\$ 3,613,416	\$ 3,815,875	\$ 3,837,165	\$ (21,290)
Inspections:				
Building	\$ 359,048	\$ 360,808	\$ 334,329	\$ 26,479

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 760	\$ 240
Emergency services	573,509	662,201	516,506	145,695
Total other protection	<u>\$ 574,509</u>	<u>\$ 663,201</u>	<u>\$ 517,266</u>	<u>\$ 145,935</u>
Total public safety	<u>\$ 12,530,865</u>	<u>\$ 14,038,975</u>	<u>\$ 13,015,910</u>	<u>\$ 1,023,065</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	<u>\$ 2,134,728</u>	<u>\$ 2,209,728</u>	<u>\$ 2,020,735</u>	<u>\$ 188,993</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,341,157</u>	<u>\$ 1,414,315</u>	<u>\$ 1,296,028</u>	<u>\$ 118,287</u>
Total public works	<u>\$ 3,475,885</u>	<u>\$ 3,624,043</u>	<u>\$ 3,316,763</u>	<u>\$ 307,280</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 501,865</u>	<u>\$ 501,865</u>	<u>\$ 501,865</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>
Welfare:				
Virginia public assistance	\$ 6,578,369	\$ 6,665,280	\$ 5,944,434	\$ 720,846
Area agency on aging	72,055	72,055	72,055	-
Senior services	87,925	92,925	92,925	-
Community action agency	212,935	212,935	212,935	-
Community services	1,800,000	2,000,000	1,973,882	26,118
Total welfare	<u>\$ 8,751,284</u>	<u>\$ 9,043,195</u>	<u>\$ 8,296,231</u>	<u>\$ 746,964</u>
Total health and welfare	<u>\$ 9,553,149</u>	<u>\$ 9,845,060</u>	<u>\$ 9,098,096</u>	<u>\$ 746,964</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 332,414	\$ 332,414	\$ 332,414	\$ -
Contribution to County School Board	27,202,237	27,808,935	28,306,466	(497,531)
Total education	<u>\$ 27,534,651</u>	<u>\$ 28,141,349</u>	<u>\$ 28,638,880</u>	<u>\$ (497,531)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 165,750	\$ 165,750	\$ 108,691	\$ 57,059
Recreation	251,834	252,716	239,403	13,313
Total parks and recreation	<u>\$ 417,584</u>	<u>\$ 418,466</u>	<u>\$ 348,094</u>	<u>\$ 70,372</u>
Cultural enrichment:				
Cultural enrichment	<u>\$ 70,886</u>	<u>\$ 70,886</u>	<u>\$ 70,886</u>	<u>\$ -</u>
Library:				
Washington County library	\$ 1,375,615	\$ 1,553,555	\$ 1,458,269	\$ 95,286
Branch libraries	297,982	298,145	293,040	5,105
Total library	<u>\$ 1,673,597</u>	<u>\$ 1,851,700</u>	<u>\$ 1,751,309</u>	<u>\$ 100,391</u>
Total parks, recreation, and cultural	<u>\$ 2,162,067</u>	<u>\$ 2,341,052</u>	<u>\$ 2,170,289</u>	<u>\$ 170,763</u>
Community development:				
Planning and community development:				
Regional planning	\$ 46,768	\$ 46,768	\$ 46,768	\$ -
Zoning	169,581	169,581	161,220	8,361
Community development	235,833	225,833	189,501	36,332
Economic development	204,504	294,504	204,504	90,000

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Contribution to Virginia Highlands Airport	\$ 68,978	\$ 236,462	\$ 236,462	\$ -
Contribution to Washington County Industrial Development Authority	745,083	745,083	721,619	23,464
Contribution to Economic development	122,933	150,589	130,919	19,670
Total planning and community development	<u>\$ 1,593,680</u>	<u>\$ 1,868,820</u>	<u>\$ 1,690,993</u>	<u>\$ 177,827</u>
Environmental management:				
Contribution to soil and water district	\$ 16,770	\$ 16,770	\$ 16,770	\$ -
Cooperative extension program:				
Extension office	\$ 132,226	\$ 132,226	\$ 125,688	\$ 6,538
Total community development	<u>\$ 1,742,676</u>	<u>\$ 2,017,816</u>	<u>\$ 1,833,451</u>	<u>\$ 184,365</u>
Nondepartmental:				
Revenue refunds	\$ 48,000	\$ 48,000	\$ 147,428	\$ (99,428)
Other non departmental	551,795	303,157	229,483	73,674
Total nondepartmental	<u>\$ 599,795</u>	<u>\$ 351,157</u>	<u>\$ 376,911</u>	<u>\$ (25,754)</u>
Debt service:				
Principal retirement	\$ 2,158,084	\$ 2,158,084	\$ 2,407,802	\$ (249,718)
Interest and other fiscal charges	1,492,316	1,492,316	809,146	683,170
Total debt service	<u>\$ 3,650,400</u>	<u>\$ 3,650,400</u>	<u>\$ 3,216,948</u>	<u>\$ 433,452</u>
Total General Fund	<u>\$ 66,494,704</u>	<u>\$ 70,107,000</u>	<u>\$ 66,844,644</u>	<u>\$ 3,262,356</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Public safety:				
Equipment	\$ -	\$ 10,687	\$ 7,000	\$ 3,687
Public works:				
Maintenance of general buildings and grounds:				
Courthouse	\$ -	\$ 74,677	\$ -	\$ 74,677
Sheriff's office	-	159,740	105,000	54,740
Solid waste facilities	25,000	25,000	26,032	(1,032)
Total maintenance of general building and grounds	<u>\$ 25,000</u>	<u>\$ 259,417</u>	<u>\$ 131,032</u>	<u>\$ 128,385</u>
Total public works	<u>\$ 25,000</u>	<u>\$ 259,417</u>	<u>\$ 131,032</u>	<u>\$ 128,385</u>
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 32,000	\$ -	\$ 32,000
Total Capital Projects Fund	<u>\$ 25,000</u>	<u>\$ 302,104</u>	<u>\$ 138,032</u>	<u>\$ 164,072</u>
School Capital Projects Fund:				
Education:				
Operating costs:				
Facilities	\$ 1,442,664	\$ 1,186,949	\$ 902,502	\$ 284,447
Total School Capital Projects Fund	<u>\$ 1,442,664</u>	<u>\$ 1,186,949</u>	<u>\$ 902,502</u>	<u>\$ 284,447</u>
Total Primary Government	<u>\$ 67,962,368</u>	<u>\$ 71,596,053</u>	<u>\$ 67,885,178</u>	<u>\$ 3,710,875</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction costs				
Administration, attendance and health	\$ 2,888,406	\$ 3,042,501	\$ 3,152,295	\$ (109,794)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Instruction costs (Continued)				
Instruction	\$ 61,159,240	\$ 61,823,069	\$ 59,448,157	\$ 2,374,912
Instructional technology	2,402,316	2,489,964	2,254,350	235,614
Total instruction costs	<u>\$ 66,449,962</u>	<u>\$ 67,355,534</u>	<u>\$ 64,854,802</u>	<u>\$ 2,500,732</u>
Operating costs:				
Pupil transportation	\$ 5,457,017	\$ 5,487,289	\$ 5,290,562	\$ 196,727
Operation and maintenance of school plant	7,499,504	7,451,924	7,264,465	187,459
School food services	3,985,874	3,867,335	3,409,452	457,883
Total operating costs	<u>\$ 16,942,395</u>	<u>\$ 16,806,548</u>	<u>\$ 15,964,479</u>	<u>\$ 842,069</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 83,392,357</u>	<u>\$ 84,162,082</u>	<u>\$ 80,819,281</u>	<u>\$ 3,342,801</u>

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2017-18	\$ 3,689,352	\$ 1,604,907	\$ 13,065,517	\$ 3,595,141	\$ 8,951,575	\$ 29,877,348	\$ 2,195,660	\$ 1,815,211	\$ 772,034	\$ 65,566,745
2016-17	4,036,671	1,646,936	12,289,555	3,460,678	8,895,767	30,413,235	2,190,464	4,127,452	795,330	67,856,088
2015-16	3,656,368	1,593,653	11,422,288	3,378,345	8,583,706	29,232,848	2,166,884	3,495,175	1,456,592	64,985,859
2014-15	3,508,913	1,602,299	11,090,052	3,729,458	7,800,245	28,369,156	2,233,396	2,325,083	1,077,287	61,735,889
2013-14	3,801,462	1,590,653	10,667,821	3,504,762	8,434,168	28,605,420	2,261,825	2,544,189	1,185,934	62,596,234
2012-13	3,485,456	1,588,063	10,875,250	4,091,448	7,797,920	28,248,261	2,625,595	2,704,569	1,180,439	62,597,001
2011-12	3,392,022	1,442,053	10,373,244	4,710,465	7,571,268	22,448,687	2,153,236	3,599,243	1,223,756	56,913,974
2010-11	2,758,254	1,434,023	10,819,665	3,984,154	7,631,737	21,598,926	2,450,828	3,308,476	1,546,660	55,532,723
2009-10	2,444,129	1,397,161	10,394,379	3,106,061	7,750,392	21,628,724	2,656,439	2,449,360	852,142	52,678,787
2008-09	2,811,456	1,445,528	7,537,178	3,123,952	7,953,182	22,493,692	1,920,026	5,671,641	823,279	53,779,934

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2017-18	\$ 2,245,836	\$ 10,776,143	\$ 137,679	\$	38,072,161	\$ 10,014,078	\$ 216,464	\$ 1,317,667	\$ 4,337,419	\$ 67,117,447
2016-17	1,937,707	11,472,283	486,654		37,193,772	10,019,462	130,177	1,347,159	4,375,293	66,962,507
2015-16	1,742,312	11,012,920	192,216		36,955,004	9,569,743	136,324	954,452	4,372,419	64,935,390
2014-15	1,864,511	9,378,338	233,206		35,963,625	9,294,629	119,508	937,614	4,393,869	62,185,300
2013-14	1,875,166	9,503,961	687,141		34,581,104	9,229,842	123,575	956,021	4,413,735	61,370,545
2012-13	1,807,743	9,560,611	-		34,703,127	9,212,536	151,203	1,392,331	4,530,687	61,358,238
2011-12	1,830,599	11,403,196	-		32,986,799	9,109,624	193,751	1,582,918	4,645,697	61,752,584
2010-11	1,524,271	11,941,158	-		30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159
2009-10	1,485,955	9,857,596	-		39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827
2008-09	1,570,422	10,464,847	96,650		27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2017-18	\$ 3,474,046	\$ 1,703,350	\$ 13,015,910	\$ 3,316,763	\$ 9,098,096	\$ 81,151,695	\$ 2,170,289	\$ 1,833,451	\$ 376,911	\$ 3,216,948	\$ 119,357,459
2016-17	3,473,710	1,668,714	12,284,821	2,975,593	8,951,391	80,094,615	2,079,364	4,140,390	527,288	3,079,559	119,275,445
2015-16	3,295,436	1,643,657	11,472,090	3,142,723	8,661,176	77,053,746	2,110,093	3,505,726	454,331	3,346,936	114,685,914
2014-15	3,221,950	1,624,187	11,496,109	3,472,833	7,963,697	75,359,860	2,114,710	2,277,067	474,926	3,132,595	111,137,934
2013-14	3,646,300	1,576,652	10,879,901	3,147,631	8,313,672	76,185,425	2,276,600	2,645,385	397,681	3,003,020	112,072,267
2012-13	3,608,619	1,543,209	10,788,060	3,288,417	7,714,318	77,804,981	2,153,788	2,579,586	276,258	2,870,052	112,627,288
2011-12	3,236,958	1,433,084	10,380,260	3,750,554	7,578,463	71,395,719	2,029,542	3,595,679	522,018	2,002,655	105,924,932
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	1,491,190	101,705,810
2009-10	2,770,049	1,362,945	10,569,641	2,968,124	7,657,509	71,791,638	2,099,216	2,570,449	134,080	1,896,518	103,820,169
2008-09	3,075,945	1,400,889	10,271,050	3,044,273	7,852,356	77,482,208	2,214,686	2,057,953	169,856	1,985,076	109,554,292

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2017-18	\$ 38,080,529	\$ 10,014,078	\$ 215,341	\$ 1,404,827	\$ 230,152	\$ 3,149,711	\$ 2,663,381	\$ 516,870	\$ 63,235,119	\$ 119,510,008
2016-17	36,984,433	10,019,462	239,854	1,137,417	142,342	2,990,892	2,767,322	300,352	63,024,271	117,606,345
2015-16	36,911,855	9,569,743	185,303	954,757	151,722	3,223,703	2,317,970	374,475	60,015,399	113,704,927
2014-15	35,818,485	9,294,629	187,014	1,021,836	129,317	3,198,816	2,281,105	768,230	58,310,428	111,009,860
2013-14	35,051,160	9,229,842	115,185	1,105,942	139,081	3,296,870	2,065,364	712,881	58,642,337	110,358,662
2012-13	33,590,230	9,212,536	110,451	1,075,125	171,524	3,211,190	2,353,100	440,890	59,589,903	109,754,949
2011-12	32,681,231	9,109,624	119,384	897,988	213,505	3,639,101	2,528,526	478,582	60,445,175	110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 40,282,119	\$ 38,776,872	96.26%	\$ 1,157,509	\$ 39,934,381	99.14%	\$ 4,144,224	10.29%
2016-17	39,044,004	37,687,741	96.53%	1,228,661	38,916,402	99.67%	4,174,045	10.69%
2015-16	38,927,722	37,392,739	96.06%	1,329,749	38,722,488	99.47%	3,845,600	9.88%
2014-15	37,902,384	36,675,879	96.76%	1,054,734	37,730,613	99.55%	3,856,871	10.18%
2013-14	34,784,577	33,893,005	97.44%	948,362	34,841,367	100.16%	3,563,916	10.25%
2012-13	33,132,974	31,903,695	96.29%	1,014,696	32,918,391	99.35%	3,643,003	11.00%
2011-12	30,637,829	29,876,309	97.51%	2,227,356	32,103,665	104.78%	3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (3)	39,292,118	37,636,876	95.79%	861,595	38,498,471	97.98%	2,693,322	6.85%
2008-09	29,830,388	28,883,204	96.82%	445,044	29,328,248	98.32%	1,187,140	3.98%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

(3) 2009-10 was the first year that the County began twice-year tax collections.

Table 6

County of Washington, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)(4)		Total
				Real Estate and	Personal Property	
2017-18	\$ 4,101,812,545	\$ 604,977,439	\$ 195,128,680	\$ 238,971,622	\$	5,140,890,286
2016-17	4,117,406,258	593,997,271	189,916,150	199,721,217		5,101,040,896
2015-16	3,928,394,099	574,783,612	186,627,925	299,745,060		4,989,550,696
2014-15	3,887,864,596	570,992,102	180,011,133	186,055,671		4,824,923,502
2013-14	3,856,764,808	553,941,886	179,966,820	190,675,256		4,781,348,770
2012-13	3,643,100,137	542,187,701	176,763,685	155,434,116		4,517,485,639
2011-12	3,644,529,884	513,404,833	162,194,740	177,754,621		4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906		4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877		4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484		4,053,345,585

(1) Assessed at 100% of fair market value.

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

(3) Includes Volunteer and Air Tax assessments.

(4) The County started half-year collections in fiscal year 2016.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2017-18	\$ 0.63 \$	1.70 \$	1.55
2016-17	0.63	1.70	1.55
2015-16	0.63	1.70	1.55
2014-15	0.63	1.70	1.55
2013-14	0.63	1.70	1.55
2012-13	0.63	1.55	1.55
2011-12	0.63	1.55	1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1) thousands)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	54,876	\$ 5,140,890	\$ 12,551,815	\$ 12,551,815	0.24%	229
2016-17	54,876	5,101,041	14,406,774	14,406,774	0.28%	263
2015-16	54,876	4,989,551	16,104,443	16,104,443	0.32%	293
2014-15	54,876	4,824,924	16,117,239	16,117,239	0.33%	294
2013-14	54,876	4,781,349	17,525,265	17,525,265	0.37%	319
2012-13	54,876	4,517,486	18,840,729	18,840,729	0.42%	343
2011-12	54,876	4,497,884	20,136,009	20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Washington, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2017-18	\$ 2,407,802	\$ 809,146	\$ 3,216,948	\$ 119,357,459	2.70%
2016-17	2,230,600	848,959	3,079,559	119,275,445	2.58%
2015-16	2,142,313	1,204,623	3,346,936	114,685,914	2.92%
2014-15	1,913,959	1,218,636	3,132,595	111,137,934	2.82%
2013-14	1,814,351	1,188,669	3,003,020	112,072,267	2.68%
2012-13	1,645,280	1,224,772	2,870,052	112,627,288	2.55%
2011-12	1,330,821	671,834	2,002,655	105,924,932	1.89%
2010-11(2)	20,934,980	1,201,012	22,135,992	101,705,810	21.76%
2009-10	1,168,001	858,534	2,026,535	103,820,169	1.95%
2008-09	1,136,087	848,989	1,985,076	109,554,292	1.81%

(1) Includes General fund of the Primary Government and the Discretely Presented Component Unit - School Board.

(2) Includes principal of \$17,950,000 to pay off anticipation notes and bonds.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Washington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, 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 Washington, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Washington, 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, Finner, Cox Associates

Blacksburg, Virginia
November 27, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Washington, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia
November 27, 2018

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services: Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950116, 0950117	\$ 33,485
Temporary Assistance for Needy Families	93.558	0400117, 0400118	409,525
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117, 0500118	622
Low-Income Home Energy Assistance	93.568	0600417, 0600418	58,726
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117, 0760118	68,193
Adoption and Legal Guardianship Incentive Payments	93.603	1130115	1,768
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116, 0900117	1,459
Foster Care - Title IV-E	93.658	1100117, 1100118	428,099
Adoption Assistance	93.659	1120117, 1120118	456,345
Social Services Block Grant	93.667	1000117, 1000118	388,910
Chafee Foster Care Independence Program	93.674	9150117, 9150118	5,424
Children's Health Insurance Program	93.767	0540117, 0540118	19,820
Medical Assistance Program	93.778	1200117, 1200118	492,402
Total Department of Health and Human Services			<u>\$ 2,364,778</u>
Department of Agriculture: Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 246,789
Department of Education:			
National School Lunch Program	10.555	40623	<u>1,548,581</u> \$ 1,795,370
School Breakfast Program	10.553	40591	<u>570,577</u> \$ 2,365,947
Department of Education:			
Schools and Roads--Grants to States	10.665	43841	20,739
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117 0040117, 0040118	480,960
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP	10.596	0060115	<u>25,685</u>
Total Department of Agriculture			<u>\$ 2,893,331</u>
Department of Justice: Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	CJS7651601	\$ 27,811
Crime Victim Assistance	16.575	CJS7601601, CJS86015	<u>67,443</u>
Total Department of Justice			<u>\$ 95,254</u>
Department of Transportation: Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	OP-17-57156, SC-17-57180	\$ 16,515
Alcohol Open Container Requirements	20.607	154AL-17-57181	<u>45,053</u>
Total Department of Transportation			<u>\$ 61,568</u>
National Endowment for the Arts: Pass Through Payments:			
Virginia Commission for the Arts:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	Not available	<u>\$ 15,000</u>
Department of Homeland Security: Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	Not available	<u>\$ 18,030</u>
Department of Education: Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,504,561
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	\$ 1,529,816
Special Education - Preschool Grants	84.173	62521	<u>45,609</u> 1,575,425
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	227,340
Student Support and Academic Enrichment Grants	84.424	60281	29,757
Adult Education Basic Grants to States	84.002	42801, 61111, 61380	382,194
Career and Technical Education: Basic Grants to States	84.048	61095, 61159	<u>136,667</u>
Total Department of Education			<u>\$ 3,855,944</u>
Department of Housing and Urban Development: Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants / State's Program and Non-Entitlements Grants in Hawaii	14.228	50790	<u>\$ 4,650</u>
Total Expenditures of Federal Awards			<u>\$ 9,308,555</u>

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

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Washington, 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 Office of Management and 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 Washington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Washington, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
 (2) Pass-through entity identifying numbers are presented where available.
 (3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2018, the County had no food commodities in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2018.

Note 5 -- Loans and Loan Guarantees:

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 6 -- Relationship to the Financial Statements Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund

\$ 3,127,222

Less: Payment in lieu of taxes

(61,297)

\$ 3,065,925

Total primary government

\$ 3,065,925

Component Unit School Board:

School Operating Fund

\$ 6,242,630

\$ 6,242,630

Total expenditures of federal awards per basic financial statements

\$ 9,308,555

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards

\$ 9,308,555

COUNTY OF WASHINGTON, 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?	No
Significant deficiency(ies) identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.533/10.555	Child Nutrition Cluster
93.778	Medical Assistance Program

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

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

None