# County of Patrick, Virginia

## Financial Statements

## For the Year Ended June 30, 2018

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

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FINANCIAL REPORT
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**FINANCIAL SECTION (continued)**



**COMPLIANCE SECTION**

# INTRODUCTORY SECTION

# COUNTY OF PATRICK, VIRGINIA

## BOARD OF SUPERVISORS

Lock Boyce, Chair

| | |
|---|---|
| Rickie Fulcher, Vice-chair | Jane Fulk |
| Crystal Harris | Karl Weiss |

## COUNTY SCHOOL BOARD

Ronnie N. Terry, Chair

| | |
|---|---|
| Brandon Simmons, Vice-chair | Walter Scott |
| A. Michelle Day | Annie H. Hylton |

## SOCIAL SERVICES BOARD

Billie Sue Morrison, Chair

| | |
|---|---|
| Synthia Fain, Vice-chair | Lock Boyce |
| Amy Sawyers | Pepper Martin |

Pam Craig

## OTHER OFFICIALS

| | |
|---|---|
| Clerk of the Circuit Court | Sherri M. Hazlewood |
| Commonwealth's Attorney | Stephanie Brinegar-Vipperman |
| Commissioner of the Revenue | Janet H. Rorrer |
| Treasurer | Sandra K. Stone |
| Sheriff | Dan Smith |
| Superintendent of Schools | Dr. William D. Sroufe |
| Director of Social Services | Joan V. Rogers |
| County Administrator | Tom Rose |
| County Attorney | Alan Black |

# FINANCIAL SECTION

## Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors**
**County of Patrick, Virginia**
**Stuart, Virginia**

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Patrick, 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 Patrick, Virginia'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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Patrick, 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 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter.

*Restatement of Beginning Balances*

As described in Note 20 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 the schedules related to pension and OPEB funding on pages 5-14, 106, and 107-124, respectively, 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 Patrick, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 30, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Patrick County, 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 $12,912,182 (net position). Of this amount, $2,373,790 was considered unrestricted.

- The assets and deferred outflows of resources of the County's business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $1,189,071 (net position). Of this amount, $24,186 was considered unrestricted.

- The liabilities and deferred inflows of resources of the School Board component unit exceeded its assets and deferred outflows of resources at the close of the fiscal year by ($18,617,387) (net position).

- The assets of the EDA component unit exceeded its liabilities at the close of the fiscal year by $2,860,742 (net position). Of this amount, $1,235,276 was considered unrestricted.

- As of the close of the current fiscal year, the County reported combined ending fund balances of $5,695,142. This is $1,212,750 less than the prior fiscal year total fund balances. Of the current fiscal year fund balances, $4,773,146 was considered unassigned, $56,864 was considered nonspendable prepaid items, $242,069 was considered restricted, and $623,063 was considered assigned to specific funds. Of these amounts, the largest reduction from the prior fiscal year was the unassigned balance, which decreased by $1,076,366.

- During the year, the County's governmental fund expenditures exceeded revenues by $1,314,668. This is a significant increase over the prior fiscal year when expenditures exceeded revenues by $354,138. Public safety had the largest increase in expenditures over the prior fiscal year with an increase of $1,118,200.

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 are comprised of 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 (Exhibit 1) presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities (Exhibit 2) presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported when 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). Patrick County's governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation. Business-type activities are for public utilities.

The Government-wide Financial Statements include not only the County of Patrick, Virginia itself (known as the primary government), but also a PSA Water Fund and a PSA Sewer Fund (known as business-type activities) and a legally separate school board for which the County of Patrick is financially accountable. The financial statements also include the Economic Development Authority, a discretely presented component unit that the County of Patrick does not control, but does exercise a significant financial relationship with.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the Governmental Fund Balance Sheet (exhibit 3) and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (exhibit 5) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

<u>Proprietary Funds</u> – The County maintains three proprietary funds: The PSA Water Fund, the PSA Sewer Fund, and the Health Insurance Fund.

The PSA Water Fund and the PSA Sewer Fund account for activities similar to those found in the private sector. In fiscal year 2013, the PSA Fund revenue consisted of water service only. In fiscal year 2014, Patrick County completed the sewer line construction and began providing this service, thereby increasing its customer base and revenues. In fiscal year 2015, the PSA Fund was separated into the PSA Water Fund and the PSA Sewer Fund to designate revenues and expenditures to each of the separate services.

The Health Insurance Fund, an internal service fund, maintains funds for employee insurance premiums to pay health insurance claims.

Fiduciary funds – Patrick County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (exhibit 10). The County excludes these activities from the Government-wide Financial Statements because the County cannot use these assets to finance its operations. The county has three fiduciary funds: Special Welfare, Dehart Cemetery, and Jail Inmate Fund.

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.

Effective January 1, 2014, the Virginia Retirement System added the Hybrid Plan for employees hired after that date. Note 9 provides a description of the VRS Plan 1, Plan 2, and Hybrid Plan. All full-time salaried employees are required to participate in one of the three plans, as determined by their hire date. The annual pension cost for the County and Schools is included in this note.

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 of the County's Primary Government, assets and deferred outflows of resources exceed liabilities and deferred inflows by $14,101,253 at the close of the most recent fiscal year.

The largest portion of the County's net position, $11,325,580, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress), less any outstanding debt related to the acquisition of those assets. 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. Restricted portions of the County's net position are as follows: $3,691 for Fred Clifton Park, $56,390 for Asset Forfeiture, $181,988 for Transient Occupancy, and $135,628 for Debt Service and Bond Covenants. The remaining balance of Net Position, $2,397,976, is unrestricted and may be used to meet the County's ongoing obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

| | Governmental and Business-type Activities | |
|---|---|---|
| | 2018 | 2017 |
| Current assets | $ 12,318,096 | $ 13,029,599 |
| Capital assets | 47,616,054 | 48,781,148 |
| Total assets | $ 59,934,150 | $ 61,810,747 |
| Deferred outflows of resources | $ 2,996,234 | $ 3,566,095 |
| Current liabilities | $ 3,777,147 | $ 3,077,858 |
| Long-term liabilities | 40,029,654 | 42,045,035 |
| Total liabilities | $ 43,806,801 | $ 45,122,893 |
| Deferred inflows of resources | $ 5,022,330 | $ 4,475,012 |
| Net position | | |
| Net investement in capital assets | $ 11,325,580 | $ 11,406,830 |
| Restricted | 377,697 | 561,155 |
| Unrestricted | 2,397,976 | 3,810,952 |
| Total net position | $ 14,101,253 | $ 15,778,937 |

In fiscal year 2016, the County's total net position was $16,449,630. Over the three-year fiscal period, the County's net position has declined.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

| Statement of Activities: | Governmental and Business-type Activities | |
|---|---|---|
| | 2018 | 2017 |
| Program revenues | | |
| Charges for services | $ 533,904 | $ 521,333 |
| Operating grants and contributions | 4,994,023 | 4,728,635 |
| Capital grants and contributions | - | 317,356 |
| General revenues | | |
| Property taxes | 12,395,028 | 12,317,668 |
| Other taxes | 2,580,028 | 2,540,893 |
| Revenue from use of money and property | 45,120 | 44,175 |
| Miscellaneous | 92,938 | 87,220 |
| Grants and contributions not restricted to specific programs | 1,317,641 | 1,303,435 |
| Total revenues | $ 21,958,682 | $ 21,860,715 |
| | | |
| Expenses | | |
| General government | $ 960,130 | $ 949,882 |
| Judicial administration | 997,212 | 937,298 |
| Public safety | 6,908,864 | 6,675,438 |
| Public works | 1,776,480 | 2,444,125 |
| Health and welfare | 2,549,728 | 2,449,863 |
| Education | 6,620,767 | 6,243,278 |
| Parks, recreation and cultural | 612,278 | 543,517 |
| Community development | 1,018,079 | 910,975 |
| Interest on long-term debt | 1,310,762 | 1,377,032 |
| Total expenses | $ 22,754,300 | $ 22,531,408 |
| Change in net position | $ (795,618) | $ (670,693) |

The above chart does not include the transfer from the General Fund to the Water and Sewer Funds of $181,247 to assist with debt service payments.

In fiscal year 2016, the County's change in net position was $237,739. Although the County's Statement of Activities reflects an increase in revenues each fiscal period from fiscal year 2016 to 2018, expenditures have increased at a much higher rate for this same period.

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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 $5,695,142. Approximately 1% of this total amount, $56,864, constitutes nonspendable amounts for prepaid items, 4.3% of the total amount, $242,069, constitutes restricted fund balance, and 10.9% of the total amount, $623,063, constitutes assigned fund balance. Both restricted and assigned fund balances are not available for current spending as these have been restricted by or assigned to external parties such as grantors, laws or legislation. The remaining balance, $4,773,146, or 83.8%, is unassigned, meaning there are 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 $5,638,752. Of this amount, $4,773,146 was considered unassigned.

Total governmental fund revenues for fiscal year ended June 30, 2018, increased $253,790 and expenditures increased $1,214,320 over prior fiscal year amounts. The increase in revenue from the prior fiscal year to the current is minimal when compared to previous audit reports. There was no increase in the tax rate for the 2018 fiscal year. There was a decrease in federal revenues from the prior fiscal year to the current. This is mostly attributed to the completion of Tourism projects in the prior fiscal year. The County received an increase in revenue from the Commonwealth, largely due to reimbursement of Sheriff's Department salaries and benefits.

For the health insurance plan year beginning October 1, 2017, the County increased employer health insurance contributions from $4,150 to $5,850 per employee for the twelve-month plan year. This resulted in an increased expenditure for the County in fiscal year 2018 of $179,300. The County also increased its funding to the school system by $488,326 for the additional health insurance costs.

The largest increase in County expenditures from the prior fiscal year to the current is in Public Safety. Some part of the increase is attributed to salary and benefit increases by the State Compensation Board, much of which is reimbursed to the County monthly. Inmate medical services, food supplies, and other inmate-related expenses have increased due to the increased inmate population. Additionally, a full-time county-funded position was added in fiscal year 2018 for courtroom security.

Patrick County began an ambulance service in February 2018. The expenditures related to the start up and service for the last five months of the fiscal year are included in Public Safety. The service has eight full-time emergency medical technicians who work rotating 24-hour shifts.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The charts below summarize the increases in revenues and expenditures of the governmental funds by category.

The following table summarizes the County's governmental funds revenues for 2018 and 2017.

| Revenues: | Governmental Funds | |
|---|---|---|
| | 2018 | 2017 |
| General Fund: | | |
| From local sources: | | |
| General property taxes | $ 12,358,878 | $ 12,298,113 |
| Other local taxes | 2,580,028 | 2,540,893 |
| Permits, fees & licenses | 80,507 | 64,790 |
| Court fines & forfeitures | 20,530 | 27,388 |
| Use of money & property | 44,076 | 43,233 |
| Charges for services | 414,901 | 330,253 |
| Miscellaneous | 92,938 | 87,220 |
| Recovered costs | 964,697 | 873,238 |
| Total revenue from local sources | 16,556,555 | 16,265,128 |
| From the Commonwealth: | | |
| Noncategorical aid | 1,203,783 | 1,190,062 |
| Shared expenses | 2,788,492 | 2,657,582 |
| State welfare funds | 494,704 | 426,248 |
| Children's services | 326,817 | 315,940 |
| Grants | 162,410 | 268,770 |
| Total from the Commonwealth | 4,976,206 | 4,858,602 |
| From the Federal Government: | | |
| Noncategorical aid | 113,858 | 113,373 |
| Federal welfare funds | 991,914 | 896,609 |
| Children's services | 27,695 | 19,123 |
| Grants | 190,517 | 456,396 |
| Total from the Federal Gov't | 1,323,984 | 1,485,501 |
| Other | 11,950 | 5,674 |
| Total governmental fund revenues | $ 22,868,695 | $ 22,614,905 |

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The following table summarizes the County's governmental funds expenditures for 2018 and 2017.

| | | |
|---|---|---|
| General Fund: | | |
| Board of supervisors | $ 63,409 | $ 56,041 |
| General & financial administration | 1,256,777 | 1,136,776 |
| Board of elections | 120,675 | 248,787 |
| Courts | 602,629 | 504,064 |
| Commonwealth Attorney | 447,007 | 377,947 |
| Law enforcement & traffic control | 3,266,065 | 3,001,918 |
| Fire & rescue services | 1,785,784 | 1,247,358 |
| Correction & detention | 1,968,646 | 1,786,175 |
| Building inspections | 142,928 | 158,742 |
| Other public safety | 576,663 | 434,491 |
| Sanitation & waste removal | 683,089 | 681,763 |
| Building & grounds maintenance | 940,171 | 836,682 |
| Health & welfare | 2,639,148 | 2,392,126 |
| Education | 5,669,531 | 5,292,042 |
| Parks, recreation & cultural | 579,790 | 550,873 |
| Community development | 1,028,313 | 878,387 |
| Capital projects | 194,234 | 800,553 |
| Debt service | 2,202,987 | 2,575,599 |
| Asset Forfeiture Fund | 15,517 | 8,719 |
| Total Expenditures | $ 24,183,363 | $ 22,969,043 |

For the fiscal year ended June 30, 2018, expenses exceeded revenues by $1,314,668, as compared to the fiscal year ended June 30, 2017, in which expenses exceeded revenues by $354,138.

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General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. Exhibit 11 provides detail of the variances.

Capital Assets and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental funds as of June 30, 2018 amounts to $43,305,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. Investment in capital assets for business-type activities amounts to $4,310,289 (net of accumulated depreciation). Capital asset activity for the school board as of June 30, 2018, amounts to $9,421,576 (net of accumulated depreciation).

Additional information on the County of Patrick's capital assets can be found in Note 13 of this report.

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

| | |
|---|---|
| Governmental Activities: | |
| General Obligation Bonds | $ 29,064,181 |
| Bond Premiums | 2,183,518 |
| Literary Loans | 1,155,000 |
| Capital Leases | 2,744,010 |
| Compensated Absences | 705,695 |
| Net Pension Liability | 2,684,915 |
| Net OPEB Obligation | 726,604 |
| Total | $ 39,263,923 |
| | |
| Business-type Activities: | |
| Rural Development Loans | 3,281,032 |
| Total | $ 3,281,032 |

Additional information on the County of Patrick's long-term debt can be found in Note 6 of this report.

Capital Leases – The County has entered into lease agreements to finance the acquisition of energy efficient equipment and school buses to be used by the public schools, CAD E-911 software, and a loader to be used at the County's Transfer Station. The combined asset value of the leases is $4,091,109 (net of accumulated depreciation). The present value of the lease agreements is $2,744,010. Note 7 provides additional detail of the future minimum lease obligation.

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Long-Term Obligations – Component Unit-School Board

| | | |
|---|---|---|
| Net Pension Liability | $ | 21,172,956 |
| Net OPEB Liabilities | | 6,253,931 |
| Compensated Absences | | 468,699 |
| Total | $ | 27,895,586 |

Additional information on the County of Patrick's long-term obligations for the School Board can be found in Note 8 of this report.

Economic Factors

The June 2018 unemployment rate for the County of Patrick, Virginia was 4.3%, which is a slight decrease from the rate of 4.6% in June 2017.

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 County Administrator, PO Box 466,Stuart, Virginia 24171.

# Basic Financial Statements

**County of Patrick, Virginia**
**Statement of Net Position**
**June 30, 2018**

| | Primary Government | | | Component Unit | Component Unit |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | School Board | EDA |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 5,311,848 | $ 8,136 | $ 5,319,984 | $ 1,038,750 | $ 186,622 |
| Cash in custody of others | 4,395 | - | 4,395 | 200 | - |
| Investments | 951,940 | - | 951,940 | 29,058 | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 4,293,119 | - | 4,293,119 | - | - |
| Other local taxes | 130,742 | - | 130,742 | - | - |
| Accounts receivable | 176,574 | 23,839 | 200,413 | 193,840 | - |
| Due from component units | 315,813 | - | 315,813 | - | - |
| Due from other governmental units | 895,038 | - | 895,038 | 502,052 | - |
| Inventories | - | - | - | 43,684 | - |
| Prepaid items | 56,864 | - | 56,864 | 220,895 | 4,854 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | 149,788 | 149,788 | - | - |
| Inventory: Industrial sites held for resale | - | - | - | - | 1,043,800 |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 1,152,364 | - | 1,152,364 | 561,748 | 85,000 |
| Buildings and improvements | 40,168,767 | - | 40,168,767 | 7,337,156 | 1,528,258 |
| Machinery and equipment | 1,984,634 | - | 1,984,634 | 1,522,672 | 12,208 |
| Infrastructure | - | 4,310,289 | 4,310,289 | - | - |
| Total assets | $ 55,442,098 | $ 4,492,052 | $ 59,934,150 | $ 11,450,055 | $ 2,860,742 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred charges on refunding | $ 2,137,267 | $ - | $ 2,137,267 | $ - | $ - |
| Pension related items | 820,210 | - | 820,210 | 2,525,938 | - |
| OPEB related items | 38,757 | - | 38,757 | 242,478 | - |
| Total deferred outflows of resources | $ 2,996,234 | $ - | $ 2,996,234 | $ 2,768,416 | $ - |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 326,277 | $ 5,991 | $ 332,268 | $ 600,973 | $ - |
| Accrued wages | 62,758 | - | 62,758 | 1,035,359 | - |
| Estimate of incurred but not reported health claims | 253,666 | - | 253,666 | - | - |
| Accrued interest payable | 597,196 | 1,798 | 598,994 | - | - |
| Due to primary government | - | - | - | 315,813 | - |
| Customer deposits | - | 14,160 | 14,160 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 2,463,963 | 51,338 | 2,515,301 | 351,524 | - |
| Due in more than one year | 36,799,960 | 3,229,694 | 40,029,654 | 27,544,062 | - |
| Total liabilities | $ 40,503,820 | $ 3,302,981 | $ 43,806,801 | $ 29,847,731 | $ - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred revenue - property taxes | $ 4,444,457 | $ - | $ 4,444,457 | $ - | $ - |
| Pension related items | 521,346 | - | 521,346 | 2,736,858 | - |
| OPEB related items | 56,527 | - | 56,527 | 251,269 | - |
| Total deferred inflows of resources | $ 5,022,330 | $ - | $ 5,022,330 | $ 2,988,127 | $ - |
| **NET POSITION** | | | | | |
| Net investment in capital assets | $ 10,296,323 | $ 1,029,257 | $ 11,325,580 | $ 9,421,576 | $ 1,625,466 |
| Restricted | | | | | |
| Fred Clifton Park | 3,691 | - | 3,691 | - | - |
| Asset Forfeiture | 56,390 | - | 56,390 | - | - |
| Transient Occupancy | 181,988 | - | 181,988 | - | - |
| Debt service and bond covenants | - | 135,628 | 135,628 | - | - |
| School cafeteria | - | - | - | 32,449 | - |
| Unrestricted | 2,373,790 | 24,186 | 2,397,976 | (28,071,412) | 1,235,276 |
| Total net position | $ 12,912,182 | $ 1,189,071 | $ 14,101,253 | $ (18,617,387) | $ 2,860,742 |

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

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Component Units | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** | **School Board** | **EDA** |
| **PRIMARY GOVERNMENT:** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | $ 960,130 | $ 9,494 | $ 228,400 | $ - | $ (722,236) | $ - | $ (722,236) | $ - | $ - |
| Judicial administration | 997,212 | 50,763 | 478,362 | - | (468,087) | - | (468,087) | - | - |
| Public safety | 6,908,864 | 221,724 | 2,406,135 | - | (4,281,005) | - | (4,281,005) | - | - |
| Public works | 1,776,480 | 222,063 | 8,413 | - | (1,546,004) | - | (1,546,004) | - | - |
| Health and welfare | 2,549,728 | - | 1,843,696 | - | (706,032) | - | (706,032) | - | - |
| Education | 6,620,767 | - | - | - | (6,620,767) | - | (6,620,767) | - | - |
| Parks, recreation, and cultural | 612,278 | 29,860 | 4,500 | - | (577,918) | - | (577,918) | - | - |
| Community development | 1,018,079 | - | 24,517 | - | (993,562) | - | (993,562) | - | - |
| Interest on long-term debt | 1,310,762 | - | - | - | (1,310,762) | - | (1,310,762) | - | - |
| Total governmental activities | $ 22,754,300 | $ 533,904 | $ 4,994,023 | $ - | $ (17,226,373) | $ - | $ (17,226,373) | $ - | $ - |
| Business-type activities: | | | | | | | | | |
| Public Service Authority | $ 344,782 | $ 107,261 | $ - | $ - | $ - | $ (237,521) | $ (237,521) | $ - | $ - |
| Total business-type activities | $ 344,782 | $ 107,261 | $ - | $ - | $ - | $ (237,521) | $ (237,521) | $ - | $ - |
| Total primary government | $ 23,099,082 | $ 641,165 | $ 4,994,023 | $ - | $ (17,226,373) | $ (237,521) | $ (17,463,894) | $ - | $ - |
| **COMPONENT UNIT:** | | | | | | | | | |
| School Board | $ 28,909,816 | $ 339,549 | $ 21,367,270 | $ 237,469 | $ - | $ - | $ - | $ (6,965,528) | $ - |
| EDA | 110,830 | - | - | - | - | - | - | - | (110,830) |
| Total component units | $ 29,020,646 | $ 339,549 | $ 21,367,270 | $ 237,469 | $ - | $ - | $ - | $ (6,965,528) | $ (110,830) |
| General revenues: | | | | | | | | | |
| General property taxes | | | | | $ 12,395,028 | $ - | $ 12,395,028 | $ - | $ - |
| Other local taxes: | | | | | | | | | |
| Local sales and use taxes | | | | | 1,132,476 | - | 1,132,476 | - | - |
| Consumers' utility taxes | | | | | 406,855 | - | 406,855 | - | - |
| Gross receipts | | | | | 8,678 | - | 8,678 | - | - |
| Consumption taxes | | | | | 57,167 | - | 57,167 | - | - |
| Motor vehicle licenses | | | | | 451,430 | - | 451,430 | - | - |
| Bank stock taxes | | | | | 42,455 | - | 42,455 | - | - |
| Taxes on recordation and wills | | | | | 103,542 | - | 103,542 | - | - |
| Hotel and motel room taxes | | | | | 377,425 | - | 377,425 | - | - |
| Unrestricted revenues from use of money and property | | | | | 44,552 | 568 | 45,120 | 2,553 | 180,017 |
| Miscellaneous | | | | | 92,938 | - | 92,938 | 558,359 | - |
| Contribution from Patrick County, Virginia | | | | | - | - | - | 6,603,445 | - |
| Grants and contributions not restricted to specific programs | | | | | 1,317,641 | - | 1,317,641 | - | - |
| Transfers | | | | | (181,247) | 181,247 | - | - | - |
| Total general revenues and transfers | | | | | $ 16,248,940 | $ 181,815 | $ 16,430,755 | $ 7,164,357 | $ 180,017 |
| Change in net position | | | | | $ (977,433) | $ (55,706) | $ (1,033,139) | $ 198,829 | $ 69,187 |
| Net position - beginning, as restated | | | | | 13,889,615 | 1,244,777 | 15,134,392 | (18,816,216) | 2,791,555 |
| Net position - ending | | | | | $ 12,912,182 | $ 1,189,071 | $ 14,101,253 | $ (18,617,387) | $ 2,860,742 |

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

Exhibit 3

**County of Patrick, Virginia**
**Balance Sheet**
**Governmental Funds**
**June 30, 2018**

| | General | Nonmajor Asset Forfeiture | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 4,702,517 | $ 30,804 | $ 4,733,321 |
| Cash in custody of others | 4,395 | - | 4,395 |
| Investments | 625,350 | 25,586 | 650,936 |
| Receivables (net of allowance for uncollectibles) | | | |
| Taxes receivable | 4,293,119 | - | 4,293,119 |
| Other local taxes | 130,742 | - | 130,742 |
| Accounts receivable | 176,574 | - | 176,574 |
| Due from component unit | 315,813 | - | 315,813 |
| Due from other governmental units | 895,038 | - | 895,038 |
| Prepaid items | 56,864 | - | 56,864 |
| Total assets | $ 11,200,412 | $ 56,390 | $ 11,256,802 |
| **LIABILITIES** | | | |
| Accounts payable | $ 315,385 | $ - | $ 315,385 |
| Accrued liabilities | 62,758 | - | 62,758 |
| Total liabilities | $ 378,143 | $ - | $ 378,143 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | $ 5,183,517 | $ - | $ 5,183,517 |
| **FUND BALANCES** | | | |
| Nonspendable - prepaid items | $ 56,864 | $ - | $ 56,864 |
| Restricted: | | | |
| Fred Clifton Park | 3,691 | - | 3,691 |
| Asset Forfeiture | - | 56,390 | 56,390 |
| Transient Occupancy | 181,988 | - | 181,988 |
| Assigned: | | | |
| Law Library | 18,978 | - | 18,978 |
| Courthouse Maintenance | 36,039 | - | 36,039 |
| Courthouse Security | 10,642 | - | 10,642 |
| Fire Programs | 126,300 | - | 126,300 |
| Four for Life | 12,550 | - | 12,550 |
| Spay and Neuter | 195 | - | 195 |
| Fire and Rescue Equipment | 189,262 | - | 189,262 |
| Capital Depreciation | 178,473 | - | 178,473 |
| Skate Park | 18,717 | - | 18,717 |
| Sheriff/Jail | 31,907 | - | 31,907 |
| Unassigned | 4,773,146 | - | 4,773,146 |
| Total fund balances | $ 5,638,752 | $ 56,390 | $ 5,695,142 |
| Total liabilities and fund balances | $ 11,200,412 | $ 56,390 | $ 11,256,802 |

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

# County of Patrick, 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 | | $ 5,695,142 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | $ 1,152,364 | |
| Buildings and improvements | 40,168,767 | |
| Machinery and equipment | 1,984,634 | 43,305,765 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds. | | |
| Unavailable revenue | | 739,060 |
| 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. | | 614,973 |
| 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 | $ 2,137,267 | |
| Pension related items | 820,210 | |
| OPEB related items | 38,757 | 2,996,234 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Bond premiums | $ (2,183,518) | |
| Accrued interest payable | (597,196) | |
| Compensated absences | (705,695) | |
| Net pension liability | (2,684,915) | |
| Net OPEB liabilities | (726,604) | |
| Capital leases | (2,744,010) | |
| Literary loans | (1,155,000) | |
| General obligation bonds | (29,064,181) | (39,861,119) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (521,346) | |
| OPEB related items | (56,527) | (577,873) |
| Net position of governmental activities | | $ 12,912,182 |

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

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

| | General | Nonmajor Asset Forfeiture | Total |
|---|---|---|---|
| **REVENUES** | | | |
| General property taxes | $ 12,358,878 | $ - | $ 12,358,878 |
| Other local taxes | 2,580,028 | - | 2,580,028 |
| Permits, privilege fees, and regulatory licenses | 80,507 | - | 80,507 |
| Fines and forfeitures | 20,530 | - | 20,530 |
| Revenue from the use of money and property | 44,076 | 476 | 44,552 |
| Charges for services | 414,901 | - | 414,901 |
| Miscellaneous | 92,938 | - | 92,938 |
| Recovered costs | 964,697 | - | 964,697 |
| Intergovernmental: | | | |
| Commonwealth | 4,976,206 | 11,474 | 4,987,680 |
| Federal | 1,323,984 | - | 1,323,984 |
| Total revenues | $ 22,856,745 | $ 11,950 | $ 22,868,695 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government administration | $ 1,440,861 | $ - | $ 1,440,861 |
| Judicial administration | 1,049,636 | - | 1,049,636 |
| Public safety | 7,740,086 | 15,517 | 7,755,603 |
| Public works | 1,623,260 | - | 1,623,260 |
| Health and welfare | 2,639,148 | - | 2,639,148 |
| Education | 5,669,531 | - | 5,669,531 |
| Parks, recreation, and cultural | 579,790 | - | 579,790 |
| Community development | 1,028,313 | - | 1,028,313 |
| Capital projects | 194,234 | - | 194,234 |
| Debt service: | | | |
| Principal retirement | 1,295,107 | - | 1,295,107 |
| Interest and other fiscal charges | 907,880 | - | 907,880 |
| Total expenditures | $ 24,167,846 | $ 15,517 | $ 24,183,363 |
| Excess (deficiency) of revenues over (under) expenditures | $ (1,311,101) | $ (3,567) | $ (1,314,668) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | $ (250,402) | $ - | $ (250,402) |
| Issuance of capital leases | 352,320 | - | 352,320 |
| Total other financing sources (uses) | $ 101,918 | $ - | $ 101,918 |
| Net change in fund balances | $ (1,209,183) | $ (3,567) | $ (1,212,750) |
| Fund balances - beginning | 6,847,935 | 59,957 | 6,907,892 |
| Fund balances - ending | $ 5,638,752 | $ 56,390 | $ 5,695,142 |

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

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

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ (1,212,750) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period. | | |
| Capital outlays | $ 696,542 | |
| Depreciation expense | (1,699,538) | (1,002,996) |
| The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase (decrease) net position. | | (35,759) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Increase (decrease) in unavailable revenue | | 54,116 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Issuance of debt: | | |
| Capital lease | $ (352,320) | |
| Principal repayments: | | |
| General obligation bonds | 545,000 | |
| Literary loans | 120,000 | |
| Capital leases | 630,107 | 942,787 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. | | |
| Change in compensated absenses | $ (52,515) | |
| Amortization of bond premium | 193,605 | |
| Amortization of deferred amount on refunding | (101,775) | |
| Change in accrued interest payable | (494,712) | |
| Pension expense | 226,583 | |
| OPEB expense | 18,563 | (210,251) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | | 487,420 |
| Change in net position of governmental activities | | $ (977,433) |

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

**County of Patrick, Virginia**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2018**

| | Public Service Authority Water Fund | Public Service Authority Sewer Fund | Public Service Authority Total | Internal Service Fund |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 2,412 | $ 5,724 | $ 8,136 | $ 578,527 |
| Investments | - | - | - | 301,004 |
| Accounts receivables, net of allowances for uncollectibles | 18,830 | 5,009 | 23,839 | - |
| Total current assets | $ 21,242 | $ 10,733 | $ 31,975 | $ 879,531 |
| Noncurrent assets: | | | | |
| Restricted current assets: | | | | |
| Cash and cash equivalents | $ 73,063 | $ 76,725 | $ 149,788 | $ - |
| Capital assets (net of accumulated depreciation): | | | | |
| Infrastructure | 1,670,721 | 2,639,568 | 4,310,289 | - |
| Total noncurrent assets | $ 1,743,784 | $ 2,716,293 | $ 4,460,077 | $ - |
| Total assets | $ 1,765,026 | $ 2,727,026 | $ 4,492,052 | $ 879,531 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Estimate of incurred but not reported health claims | $ - | $ - | $ - | $ 253,666 |
| Accounts payable | 3,920 | 2,071 | 5,991 | 10,892 |
| Customers' deposits | 10,763 | 3,397 | 14,160 | - |
| Accrued interest payable | 732 | 1,066 | 1,798 | - |
| Bonds payable - current portion | 20,913 | 30,425 | 51,338 | - |
| Total current liabilities | $ 36,328 | $ 36,959 | $ 73,287 | $ 264,558 |
| Noncurrent liabilities: | | | | |
| Bonds payable - net of current portion | $ 1,315,357 | $ 1,914,337 | $ 3,229,694 | $ - |
| Total liabilities | $ 1,351,685 | $ 1,951,296 | $ 3,302,981 | $ 264,558 |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 334,451 | $ 694,806 | $ 1,029,257 | $ - |
| Restricted for debt service and bond covenants | 62,300 | 73,328 | 135,628 | - |
| Unrestricted | 16,590 | 7,596 | 24,186 | 614,973 |
| Total net position | $ 413,341 | $ 775,730 | $ 1,189,071 | $ 614,973 |

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

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

| | Public Service Authority | | | Internal |
|---|---|---|---|---|
| | Water Fund | Sewer Fund | Total | Service Fund |
| **OPERATING REVENUES** | | | | |
| Charges for services: | | | | |
| Water revenues | $ 81,324 | $ - | $ 81,324 | $ - |
| Sewer revenues | - | 25,937 | 25,937 | - |
| Insurance premiums | - | - | - | 3,983,112 |
| Total operating revenues | $ 81,324 | $ 25,937 | $ 107,261 | $ 3,983,112 |
| **OPERATING EXPENSES** | | | | |
| Administration | $ 10,270 | $ 10,513 | $ 20,783 | $ - |
| Purchase of water | 39,983 | - | 39,983 | - |
| Purchase of sewer | - | 18,180 | 18,180 | - |
| Pump station maintenance | 7,204 | - | 7,204 | - |
| Depreciation | 49,852 | 76,487 | 126,339 | - |
| Insurance claims and expenses | - | - | - | 3,566,037 |
| Total operating expenses | $ 107,309 | $ 105,180 | $ 212,489 | $ 3,566,037 |
| Operating income (loss) | $ (25,985) | $ (79,243) | $ (105,228) | $ 417,075 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| Interest income | $ 277 | 291 | $ 568 | $ 1,190 |
| Interest expense | (53,880) | (78,413) | (132,293) | - |
| Total nonoperating revenues (expenses) | $ (53,603) | $ (78,122) | $ (131,725) | $ 1,190 |
| Income (loss) before transfers | $ (79,588) | $ (157,365) | $ (236,953) | $ 418,265 |
| Transfers in | $ 56,724 | $ 124,523 | $ 181,247 | $ 69,155 |
| Change in net position | $ (22,864) | $ (32,842) | $ (55,706) | $ 487,420 |
| Total net position - beginning | 436,205 | 808,572 | 1,244,777 | 127,553 |
| Total net position - ending | $ 413,341 | $ 775,730 | $ 1,189,071 | $ 614,973 |

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

**County of Patrick, Virginia**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2018**

| | Public Service Authority Water Fund | Public Service Authority Sewer Fund | Public Service Authority Total | Internal Service Fund |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts for insurance premiums | $ - | $ - | $ - | $ 3,983,112 |
| Receipts from customers and users | 79,692 | 25,154 | 104,846 | - |
| Payments to suppliers | (57,897) | (28,223) | (86,120) | - |
| Payments for premiums | - | - | - | (3,641,480) |
| Net cash provided by (used for) operating activities | $ 21,795 | $ (3,069) | $ 18,726 | $ 341,632 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTVITIES** | | | | |
| Transfers from other funds | $ 56,724 | $ 124,523 | $ 181,247 | $ 69,155 |
| Net cash provided by (used for) noncapital financing activities | $ 56,724 | $ 124,523 | $ 181,247 | $ 69,155 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Principal payments on bonds | $ (20,053) | $ (29,174) | $ (49,227) | $ - |
| Interest expense | (53,891) | (78,429) | (132,320) | - |
| Net cash provided by (used for) capital and related financing activities | $ (73,944) | $ (107,603) | $ (181,547) | $ - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest income | $ 277 | $ 291 | $ 568 | $ 1,190 |
| Net cash provided by (used for) investing activities | $ 277 | $ 291 | $ 568 | $ 1,190 |
| Net increase (decrease) in cash and cash equivalents | $ 4,852 | $ 14,142 | $ 18,994 | $ 411,977 |
| Cash and cash equivalents - beginning (including restricted cash of $135,964) | 70,623 | 68,307 | 138,930 | 467,554 |
| Cash and cash equivalents - ending (including restricted cash of $149,788) | $ 75,475 | $ 82,449 | $ 157,924 | $ 879,531 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | | |
| Operating income (loss) | $ (25,985) | $ (79,243) | $ (105,228) | $ 417,075 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | $ 49,852 | $ 76,487 | $ 126,339 | $ - |
| (Increase) decrease in accounts receivable | (1,936) | (1,199) | (3,135) | - |
| Increase (decrease) in customer deposits | 304 | 416 | 720 | - |
| Increase (decrease) in accounts payable | (440) | 470 | 30 | (75,443) |
| Total adjustments | $ 47,780 | $ 76,174 | $ 123,954 | $ (75,443) |
| Net cash provided by (used for) operating activities | $ 21,795 | $ (3,069) | $ 18,726 | $ 341,632 |

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

Exhibit 10

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

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 42,231 |
| Receivables: | | |
| Other receivables | | 8,382 |
| Total assets | $ | 50,613 |
| | | |
| **LIABILITIES** | | |
| Accounts payable | $ | 5,904 |
| Amounts held for Social Services clients | | 5,473 |
| Amounts held for DeHart Cemetery | | 6,000 |
| Amounts held for inmates | | 33,236 |
| Total liabilities | $ | 50,613 |

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

## Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity

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

Blended component units – The Patrick County Public Service Authority provides water and sewer service to the County. The Public Service Authority is fiscally dependent upon the County. In addition, the County Board appoints the Public Service Authority's Board.

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

The Economic Development Authority of Patrick County (EDA) was created 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 Patrick County, Virginia. The Authority is also authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. The Authority is governed by eight directors appointed by the Board of Supervisors of Patrick County, Virginia. A separate financial statement may be obtained by contacting the EDA.

Related Organizations – None

Jointly Governed Organizations:

1. The County and the City of Martinsville participate in supporting the Blue Ridge Regional Library. For the fiscal year ended June 30, 2018, the County contributed $314,832 to the Library.

2. The County and the Counties of Franklin and Henry and the City of Martinsville participate in supporting the Piedmont Regional Community Services Board. For the fiscal year ended June 30, 2018, the County contributed $71,179 to the Community Services Board.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component 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 will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Courthouse Maintenance, Contingency, Inmate Medical, CAP Depreciation, VPA, CSA, Dare, Law Library, Fred Clifton Park, Capital Projects, Courthouse Security Funds, Fire Programs, Four for Life, Treasurer's Deferred Account, Prepaid Taxes, Spay and Neuter, HEM, Stormwater, Inmate Daily, Fire and Rescue Equipment, Skate Park, and Transient Occupancy Tax.

The government reports the following nonmajor governmental funds:

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

The government reports the following major proprietary funds:

The *Water Fund* is used to account for and report the activities related to the blended Patrick County Public Service Authority's water distribution system.

The *Sewer Fund* is used to account for and report the activities related to the blended Patrick County Public Service Authority's sewer system.

Additionally, the government reports the following fund types:

*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 Self-health Insurance Fund.

*Fiduciary Funds (Trust and Agency Funds)* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, DeHart Cemetery and the Jail Canteen fund.

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

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

The component unit of the government reports the following major governmental fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts and reports for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Patrick, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

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

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

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 inflows/outflows of resources and net position/fund balance

1. Cash and cash equivalents

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

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").

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 contacts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

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

3. Receivables and payables

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

4. Property taxes

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Real estate taxes are payable on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. 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 $73,902 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

7. Capital assets (continued)

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 | 40 |
| Building improvements | 40 |
| Infrastructure - structures, lines, and accessories | 20-40 |
| Machinery and equipment | 5-30 |

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

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

10. Prepaid items

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

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

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

11. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds 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 constrained to specific purposes by the government itself, using its highest level of decision making authority, which the County considers to be the Board of Supervisors; 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 considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors;
- Unassigned - this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

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.

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

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

12. Deferred outflows/inflows of resources

    In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple 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 shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and/or 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.

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

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

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

14. Other Postemployment Benefits (OPEB)

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

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

15. 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.

*The County's net position is classified as follows:*

Net Investment in Capital Assets – This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

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

15. Net Position (Continued)

Restricted – This category includes resources for which the County is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted – Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the County and may be used at the County's discretion to meet current expenses for any lawful purposes.

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

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30th, 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.

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

A. Budgetary information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and the General Capital Projects Funds. The School Operating Fund is 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.

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

B. Excess of expenditures over appropriations

For fiscal year ended June 30, 2018, there were no funds/departments that over expended appropriations.

C. Deficit fund equity

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

## Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

**Note 3-Deposits and Investments: (Continued)**

Credit Risk of Debt Securities:

The County has not adopted an investment policy for credit risk.

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

**County's Rated Debt Investments' Values**

| Rated Debt Investments | Fair Quality Ratings |
|---|---|
| | AAAm |
| Local Government Investment Pool (LGIP) | $ 980,998 |

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:

The County has not adopted an investment policy for interest rate risk. Listed below are the County's investments subject to investment rate risk and their corresponding maturity dates.

| Investment type | Fair Value | Less than 1yr |
|---|---|---|
| Local Government Investment Pool (LGIP) | $ 980,998 | $ 980,998 |

External Investment Pool:

The 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.

*The remainder of this page is left blank intentionally.*

## Note 4-Due from Other Governmental Units:

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

| | Primary Government | Component Unit School Board |
|---|---|---|
| Local Governments: | | |
| Franklin County, Virginia | $ - | $ 23,651 |
| Commonwealth of Virginia: | | |
| State sales tax | - | 319,770 |
| Local sales tax | 202,283 | - |
| Noncategorical aid | 88,800 | - |
| Categorical aid-shared expenses | 236,538 | - |
| Categorical aid-VPA funds | 43,556 | - |
| Categorical aid-CSA funds | 133,004 | - |
| Categorical aid-other | 87,736 | 9,619 |
| Federal Government: | | |
| Categorical aid-VPA funds | 80,540 | - |
| Categorical aid-other | 22,581 | 149,012 |
| Totals | $ 895,038 | $ 502,052 |

## Note 5-Interfund/Component-unit Obligations:

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

| Fund | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ - | $ 250,402 |
| Water Fund | 56,724 | - |
| Sewer Fund | 124,523 | - |
| Health Insurance Fund | 69,155 | - |
| Total | $ 250,402 | $ 250,402 |

The County transfers funds from the General Fund to the Water and Sewer Funds to help fund the debt reserve requirements.

**Note 5-Interfund/Component-unit Obligations: (continued)**

Interfund/component unit obligations at June 30, 2018, consisted of the following:

| Fund | Due to Primary Government/ Component Unit | Due from Primary Government/ Component Unit |
|---|---|---|
| Primary Government: | | |
| General Fund | $ 315,813 | $ - |
| Component Unit - School Board: | | |
| School Operating Fund | $ - | $ 315,813 |

The amounts due between the School Board and the County are the remnants of the annual reversion process.

**Note 6-Long-term Obligations:**

Primary Government - Governmental Activities Obligations:

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

| | As Restated, Balance July 1, 2017 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2018 |
|---|---|---|---|---|
| General obligation bonds | $ 29,609,181 | $ - | $ (545,000) | $ 29,064,181 |
| Bond premiums | 2,377,123 | - | (193,605) | 2,183,518 |
| Literary loans | 1,275,000 | - | (120,000) | 1,155,000 |
| Capital leases | 3,021,797 | 352,320 | (630,107) | 2,744,010 |
| Compensated absences | 653,180 | 542,400 | (489,885) | 705,695 |
| Net pension liability | 3,900,644 | 2,232,930 | (3,448,659) | 2,684,915 |
| Net OPEB liabilities | 791,643 | 38,473 | (103,512) | 726,604 |
| Total | $ 41,628,568 | $ 3,166,123 | $ (5,530,768) | $ 39,263,923 |

**Note 6-Long-term Obligations: (continued)**

Primary Government - Governmental Activities Obligations: (continued)

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

| Year Ending | General Obligation Bonds | | Literary Loans | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2019 | $ 1,008,078 | $ 1,320,156 | $ 195,000 | $ 26,400 |
| 2020 | 1,058,883 | 1,268,940 | 195,000 | 22,050 |
| 2021 | 1,094,447 | 1,214,696 | 120,000 | 17,700 |
| 2022 | 1,144,836 | 1,159,079 | 120,000 | 14,850 |
| 2023 | 1,195,770 | 1,100,736 | 75,000 | 12,000 |
| 2024-2028 | 6,092,167 | 4,576,699 | 375,000 | 37,500 |
| 2029-2033 | 6,860,000 | 3,119,762 | 75,000 | 3,000 |
| 2034-2038 | 8,370,000 | 1,465,430 | - | - |
| 2039-2040 | 2,240,000 | 72,835 | - | - |
| Totals | $ 29,064,181 | $ 15,298,333 | $ 1,155,000 | $ 133,500 |

*The remainder of this page is left blank intentionally.*

## Note 6-Long-term Obligations: (continued)

### Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | | |
| General obligation bond | 2.35-5.1% | 11/7/2002 | 2022 | $ 469,054 | $ 138,305 | $ 26,160 |
| General obligation bond | 4.1-5.6% | 10/15/2004 | 2025 | 1,630,018 | 667,136 | 88,555 |
| General obligation bond | 4.6-5.1% | 11/10/2005 | 2026 | 1,787,287 | 823,740 | 93,363 |
| General obligation bond | 4.6-5.1% | 11/9/2009 | 2040 | 6,295,000 | 5,345,000 | 160,000 |
| General obligation bond | 4.05-5.05% | 5/14/2015 | 2039 | 22,480,000 | 22,090,000 | 640,000 |
| Total General Obligation Bonds | | | | | $ 29,064,181 | $ 1,008,078 |
| General Obligation Premiums: | | | | | | |
| Premium | | 10/15/2004 | 2025 | 117,079 | $ 40,977 | $ 5,854 |
| Premium | | 11/10/2005 | 2026 | 97,867 | 50,887 | 3,915 |
| Premium | | 11/9/2009 | 2040 | 124,285 | 91,141 | 4,143 |
| Premium | | 5/14/2015 | 2038 | 2,512,317 | 2,000,513 | 177,951 |
| Total General Obligation Premiums | | | | | $ 2,183,518 | $ 191,863 |
| Literary Loans: | | | | | | |
| State literary fund loan | 2.00% | 4/24/2000 | 2020 | 1,500,000 | $ 150,000 | $ 75,000 |
| State literary fund loan | 3.00% | 3/8/2002 | 2022 | 900,000 | 180,000 | 45,000 |
| State literary fund loan | 2.00% | 7/15/2008 | 2029 | 1,425,000 | 825,000 | 75,000 |
| Total Literary Loans | | | | | $ 1,155,000 | $ 195,000 |
| Capital Leases: | | | | | | |
| Capital lease | 3.20% | 6/18/2014 | 2019 | 2,668,000 | $ 1,904,000 | $ 282,000 |
| Capital lease | 3.20% | 11/9/2012 | 2024 | 139,500 | 8,444 | 8,444 |
| Capital lease | 0.00% | 10/1/2017 | 2022 | 352,320 | 281,856 | 70,464 |
| Capital lease | 2.45% | 6/16/2016 | 2021 | 914,739 | 549,710 | 178,843 |
| Total Capital Leases | | | | | $ 2,744,010 | $ 539,751 |
| Other Obligations | | | | | | |
| Compensated absences | | | | | $ 705,695 | $ 529,271 |
| Net pension liability | | | | | 2,684,915 | - |
| Net OPEB liabilities | | | | | 726,604 | - |
| Total Other Obligations | | | | | $ 4,117,214 | $ 529,271 |
| Total Long-term Obligations | | | | | $ 39,263,923 | $ 2,463,963 |

**Note 6-Long-term Obligations: (continued)**

Primary Government – Business-type Activities Obligations: (continued)

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

| | Balance July 1, 2017 | Issuances | Retirements | Balance June 30, 2018 |
|---|---|---|---|---|
| Rural Development Loans | $ 3,330,259 | $ - | $ (49,227) | $ 3,281,032 |

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

| Year Ending June 30, | Rural Development Loans Principal | Rural Development Loans Interest |
|---|---|---|
| 2019 | $ 51,338 | $ 130,210 |
| 2020 | 53,430 | 128,118 |
| 2021 | 55,607 | 125,941 |
| 2022 | 57,872 | 123,676 |
| 2023 | 60,230 | 121,318 |
| 2024-2028 | 340,020 | 567,720 |
| 2029-2033 | 415,164 | 492,576 |
| 2034-2038 | 506,913 | 400,827 |
| 2039-2043 | 618,940 | 288,800 |
| 2044-2048 | 755,723 | 152,017 |
| 2049-2051 | 365,795 | 16,000 |
| Totals | $ 3,281,032 | $ 2,547,203 |

Details of long-term indebtedness:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Business-type Activities | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Rural Development Loans: | | | | | | |
| Rural Development Loan | 4.00% | 8/25/2010 | 2051 | $ 2,100,000 | $ 1,944,762 | $ 30,425 |
| Rural Development Loan | 4.00% | 8/25/2010 | 2051 | 1,443,000 | 1,336,270 | 20,913 |
| Total Long-term obligations | | | | | $ 3,281,032 | $ 51,338 |

## Note 7-Capital Leases:

Primary Government:
The County has entered into lease agreements to finance the acquisition of energy efficient equipment, school buses to be used by the public schools, CAD E911 software, and a loader to be used at the County's transfer station. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

| | | |
|---|---|---|
| Energy Efficient Equipment | $ | 3,534,022 |
| CAT Loader | | 145,728 |
| CAD E911 Software | | 352,320 |
| School Buses | | 914,739 |
| Less: Accumulated depreciation | | (855,700) |
| Net capital assets | $ | 4,091,109 |

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

| Year Ending June 30, | | Capital Leases |
|---|---|---|
| 2019 | $ | 595,752 |
| 2020 | | 593,299 |
| 2021 | | 600,021 |
| 2022 | | 415,094 |
| 2023 | | 351,640 |
| 2024 | | 359,278 |
| Sub-total | $ | 2,915,084 |
| Less: | | |
| Amount representing interest | | (171,074) |
| Present Value of Lease Agreements | $ | 2,744,010 |

## Note 8-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board Obligations:

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

| | As Restated, Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| Net pension liability | $ 24,679,997 | $ 3,413,460 | $ (6,920,501) | $ 21,172,956 |
| Net OPEB liabilities | 6,427,202 | 436,580 | (609,851) | 6,253,931 |
| Compensated absences | 475,523 | 349,818 | (356,642) | 468,699 |
| Total | $ 31,582,722 | $ 4,199,858 | $ (7,886,994) | $ 27,895,586 |

Details of Obligations:

| | Total Amount | Amount Due Within One Year |
|---|---|---|
| Other Obligations: | | |
| Net pension liability | $ 21,172,956 | $ - |
| Net OPEB liabilities | 6,253,931 | - |
| Compensated absences | 468,699 | 351,524 |
| Total Long-term Obligations | $ 27,895,586 | $ 351,524 |

*The remainder of this page is left blank intentionally.*

**Note 9—Pension Plan:**

*Plan Description*

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

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

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

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)<br>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members<br>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.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members<br>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.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• School division employees<br>• 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.<br><br>*Non-Eligible Members<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

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

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

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

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting**<br>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.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component:**<br>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.<br><br>**Defined Contribution Component:**<br>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.<br><br>Members are always 100% vested in the contributions that they make. |

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

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

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Calculating the Benefit (Cont.)**<br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | **Calculating the Benefit (Cont.)** | **Calculating the Benefit (Cont.)**<br>**Defined Contribution Component:**<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>**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%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.<br><br>**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | **Service Retirement Multiplier**<br>**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.<br><br>**Sheriffs and regional jail superintendents:**<br>Same as Plan 1.<br><br>**Political subdivision hazardous duty employees:**<br>Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>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.<br><br>**Sheriffs and regional jail superintendents:** Not applicable.<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Not applicable. |

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

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

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>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.<br><br>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as Plan 1 and Plan 2. |

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

**Note 9—Pension Plan: (continued)**

*Plan Description (continued)*

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

**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 | Component Unit School Board Nonprofessional |
|---|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 73 | 81 |
| Inactive members: | | |
| Vested inactive members | 17 | 11 |
| Non-vested inactive members | 20 | 15 |
| Inactive members active elsewhere in VRS | 29 | 14 |
| Total inactive members | 66 | 40 |
| Active members | 137 | 97 |
| Total covered employees | 276 | 218 |

*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.

**Note 9—Pension Plan: (continued)**

*Contributions (continued)*

The County's contractually required employee contribution rate for the year ended June 30, 2018 was 10.79% 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 $648,526 and $590,726 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employee contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.74% 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 Patrick County School Board's nonprofessional employees were $114,284 and $114,992 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the County's and Patrick County School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 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.

**Note 9—Pension Plan: (continued)**

*Actuarial Assumptions – General Employees (continued)*

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.

Post-Disablement:

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

**Note 9—Pension Plan: (continued)**

*Actuarial Assumptions – General Employees (continued)*

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

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% |

*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.

**Note 9—Pension Plan: (continued)**

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**Note 9—Pension Plan: (continued)**

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

*The remainder of this page left blank intentionally.*

**Note 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 County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 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 | $ 23,038,436 | $ 19,137,792 | $ 3,900,644 |
| Changes for the year: | | | |
| Service cost | $ 644,046 | $ - | $ 644,046 |
| Interest | 1,573,393 | - | 1,573,393 |
| Changes of assumptions | (113,907) | - | (113,907) |
| Differences between expected and actual experience | (137,413) | - | (137,413) |
| Contributions - employer | - | 590,400 | (590,400) |
| Contributions - employee | - | 279,673 | (279,673) |
| Net investment income | - | 2,327,266 | (2,327,266) |
| Benefit payments, including refunds of employee contributions | (1,122,783) | (1,122,783) | - |
| Administrative expenses | - | (13,419) | 13,419 |
| Other changes | - | (2,072) | 2,072 |
| Net changes | $ 843,336 | $ 2,059,065 | $ (1,215,729) |
| Balances at June 30, 2017 | $ 23,881,772 | $ 21,196,857 | $ 2,684,915 |

**Note 9—Pension Plan: (continued)**

*Changes in Net Pension Liability*

| | Comp. 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 | $ 7,240,829 | $ 6,401,832 | $ 838,997 |
| Changes for the year: | | | |
| Service cost | $ 162,091 | $ - | $ 162,091 |
| Interest | 492,127 | - | 492,127 |
| Changes of assumptions | (104,331) | - | (104,331) |
| Differences between expected and actual experience | (144,761) | - | (144,761) |
| Contributions - employer | - | 114,901 | (114,901) |
| Contributions - employee | - | 87,028 | (87,028) |
| Net investment income | - | 768,480 | (768,480) |
| Benefit payments, including refunds of employee contributions | (420,883) | (420,883) | - |
| Administrative expenses | - | (4,563) | 4,563 |
| Other changes | - | (679) | 679 |
| Net changes | $ (15,757) | $ 544,284 | $ (560,041) |
| Balances at June 30, 2017 | $ 7,225,072 | $ 6,946,116 | $ 278,956 |

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

The following presents the net pension liability of the County and Patrick County School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Patrick County 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:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| County | | | |
| Net Pension Liability (Asset) | $ 5,776,539 | $ 2,684,915 | $ 114,801 |
| Component Unit School Board (nonprofessional) | | | |
| Net Pension Liability (Asset) | $ 1,049,114 | $ 278,956 | $ (374,210) |

**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 and Patrick County School Board (nonprofessional) recognized pension expense of $421,617 and ($129,781), respectively. At June 30, 2018, the County and Patrick County School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit-School Board (nonprofessional) | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 171,684 | $ 128,234 | $ - | $ 171,527 |
| Change in assumptions | - | 85,920 | - | 64,812 |
| Net difference between projected and actual earnings on pension plan investments | - | 307,192 | - | 96,519 |
| Employer contributions subsequent to the measurement date | 648,526 | - | 114,284 | - |
| Total | $ 820,210 | $ 521,346 | $ 114,284 | $ 332,858 |

$648,526 and $114,284 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Primary Government | School Board (nonprofessional) |
|---|---|---|
| 2019 | $ (201,381) | $ (240,212) |
| 2020 | 78,702 | (28,576) |
| 2021 | (23,259) | 1,569 |
| 2022 | (203,724) | (65,639) |
| Thereafter | - | - |
| Total | $ (349,662) | $ (332,858) |

**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 regarding the plan description can be found in the first section of this note.

*Contributions*

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $2,106,654 and $1,933,261 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 $20,894,000 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 .16990% as compared to .17012% at June 30, 2016.

**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 $1,478,000. 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 | $ - | $ 1,479,000 |
| Change in assumptions | 305,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 759,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 166,000 |
| Employer contributions subsequent to the measurement date | 2,106,654 | - |
| Total | $ 2,411,654 | $ 2,404,000 |

$2,106,654 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2019 | $ (884,000) |
| 2020 | (116,000) |
| 2021 | (303,000) |
| 2022 | (716,000) |
| Thereafter | (80,000) |
| Total | $ (2,099,000) |

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

*Actuarial Assumptions*

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

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

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

Mortality rates:

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

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

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

## Note 9—Pension Plan: (continued)

### Component Unit School Board (professional) (continued)

*Actuarial Assumptions (Continued)*

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

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

*Net Pension Liability*

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

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

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

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

*Long-term Expected Rate of Return*

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

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

**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:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability | $ 31,202,000 | $ 20,894,000 | $ 12,368,000 |

*Pension Plan Fiduciary Net Position*

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

## Note 10—Other Postemployment Benefits – Health Insurance:

*Plan Description*

In addition to the pension benefits described in Note 9, the County and School Board participate in a cost-sharing defined benefit healthcare plan, the Patrick County Post-Retirement Medical Plan (PPRMP). Several entities participate in the defined benefit healthcare plan through the County of Patrick, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The benefit provisions, including employer and employee contributions, are governed by the Board of Supervisors and can be amended through board action. The PPRMP does not issue a publicly available financial report.

*Benefits Provided*

PPRMP provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for retirement benefits under VRS, which requires that the employee must meet one of the following requirements:

- If hired before July 1, 2010:
  - Attain age 50 and 30 years of service (10 years of service required for School employees).
  - Attain age 55 and 5 years of service
- If hired after July 1, 2010:
  - Attain age 50 and 5 years of service
  - Attain age plus years of service equal to/or greater than 90.

Coverage for participants include medical, dental, and vision coverage for retirees, spouses, and dependents. County employees are responsible for the entire premium creating the implicit rate subsidy. School employees who do not participate in the Early Retirement Incentive Plan (ERIP) are responsible for the entire premium creating the implicit rate subsidy. School employees that do participate in the ERIP, effective, October 1, 2017, will receive $487.50 per month toward medical premiums for up to seven years.

*Contributions*

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board of Supervisors. The amount paid by the County and School Board for OPEB as the benefits came due during the year ended June 30, 2018 was $18,235 and $125,748, respectively.

## Note 10—Other Postemployment Benefits – Health Insurance: (Continued)

*Actuarial Assumptions*

The total OPEB liability in the January 1, 2017 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 % of salary |
| Discount Rate | 3.50% as of June 30, 2017;<br>3.87% as of June 30, 2018 |
| Inflation | 2.50% per year as of June 30, 2017 and June 30, 2018 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 8.90% and gradually declines to 4.30% by the year 2087 |
| Retirement Age | The average age at retirement is estimated based on probability of retirement. The participation percentage is 35% when the retiree's age and years of service total 90. |
| Mortality Rates | The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scall AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for health retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees and calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement. |

The actuarial assumptions used in the January 1, 2017 valuation were rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the January 1, 2017 actuarial valuation report.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.87% based on the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from the County and School Board will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current plan members.

*Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the County and 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:

| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|---|---|---|
| County | $ 295,745 | $ 275,604 | $ 256,972 |
| School Board | 3,109,292 | 2,871,931 | 2,650,142 |

## Note 10—Other Postemployment Benefits - Health Insurance: (Continued)

*Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the County and 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 or one percentage point higher than the current healthcare cost trend rates:

| | Healthcare Cost Trend Rates | | |
|---|---|---|---|
| Entity | 1% Decrease (7.90%) | Current (8.90%) | 1% Increase (9.90%) |
| County | $ 248,148 | $ 275,604 | $ 307,668 |
| School Board | 2,676,923 | 2,871,931 | 3,104,088 |

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

For the year ended June 30, 2018, the County and School Board recognized OPEB expense in the amount of $24,723 and $237,746, respectively. At June 30, 2018, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Primary Government | | Component Unit School Board | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Change in assumptions | $ - | $ 6,527 | $ - | $ 79,269 |
| Total | $ - | $ 6,527 | $ - | $ 79,269 |

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 | Primary Government | Component Unit School Board |
|---|---|---|
| 2019 | $ (750) | $ (6,834) |
| 2020 | (750) | (6,834) |
| 2021 | (750) | (6,834) |
| 2022 | (750) | (6,834) |
| 2023 | (750) | (6,834) |
| Thereafter | (2,777) | (45,099) |

## Note 10—Other Postemployment Benefits - Health Insurance: (Continued)

*Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2018, the County and School Board reported a liability of $275,604 and $2,871,931, respectively, for their proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of June 30, 2018 and the total OPEB liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to that date. At June 30, 2018 and 2017, the County's proportion was 8.85% and 8.76%, respectively. At June 30, 2018 and 2017, the School Board's proportion was 91.15% and 91.24%, respectively.

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

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

*Plan Description*

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

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

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**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Plan Description (Continued)*

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

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>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:<br>• City of Richmond<br>• City of Portsmouth<br>• City of Roanoke<br>• City of Norfolk<br>• Roanoke City School Board<br><br>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. |
| **Benefit Amounts**<br><br>The benefits payable under the Group Life Insurance Program have several components.<br>• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.<br>• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Safety belt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br><br>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. |

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Plan Description (Continued)*

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

*Contributions*

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

Contributions to the Group Life Insurance Program from the County were $31,757 and $28,706 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were $9,265 and $9,172 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 $68,406 and $69,489 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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

Primary Government

At June 30, 2018, the entity reported a liability of $451,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02993% as compared to 0.02948% at June 30, 2016.

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

Component Unit School Board (nonprofessional)

At June 30, 2018, the entity reported a liability of $144,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00956% as compared to 0.00957% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (professional)

At June 30, 2018, the entity reported a liability of $1,090,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.07245% as compared to 0.07220% at June 30, 2016.

## Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

Component Unit School Board (professional) (continued)

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $13,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | Primary Government | | Component Unit School Board (nonprofessional) | | Component Unit School Board (professional) | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 10,000 | $ - | $ 4,000 | $ - | $ 24,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 17,000 | - | 5,000 | - | 41,000 |
| Change in assumptions | - | 23,000 | - | 7,000 | - | 56,000 |
| Changes in proportion | 7,000 | - | - | - | 3,000 | - |
| Employer contributions subsequent to the measurement date | 31,757 | - | 9,265 | - | 68,406 | - |
| Total | $ 38,757 | $ 50,000 | $ 9,265 | $ 16,000 | $ 71,406 | $ 121,000 |

$31,757, $9,265, and $68,406 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (nonprofessional) | Component Unit School Board (professional) |
|---|---|---|---|
| 2019 | $ (9,000) | $ (3,000) | $ (24,000) |
| 2020 | (9,000) | (3,000) | (24,000) |
| 2021 | (9,000) | (3,000) | (24,000) |
| 2022 | (9,000) | (3,000) | (25,000) |
| 2023 | (5,000) | (2,000) | (15,000) |
| Thereafter | (2,000) | (2,000) | (6,000) |

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions*

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

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

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

**Mortality Rates – General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

## Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – General State Employees (Continued)**

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

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

**Mortality Rates – Teachers**

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

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

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Teachers (Continued)**

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

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

**Mortality Rates – SPORS Employees**

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

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

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

## Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – SPORS Employees (Continued)**

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

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

**Mortality Rates – VaLORS Employees**

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

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

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – VaLORS Employees (Continued)**

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

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

**Mortality Rates – JRS Employees**

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

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

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

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

## Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – JRS Employees (Continued)**

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

**Mortality Rates – Largest Ten Locality Employers – General Employees**

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

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

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

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

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

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

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

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

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

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

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

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

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

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

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

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

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

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

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

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

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

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

## Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

*Actuarial Assumptions: (Continued)*

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

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

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

*NET GLI OPEB Liability*

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

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

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Long-term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| County's proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 583,000 | $ 451,000 | $ 344,000 |
| Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability | 187,000 | 144,000 | 110,000 |
| Component Unit School Board (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability | 1,410,000 | 1,090,000 | 830,000 |

*Group Life Insurance Program Fiduciary Net Position*

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

## Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

*Plan Description*

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

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

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

**Note 12—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 $161,807 and $148,332 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 $2,148,000 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 0.16933% as compared to 0.17011% 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 $174,000. 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.

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**Note 12—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 | $ - | $ 4,000 |
| Change in assumptions | - | 22,000 |
| Change in proportion | - | 9,000 |
| Employer contributions subsequent to the measurement date | 161,807 | - |
| Total | $ 161,807 | $ 35,000 |

$161,807 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2019 | $ (5,000) |
| 2020 | (5,000) |
| 2021 | (5,000) |
| 2022 | (5,000) |
| 2023 | (4,000) |
| Thereafter | (11,000) |

## Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

*Actuarial Assumptions*

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

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

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

**Mortality Rates – Teachers**

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

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

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

## Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

*Actuarial Assumptions (Continued)*

**Mortality Rates – Teachers: (continued)**

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

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

*Net Teacher Employee HIC OPEB Liability*

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

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

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

**Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Long-term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | $ 2,397,000 | $ 2,148,000 | $ 1,936,000 |

*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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## Note 13-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 | $ 1,152,364 | $ - | $ - | $ 1,152,364 |
| Construction in progress | 10,482 | 64,000 | (74,482) | - |
| Total capital assets not being depreciated | $ 1,162,846 | $ 64,000 | $ (74,482) | $ 1,152,364 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 52,220,181 | $ 52,990 | $ - | $ 52,273,171 |
| Machinery and equipment | 5,052,303 | 654,034 | (761,378) | 4,944,959 |
| Total capital assets being depreciated | $ 57,272,484 | $ 707,024 | $ (761,378) | $ 57,218,130 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | $ (10,795,604) | $ (1,308,800) | $ - | $ (12,104,404) |
| Machinery and equipment | (3,295,206) | (390,738) | 725,619 | (2,960,325) |
| Total accumulated depreciation | $ (14,090,810) | $ (1,699,538) | $ 725,619 | $ (15,064,729) |
| Total capital assets being depreciated, net | $ 43,181,674 | $ (992,514) | $ (35,759) | $ 42,153,401 |
| Governmental activities capital assets, net | $ 44,344,520 | $ (928,514) | $ (110,241) | $ 43,305,765 |

*The remainder of this page is left blank intentionally.*

**Note 13-Capital Assets: (continued)**

Primary Government: (continued)

| | | Beginning Balance | | Increases | | Decreases | | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| Business-type Activities: | | | | | | | | |
| Capital assets, being depreciated: | | | | | | | | |
| Infrastructure | $ | 5,053,532 | $ | - | $ | - | $ | 5,053,532 |
| Accumulated depreciation: | | | | | | | | |
| Infrastructure | $ | (616,904) | $ | (126,339) | $ | - | $ | (743,243) |
| Business-type Activities capital assets, net | $ | 4,436,628 | $ | (126,339) | $ | - | $ | 4,310,289 |

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

| | | |
|---|---|---|
| Governmental Activities | | |
| General government administration | $ | 35,936 |
| Judicial administration | | 1,830 |
| Public safety | | 516,743 |
| Public works | | 142,133 |
| Health and welfare | | 11,866 |
| Education | | 951,236 |
| Parks, recreation, and cultural | | 30,080 |
| Community development | | 9,714 |
| Total depreciation expense-governmental activities | $ | 1,699,538 |
| Business-type Activities | | |
| PSA fund | $ | 126,339 |

*The remainder of this page is left blank intentionally.*

**Note 13-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 | $ 561,748 | $ - | $ - | $ 561,748 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 20,453,094 | $ 11,016 | $ - | $ 20,464,110 |
| Machinery and equipment | 5,354,310 | 196,435 | - | 5,550,745 |
| Total capital assets being depreciated | $ 25,807,404 | $ 207,451 | $ - | $ 26,014,855 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | $ (12,649,129) | $ (477,825) | $ - | $ (13,126,954) |
| Machinery and equipment | (3,769,118) | (258,955) | - | (4,028,073) |
| Total accumulated depreciation | $ (16,418,247) | $ (736,780) | $ - | $ (17,155,027) |
| Total capital assets being depreciated, net | $ 9,389,157 | $ (529,329) | $ - | $ 8,859,828 |
| Governmental activities capital assets, net | $ 9,950,905 | $ (529,329) | $ - | $ 9,421,576 |

*The remainder of this page is left blank intentionally.*

## Note 14-Risk Management:

The County and 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 School Board participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay the risk pool 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 15-Contingent Liabilities:

Federal programs in which the County participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

## Note 16-Surety Bonds:

Primary Government:

| Fidelity & Deposit Company of Maryland-Surety: | | |
|---|---|---|
| Sherri M. Hazlewood, Clerk of the Circuit Court | $ | 115,000 |
| Sandra K. Stone, Treasurer | | 400,000 |
| Janet H. Rorrer, Commissioner of the Revenue | | 3,000 |
| Dan Smith, Sheriff | | 30,000 |
| All constitutional officers' employees: blanket bond | | 50,000 |

| VACo Insurance Programs: | | |
|---|---|---|
| All County employees: blanket bond | $ | 250,000 |

| VaRisk 2: | | |
|---|---|---|
| All Social Services employees: blanket bond | $ | 250,000 |

Component Unit – School Board:

| Zurick North America: | | |
|---|---|---|
| Dr. William D. Sroufe, Superintendent of Schools | $ | 10,000 |
| Sarah Leigh D. Collins, Clerk of the School Board | | 10,000 |

## Note 17-School Board Early Retirement Incentive Program:

The Patrick County School Board offers all eligible full-time employees an early retirement incentive plan. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have attained age 50 and not have attained age 65. The employee must have a minimum of 20 years as a participant in the VRS with a minimum of 10 years full-time employment with the Patrick County School Board, including a minimum of five years of full-time employment with Patrick County immediately preceding application for the early retirement program. Additionally, the current full-time employee must be in good standing with the Patrick County School Board and the reason for termination of employment must be retirement. Finally, participants must be approved by the School Board based on availability of funds in the Board's annual budget. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. The School Board reserves the right to amend or terminate the program.

Employees may participate in the plan for a maximum of seven years or until the appropriate age for receipt of social security benefits, whichever occurs first. The School Board funds the plan on a pay as you go basis. The School Board does not accrue a liability for this incentive because the participants are required to work 40 days during the year to obtain their benefit. As of June 30, 2018, the unfunded balance of the early retirement incentive plan totaled $17,560.

## Note 18-Self Health Insurance:

The County of Patrick, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of $3,566,037 was paid in benefits and administrative costs. The risk assumed by the County 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 $253,666 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 and the two previous years 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 | $ 340,001 | $ 3,479,702 | $ (3,566,037) | $ 253,666 |
| 2016-17 | 255,000 | 3,905,570 | (3,820,569) | 340,001 |
| 2015-16 | 156,000 | 3,786,282 | (3,687,282) | 255,000 |

## Note 19-Litigation:

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

## Note 20-Adoption of Accounting Principles:

The County and 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 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:

| | County | School Board |
|---|---|---|
| | Gov. Activities | Gov. Activities |
| Net Position, July 1, 2017, as previously stated | $ 14,534,160 | $ (14,097,441) |
| Implementation of GASB 75: | | |
| GASB 75 Implementation | (644,545) | (4,718,775) |
| Net Position, July 1, 2017, as restated | $ 13,889,615 | $ (18,816,216) |

## Note 21-Subsequent Events:

On October 15, 2018, the County issued a $3,500,000 revenue anticipation note as a reserve to ensure the County can fund necessary budgeted expenditures. The note will be due prior to fiscal year 2019 end.

## Note 22-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.

**Note 22–Upcoming Pronouncements: (continued)**

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

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

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

**Note 22–Upcoming Pronouncements: (continued)**

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

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

# Required Supplementary Information

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

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| General property taxes | $ 11,534,928 | $ 11,534,928 | $ 12,358,878 | $ 823,950 |
| Other local taxes | 2,103,000 | 2,103,005 | 2,580,028 | 477,023 |
| Permits, privilege fees, and regulatory licenses | 56,500 | 56,500 | 80,507 | 24,007 |
| Fines and forfeitures | 25,000 | 25,000 | 20,530 | (4,470) |
| Revenue from the use of money and property | 24,000 | 24,000 | 44,076 | 20,076 |
| Charges for services | 376,400 | 553,864 | 414,901 | (138,963) |
| Miscellaneous | 27,400 | 70,450 | 92,938 | 22,488 |
| Recovered costs | 877,764 | 1,167,001 | 964,697 | (202,304) |
| Intergovernmental: | | | | |
| Commonwealth | 5,014,598 | 5,210,804 | 4,976,206 | (234,598) |
| Federal | 1,134,839 | 1,190,057 | 1,323,984 | 133,927 |
| Total revenues | $ 21,174,429 | $ 21,935,609 | $ 22,856,745 | $ 921,136 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 1,540,986 | $ 1,559,091 | $ 1,440,861 | $ 118,230 |
| Judicial administration | 1,005,349 | 1,117,419 | 1,049,636 | 67,783 |
| Public safety | 6,492,193 | 7,664,557 | 7,740,086 | (75,529) |
| Public works | 1,597,865 | 1,650,393 | 1,623,260 | 27,133 |
| Health and welfare | 2,683,892 | 2,683,145 | 2,639,148 | 43,997 |
| Education | 5,746,612 | 5,746,612 | 5,669,531 | 77,081 |
| Parks, recreation, and cultural | 585,536 | 586,656 | 579,790 | 6,866 |
| Community development | 915,498 | 1,372,759 | 1,028,313 | 344,446 |
| Capital projects | 53,400 | 288,716 | 194,234 | 94,482 |
| Debt service: | | | | |
| Principal retirement | 1,722,762 | 1,722,762 | 1,295,107 | 427,655 |
| Interest and other fiscal charges | 1,202,946 | 1,211,945 | 907,880 | 304,065 |
| Total expenditures | $ 23,547,039 | $ 25,604,055 | $ 24,167,846 | $ 1,436,209 |
| Excess (deficiency) of revenues over (under) expenditures | $ (2,372,610) | $ (3,668,446) | $ (1,311,101) | $ 2,357,345 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | $ (143,148) | $ (123,148) | $ (250,402) | $ (127,254) |
| Issuance of capital leases | - | - | 352,320 | 352,320 |
| Total other financing sources (uses) | $ (143,148) | $ (123,148) | $ 101,918 | $ 225,066 |
| Net change in fund balances | $ (2,515,758) | $ (3,791,594) | $ (1,209,183) | $ 2,582,411 |
| Fund balances - beginning | 2,515,758 | 3,791,594 | 6,847,935 | 3,056,341 |
| Fund balances - ending | $ - | $ - | $ 5,638,752 | $ 5,638,752 |

Exhibit 12

**County of Patrick, 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 | $ 644,046 | $ 635,360 | $ 623,211 | $ 590,605 |
| Interest | 1,573,393 | 1,480,869 | 1,413,572 | 1,342,653 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (137,413) | 302,742 | (67,963) | - |
| Changes in assumptions | (113,907) | - | - | - |
| Benefit payments, including refunds of employee contributions | (1,122,783) | (1,071,608) | (943,259) | (897,006) |
| **Net change in total pension liability** | $ 843,336 | $ 1,347,363 | $ 1,025,561 | $ 1,036,252 |
| **Total pension liability - beginning** | 23,038,436 | 21,691,073 | 20,665,512 | 19,629,260 |
| **Total pension liability - ending (a)** | $ 23,881,772 | $ 23,038,436 | $ 21,691,073 | $ 20,665,512 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 590,400 | $ 671,160 | $ 652,292 | $ 683,571 |
| Contributions - employee | 279,673 | 281,457 | 265,355 | 250,495 |
| Net investment income | 2,327,266 | 334,479 | 832,521 | 2,474,387 |
| Benefit payments, including refunds of employee contributions | (1,122,783) | (1,071,608) | (943,259) | (897,006) |
| Administrative expense | (13,419) | (11,736) | (11,275) | (13,188) |
| Other | (2,072) | (140) | (175) | 130 |
| **Net change in plan fiduciary net position** | $ 2,059,065 | $ 203,612 | $ 795,459 | $ 2,498,389 |
| **Plan fiduciary net position - beginning** | 19,137,792 | 18,934,180 | 18,138,721 | 15,640,332 |
| **Plan fiduciary net position - ending (b)** | $ 21,196,857 | $ 19,137,792 | $ 18,934,180 | $ 18,138,721 |
| | | | | |
| **County's net pension liability - ending (a) - (b)** | $ 2,684,915 | $ 3,900,644 | $ 2,756,893 | $ 2,526,791 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 88.76% | 83.07% | 87.29% | 87.77% |
| | | | | |
| **Covered payroll** | $ 5,520,475 | $ 5,297,198 | $ 5,131,869 | $ 4,957,116 |
| | | | | |
| **County's net pension liability as a percentage of covered payroll** | 48.64% | 73.64% | 53.72% | 50.97% |

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

**County of Patrick, 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 | $ 162,091 | $ 171,120 | $ 182,786 | $ 188,901 |
| Interest | 492,127 | 495,058 | 475,467 | 456,351 |
| Differences between expected and actual experience | (144,761) | (296,338) | 13,249 | - |
| Changes in assumptions | (104,331) | - | - | - |
| Benefit payments, including refunds of employee contributions | (420,883) | (402,524) | (380,756) | (363,578) |
| **Net change in total pension liability** | $ (15,757) | $ (32,684) | $ 290,746 | $ 281,674 |
| **Total pension liability - beginning** | 7,240,829 | 7,273,513 | 6,982,767 | 6,701,093 |
| **Total pension liability - ending (a)** | $ 7,225,072 | $ 7,240,829 | $ 7,273,513 | $ 6,982,767 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 114,901 | $ 170,680 | $ 171,319 | $ 192,536 |
| Contributions - employee | 87,028 | 84,569 | 85,375 | 87,366 |
| Net investment income | 768,480 | 109,706 | 284,404 | 863,123 |
| Benefit payments, including refunds of employee contributions | (420,883) | (402,524) | (380,756) | (363,578) |
| Administrative expense | (4,563) | (4,033) | (3,964) | (4,675) |
| Other | (679) | (47) | (59) | 45 |
| **Net change in plan fiduciary net position** | $ 544,284 | $ (41,649) | $ 156,319 | $ 774,817 |
| **Plan fiduciary net position - beginning** | 6,401,832 | 6,443,481 | 6,287,162 | 5,512,345 |
| **Plan fiduciary net position - ending (b)** | $ 6,946,116 | $ 6,401,832 | $ 6,443,481 | $ 6,287,162 |
| | | | | |
| **School Board's net pension liability - ending (a) - (b)** | $ 278,956 | $ 838,997 | $ 830,032 | $ 695,605 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 96.14% | 88.41% | 88.59% | 90.04% |
| | | | | |
| **Covered payroll** | $ 1,763,936 | $ 1,720,429 | $ 1,716,920 | $ 1,747,308 |
| | | | | |
| **School Board's net pension liability as a percentage of covered payroll** | 15.81% | 48.77% | 48.34% | 39.81% |

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

Exhibit 14

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

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 0.16990% | 0.17012% | 0.17090% | 0.17175% |
| Employer's Proportionate Share of the Net Pension Liability | $ 20,894,000 | $ 23,841,000 | $ 21,510,000 | $ 20,755,000 |
| Employer's Covered Payroll | $ 13,363,229 | $ 12,974,082 | $ 12,706,299 | $ 12,561,207 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 156.35% | 183.76% | 169.29% | 165.23% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.28% | 68.28% | 70.88% | 70.88% |

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

Exhibit 15

**County of Patrick, Virginia**
**Schedule of Employer Contributions**
**Pension**
**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 | $ 648,526 | $ 648,526 | $ - | $ 6,108,403 | 10.62% |
| 2017 | 590,726 | 590,726 | - | 5,520,475 | 10.70% |
| 2016 | 671,160 | 671,160 | - | 5,297,198 | 12.67% |
| 2015 | 652,292 | 652,292 | - | 5,131,869 | 12.71% |
| 2014 | 683,781 | 683,781 | - | 4,957,116 | 13.79% |
| 2013 | 633,508 | 633,508 | - | 4,589,550 | 13.80% |
| 2012 | 512,486 | 512,486 | - | 4,515,295 | 11.35% |
| 2011 | 495,225 | 495,225 | - | 4,363,212 | 11.35% |
| 2010 | 434,721 | 434,721 | - | 4,040,159 | 10.76% |
| 2009 | 430,825 | 430,825 | - | 4,003,958 | 10.76% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2018 | $ 114,284 | $ 114,284 | $ - | $ 1,781,608 | 6.41% |
| 2017 | 114,992 | 114,992 | - | 1,763,936 | 6.52% |
| 2016 | 170,680 | 170,680 | - | 1,720,429 | 9.92% |
| 2015 | 171,319 | 171,319 | - | 1,716,920 | 9.98% |
| 2014 | 192,379 | 192,379 | - | 1,747,308 | 11.01% |
| 2013 | 187,639 | 187,639 | - | 1,706,787 | 10.99% |
| 2012 | 137,894 | 137,894 | - | 1,663,377 | 8.29% |
| 2011 | 137,772 | 137,772 | - | 1,661,908 | 8.29% |
| 2010 | 139,568 | 139,568 | - | 1,710,391 | 8.16% |
| 2009 | 143,172 | 143,172 | - | 1,754,565 | 8.16% |
| **Component Unit School Board (professional)** | | | | | |
| 2018 | $ 2,106,654 | $ 2,106,654 | $ - | $ 13,155,134 | 16.01% |
| 2017 | 1,933,261 | 1,933,261 | - | 13,363,229 | 14.47% |
| 2016 | 1,930,644 | 1,930,644 | - | 12,974,082 | 14.88% |
| 2015 | 1,835,096 | 1,835,096 | - | 12,706,299 | 14.44% |
| 2014 | 1,559,788 | 1,559,788 | - | 12,561,207 | 12.42% |
| 2013 | 1,925,968 | 1,925,968 | - | 12,391,074 | 15.54% |
| 2012 | 1,391,835 | 1,391,835 | - | 12,362,402 | 11.26% |
| 2011 | 1,102,668 | 1,102,668 | - | 12,347,911 | 8.93% |
| 2010 | 1,451,198 | 1,451,198 | - | 9,370,113 | 15.49% |
| 2009 | 1,700,824 | 1,700,824 | - | 12,323,955 | 13.80% |

**County of Patrick, Virginia**
**Notes to Required Supplementary Information - Pension**
**For the Year Ended June 30, 2018**

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

**County of Patrick, Virginia**
**Notes to Required Supplementary Information - Pension**
**For the Year Ended June 30, 2018**

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Exhibit 17

# County of Patrick, Virginia
## Schedule of Changes in Total OPEB Liability and Related Ratios
## Primary Government - Health Insurance
## For the Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 15,596 |
| Interest | | 9,877 |
| Changes in assumptions | | (7,277) |
| Benefit payments | | (18,235) |
| **Net change in total OPEB liability** | $ | (39) |
| **Total OPEB liability - beginning** | | 275,643 |
| **Total OPEB liability - ending** | $ | 275,604 |
| | | |
| **Covered payroll** | $ | 5,453,800 |
| | | |
| **County's total OPEB liability as a percentage of covered payroll** | | 5.05% |

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

Exhibit 18

## County of Patrick, Virginia
## Schedule of Changes in Total OPEB Liability and Related Ratios
## Component Unit - School Board - Health Insurance
## For the Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 142,406 |
| Interest | | 102,174 |
| Changes in assumptions | | (86,103) |
| Benefit payments | | (125,748) |
| **Net change in total OPEB liability** | $ | 32,729 |
| **Total OPEB liability - beginning** | | 2,839,202 |
| **Total OPEB liability - ending** | $ | 2,871,931 |
| | | |
| **Covered payroll** | $ | 14,984,000 |
| | | |
| **School Board's total OPEB liability as a percentage of covered payroll** | | 19.17% |

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

**County of Patrick, Virginia**
**Notes to Required Supplementary Information - Health Insurance**
**For the Year Ended June 30, 2018**

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

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

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 3.50% as of June 30, 2017;<br>3.87% as of June 30, 2018 |
| Inflation | 2.50% per year as of June 30, 2017;<br>2.50% per year as of June 30, 2018 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 8.90% and gradually declines to 4.30% by the year 2087 |
| Retirement Age | The average age at retirement is estimated based on probability of retirement. The participation percentage is 35% when the retiree's age and years of service total 90. |
| Mortality Rates | The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scall AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for health retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees and calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement. |

Exhibit 20

**County of Patrick, Virginia**
**Schedule of Share of the Net OPEB Liability**
**Primary Government - 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) |
|---|---|---|---|---|---|
| 2017 | 0.0299% | $ 451,000 | $ 5,520,475 | 8.17% | 48.86% |

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

**County of Patrick, Virginia**
**Schedule of Share of the Net OPEB Liability**
**Component Unit - School Board (nonprofessional) 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) |
|---|---|---|---|---|---|
| 2017 | 0.0096% | $ 144,000 | $ 1,763,936 | 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 Patrick, Virginia
## Schedule of Share of the Net OPEB Liability
## Component Unit - School Board - Teacher's 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) |
|---|---|---|---|---|---|
| 2017 | 0.0725% | $ 1,090,000 | $ 13,363,229 | 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.

Exhibit 23

# County of Patrick, 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 | $ 31,757 | $ 31,757 | $ - | $ 6,108,403 | 0.52% |
| 2017 | 28,706 | 28,706 | - | 5,520,475 | 0.52% |
| 2016 | 25,427 | 25,427 | - | 5,297,198 | 0.48% |
| 2015 | 24,633 | 24,633 | - | 5,131,869 | 0.48% |
| 2014 | 23,794 | 23,794 | - | 4,957,116 | 0.48% |
| 2013 | 22,030 | 22,030 | - | 4,589,550 | 0.48% |
| 2012 | 12,643 | 12,643 | - | 4,515,295 | 0.28% |
| 2011 | 12,217 | 12,217 | - | 4,363,212 | 0.28% |
| 2010 | 8,195 | 8,195 | - | 4,040,159 | 0.20% |
| 2009 | 10,811 | 10,811 | - | 4,003,958 | 0.27% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2018 | $ 9,265 | $ 9,265 | $ - | $ 1,781,608 | 0.52% |
| 2017 | 9,172 | 9,172 | - | 1,763,936 | 0.52% |
| 2016 | 8,258 | 8,258 | - | 1,720,429 | 0.48% |
| 2015 | 8,241 | 8,241 | - | 1,716,920 | 0.48% |
| 2014 | 8,392 | 8,392 | - | 1,747,308 | 0.48% |
| 2013 | 8,193 | 8,193 | - | 1,706,787 | 0.48% |
| 2012 | 4,657 | 4,657 | - | 1,663,377 | 0.28% |
| 2011 | 4,653 | 4,653 | - | 1,661,908 | 0.28% |
| 2010 | 3,438 | 3,438 | - | 1,710,391 | 0.20% |
| 2009 | 4,737 | 4,737 | - | 1,754,565 | 0.27% |
| **Component Unit School Board (professional)** | | | | | |
| 2018 | $ 68,406 | $ 68,406 | $ - | $ 13,155,134 | 0.52% |
| 2017 | 69,489 | 69,489 | - | 13,363,229 | 0.52% |
| 2016 | 62,276 | 62,276 | - | 12,974,082 | 0.48% |
| 2015 | 60,990 | 60,990 | - | 12,706,299 | 0.48% |
| 2014 | 60,294 | 60,294 | - | 12,561,207 | 0.48% |
| 2013 | 59,477 | 59,477 | - | 12,391,074 | 0.48% |
| 2012 | 34,615 | 34,615 | - | 12,362,402 | 0.28% |
| 2011 | 34,573 | 34,573 | - | 12,347,911 | 0.28% |
| 2010 | 25,299 | 25,299 | - | 9,370,113 | 0.27% |
| 2009 | 33,275 | 33,275 | - | 12,323,955 | 0.27% |

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

**County of Patrick, 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 Patrick, 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 Patrick, Virginia**
**Schedule of School Board's Share of the 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 | 0.1693% | $ 2,148,000 | $ 13,363,229 | 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 Patrick, 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 | $ 161,807 | $ 161,807 | $ - | $ 13,155,362 | 1.23% |
| 2017 | 148,332 | 148,332 | - | 13,363,229 | 1.11% |
| 2016 | 137,490 | 137,490 | - | 12,970,782 | 1.06% |
| 2015 | 134,687 | 134,687 | - | 12,706,299 | 1.06% |
| 2014 | 139,415 | 139,415 | - | 12,559,948 | 1.11% |
| 2013 | 135,665 | 135,665 | - | 12,222,042 | 1.11% |
| 2012 | 73,707 | 73,707 | - | 12,284,507 | 0.60% |
| 2011 | 74,087 | 74,087 | - | 12,347,910 | 0.60% |
| 2010 | 97,475 | 97,475 | - | 9,372,596 | 1.04% |
| 2009 | 133,024 | 133,024 | - | 12,316,992 | 1.08% |

Current year contributions are from School Board records. All other prior year contributions are from the VRS actuarial valuations performed each year.

# County of Patrick, 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

Exhibit 28

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

| | Asset Forfeiture Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ - | $ 6 | $ 476 | $ 470 |
| Intergovernmental: | | | | |
| Commonwealth | - | 15,515 | 11,474 | (4,041) |
| Total revenues | $ - | $ 15,521 | $ 11,950 | $ (3,571) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | $ - | $ 15,521 | $ 15,517 | $ 4 |
| Total expenditures | $ - | $ 15,521 | $ 15,517 | $ 4 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ (3,567) | $ (3,567) |
| Net change in fund balances | $ - | $ - | $ (3,567) | $ (3,567) |
| Fund balances - beginning | - | - | 59,957 | 59,957 |
| Fund balances - ending | $ - | $ - | $ 56,390 | $ 56,390 |

Exhibit 29

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

| | Agency Funds | | | |
|---|---|---|---|---|
| | Special Welfare | Dehart Cemetery | Jail Canteen | Total |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 5,473 | $ 6,000 | $ 30,758 | $ 42,231 |
| Receivables: | | | | |
| Other receivables | - | - | 8,382 | 8,382 |
| Total assets | $ 5,473 | $ 6,000 | $ 39,140 | $ 50,613 |
| **LIABILITIES** | | | | |
| Accounts payable | $ - | $ - | $ 5,904 | $ 5,904 |
| Amounts held for Social Services clients | 5,473 | - | - | 5,473 |
| Amounts held for DeHart Cemetery | - | 6,000 | - | 6,000 |
| Amounts held for inmates | - | - | 33,236 | 33,236 |
| Total liabilities | $ 5,473 | $ 6,000 | $ 39,140 | $ 50,613 |

Exhibit 30

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

| | Agency Funds | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Deletions | Ending Balance |
| **ASSETS** | | | | |
| Cash and cash equivalents: | | | | |
| Special Welfare Fund | $ 2,684 | $ 50,536 | $ 47,747 | $ 5,473 |
| Dehart Cemetery Fund | 6,000 | 41 | 41 | 6,000 |
| Jail Canteen Fund | 23,939 | 264,531 | 257,712 | 30,758 |
| Other receivables: | | | | |
| Jail Canteen Fund | 7,055 | 1,327 | - | 8,382 |
| Total assets | $ 39,678 | $ 316,435 | $ 305,500 | $ 50,613 |
| **LIABILITIES** | | | | |
| Amounts held for Social Services clients | $ 2,684 | $ 50,536 | $ 47,747 | $ 5,473 |
| Amounts held for Dehart Cemetery | 6,000 | 41 | 41 | 6,000 |
| Amounts held for inmates | 26,401 | 264,547 | 257,712 | 33,236 |
| Accounts payable for inmates | 4,593 | 1,311 | - | 5,904 |
| Total liabilities | $ 39,678 | $ 316,435 | $ 305,500 | $ 50,613 |

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

| | | School Operating Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | | $ 1,038,750 |
| Cash in custody of others | | 200 |
| Investments | | 29,058 |
| Receivables (net of allowance for uncollectibles) | | |
| Accounts receivable | | 193,840 |
| Due from other governmental units | | 502,052 |
| Inventories | | 43,684 |
| Prepaid items | | 220,895 |
| Total assets | | $ 2,028,479 |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Accounts payable | | $ 600,973 |
| Salaries payable | | 1,035,359 |
| Due to primary government | | 315,813 |
| Total liabilities | | $ 1,952,145 |
| Fund balances: | | |
| Nonspendable: | | |
| Prepaid items | | $ 220,895 |
| Restricted: | | |
| Cafeteria | | 32,449 |
| Committed: | | |
| Education | | 200 |
| Unassigned | | (177,210) |
| Total fund balances | | $ 76,334 |
| Total liabilities and fund balances | | $ 2,028,479 |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | |
| Total fund balances per above | | $ 76,334 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | $ 561,748 | |
| Building and improvements | 7,337,156 | |
| Machinery and equipment | 1,522,672 | 9,421,576 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | $ 2,525,938 | |
| OPEB related items | 242,478 | 2,768,416 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Compensated absenses | $ (468,699) | |
| Net pension liability | (21,172,956) | |
| Net OPEB liabilities | (6,253,931) | (27,895,586) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (2,736,858) | |
| OPEB related items | (251,269) | (2,988,127) |
| Net position of governmental activities | | $ (18,617,387) |

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

| | | | School Operating Fund |
|---|---|---|---|
| **REVENUES** | | | |
| Revenue from the use of money and property | | | $ 2,553 |
| Charges for services | | | 339,549 |
| Miscellaneous | | | 558,359 |
| Recovered costs | | | 92,269 |
| Intergovernmental: | | | |
| Local government | | | 5,652,209 |
| Commonwealth | | | 18,719,997 |
| Federal | | | 2,554,742 |
| Total revenues | | | $ 27,919,678 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Education | | | $ 28,014,198 |
| Total expenditures | | | $ 28,014,198 |
| Excess (deficiency) of revenues over (under) expenditures | | | $ (94,520) |
| Net change in fund balances | | | $ (94,520) |
| Fund balances - beginning | | | 170,854 |
| Fund balances - ending | | | $ 76,334 |

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 | | $ (94,520) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | |
| Capital outlay | $ 207,451 | |
| Depreciation expense | (736,780) | (529,329) |
| 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 | $ 6,824 | |
| Pension expense | 874,367 | |
| OPEB expense | (58,513) | 822,678 |
| Change in net position of governmental activities | | $ 198,829 |

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

| | School Operating Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 14,999 | $ 15,000 | $ 2,553 | $ (12,447) |
| Charges for services | 722,383 | 722,383 | 339,549 | (382,834) |
| Miscellaneous | 265,000 | 265,000 | 558,359 | 293,359 |
| Recovered costs | 233,096 | 233,096 | 92,269 | (140,827) |
| Intergovernmental: | | | | |
| Local government | 5,729,290 | 5,729,290 | 5,652,209 | (77,081) |
| Commonwealth | 19,265,406 | 19,360,269 | 18,719,997 | (640,272) |
| Federal | 2,101,483 | 2,124,460 | 2,554,742 | 430,282 |
| Total revenues | $ 28,331,657 | $ 28,449,498 | $ 27,919,678 | $ (529,820) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 28,331,657 | $ 28,449,498 | $ 28,014,198 | $ 435,300 |
| Total expenditures | $ 28,331,657 | $ 28,449,498 | $ 28,014,198 | $ 435,300 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ (94,520) | $ (94,520) |
| Net change in fund balances | $ - | $ - | $ (94,520) | $ (94,520) |
| Fund balances - beginning | - | - | 170,854 | 170,854 |
| Fund balances - ending | $ - | $ - | $ 76,334 | $ 76,334 |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | $ 8,685,298 | $ 8,685,298 | $ 8,879,961 | $ 194,663 |
| Real and personal public service corporation taxes | 424,693 | 424,693 | 438,401 | 13,708 |
| Personal property taxes | 1,745,924 | 1,745,924 | 2,055,273 | 309,349 |
| Mobile home taxes | 86,616 | 86,616 | 84,717 | (1,899) |
| Machinery and tools taxes | 592,397 | 592,397 | 672,579 | 80,182 |
| Penalties | - | - | 134,931 | 134,931 |
| Interest | - | - | 93,016 | 93,016 |
| Total general property taxes | $ 11,534,928 | $ 11,534,928 | $ 12,358,878 | $ 823,950 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 1,100,000 | $ 1,100,000 | $ 1,132,476 | $ 32,476 |
| Consumers' utility taxes | 405,000 | 405,000 | 406,855 | 1,855 |
| Gross receipts tax | 8,000 | 8,000 | 8,678 | 678 |
| Consumption taxes | 55,000 | 55,000 | 57,167 | 2,167 |
| Motor vehicle licenses | 450,000 | 450,000 | 451,430 | 1,430 |
| Bank stock taxes | 25,000 | 25,000 | 42,455 | 17,455 |
| Taxes on recordation and wills | 60,000 | 60,000 | 103,542 | 43,542 |
| Hotel and motel room taxes | - | 5 | 377,425 | 377,420 |
| Total other local taxes | $ 2,103,000 | $ 2,103,005 | $ 2,580,028 | $ 477,023 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | $ 14,600 | $ 14,600 | $ 28,508 | $ 13,908 |
| Transfer fees | 800 | 800 | 837 | 37 |
| Erosion and sediment control permits | 1,000 | 1,000 | 850 | (150) |
| Building permits | 40,100 | 40,100 | 50,312 | 10,212 |
| Total permits, privilege fees, and regulatory licenses | $ 56,500 | $ 56,500 | $ 80,507 | $ 24,007 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 25,000 | $ 25,000 | $ 20,530 | $ (4,470) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 5,000 | $ 5,000 | $ 26,405 | $ 21,405 |
| Revenue from use of property | 19,000 | 19,000 | 17,671 | (1,329) |
| Total revenue from use of money and property | $ 24,000 | $ 24,000 | $ 44,076 | $ 20,076 |
| Charges for services: | | | | |
| Charges for courthouse maintenance | $ - | $ - | $ 4,611 | $ 4,611 |
| Charges for courthouse security fees | - | - | 21,030 | 21,030 |
| Charges for Commonwealth's Attorney | 3,000 | 3,000 | 4,592 | 1,592 |
| Charges for ambulance | 90,000 | 254,395 | 124,938 | (129,457) |
| Charges for sanitation and waste removal | 245,000 | 245,000 | 216,379 | (28,621) |
| Charges for parks and recreation | 27,000 | 38,642 | 28,804 | (9,838) |
| Charges for credit card collections | 4,000 | 4,000 | 4,702 | 702 |
| Charges for copies | 2,400 | 3,827 | 4,792 | 965 |
| Charges for recycling | 5,000 | 5,000 | 3,997 | (1,003) |
| Charges for library | - | - | 1,056 | 1,056 |
| Total charges for services | $ 376,400 | $ 553,864 | $ 414,901 | $ (138,963) |
| Miscellaneous: | | | | |
| Miscellaneous | $ 27,400 | $ 39,590 | $ 41,699 | $ 2,109 |
| Donations | - | 30,860 | 51,239 | 20,379 |
| Total miscellaneous | $ 27,400 | $ 70,450 | $ 92,938 | $ 22,488 |

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Revenue from local sources: (Continued) | | | | |
| Recovered costs: | | | | |
| Payroll reimbursements | $ 214,770 | $ 223,224 | $ 228,523 | $ 5,299 |
| Charges for jail inmates | 440,794 | 456,039 | 502,386 | 46,347 |
| Law enforcement | 32,000 | 32,750 | 21,640 | (11,110) |
| Other recovered costs | 190,200 | 454,988 | 212,148 | (242,840) |
| Total recovered costs | $ 877,764 | $ 1,167,001 | $ 964,697 | $ (202,304) |
| Total revenue from local sources | $ 15,024,992 | $ 15,534,748 | $ 16,556,555 | $ 1,021,807 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | $ - | $ - | $ 24 | $ 24 |
| Mobile home titling tax | 30,000 | 30,000 | 40,988 | 10,988 |
| Motor vehicle rental tax | 500 | 500 | 619 | 119 |
| State recordation tax | 40,000 | 40,000 | 26,693 | (13,307) |
| Communications tax | 500,000 | 500,000 | 446,800 | (53,200) |
| Personal property tax relief funds | 688,659 | 688,659 | 688,659 | - |
| Total noncategorical aid | $ 1,259,159 | $ 1,259,159 | $ 1,203,783 | $ (55,376) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | $ 247,749 | $ 251,694 | $ 246,077 | $ (5,617) |
| Sheriff | 2,037,580 | 2,189,082 | 2,092,182 | (96,900) |
| Commissioner of revenue | 104,940 | 107,558 | 105,005 | (2,553) |
| Treasurer | 87,450 | 90,298 | 85,996 | (4,302) |
| Registrar/electoral board | 39,450 | 39,450 | 37,399 | (2,051) |
| Clerk of the circuit court | 218,239 | 243,219 | 221,833 | (21,386) |
| Total shared expenses | $ 2,735,408 | $ 2,921,301 | $ 2,788,492 | $ (132,809) |
| Other categorical aid: | | | | |
| State welfare funds | $ 458,401 | $ 458,401 | $ 494,704 | $ 36,303 |
| Children's services | 456,986 | 456,986 | 326,817 | (130,169) |
| Litter control grant | 9,000 | 9,000 | 8,413 | (587) |
| Victim witness grant | 42,644 | 41,808 | 10,452 | (31,356) |
| Fire programs | - | - | 57,108 | 57,108 |
| Commission for the arts | 5,000 | 5,000 | 4,500 | (500) |
| E-911 wireless funds | 48,000 | 59,149 | 62,694 | 3,545 |
| Emergency service grant | - | - | 19,243 | 19,243 |
| Total other categorical aid | $ 1,020,031 | $ 1,030,344 | $ 983,931 | $ (46,413) |
| Total categorical aid | $ 3,755,439 | $ 3,951,645 | $ 3,772,423 | $ (179,222) |
| Total revenue from the Commonwealth | $ 5,014,598 | $ 5,210,804 | $ 4,976,206 | $ (234,598) |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | $ 21,000 | $ 21,000 | $ 21,297 | $ 297 |
| Federal interest subsidy | 99,262 | 99,262 | 92,561 | (6,701) |
| Total noncategorical aid | $ 120,262 | $ 120,262 | $ 113,858 | $ (6,404) |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: (Continued) | | | | |
| Categorical aid: | | | | |
| Federal welfare funds | $ 908,952 | $ 908,952 | $ 991,914 | $ 82,962 |
| Violence against woment grant | 40,000 | 40,764 | 57,750 | 16,986 |
| Emergency management performance grant | 7,500 | 7,500 | - | (7,500) |
| Victim witness grant | - | 8,955 | 31,356 | 22,401 |
| Justice assistance grant | - | - | 2,045 | 2,045 |
| Highway safety grants | 15,000 | 17,947 | 21,026 | 3,079 |
| Children's services | - | - | 27,695 | 27,695 |
| Workforce act grants | - | - | 2,566 | 2,566 |
| CDBG | - | 24,517 | 24,517 | - |
| Law enforcement block grants | 43,125 | 61,160 | 51,257 | (9,903) |
| Total categorical aid | $ 1,014,577 | $ 1,069,795 | $ 1,210,126 | $ 140,331 |
| Total revenue from the federal government | $ 1,134,839 | $ 1,190,057 | $ 1,323,984 | $ 133,927 |
| Total General Fund | $ 21,174,429 | $ 21,935,609 | $ 22,856,745 | $ 921,136 |
| **Nonmajor Special Revenue funds:** | | | | |
| **Asset Forfeiture Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ - | $ 6 | $ 476 | $ 470 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Seized Assets | $ - | $ 15,515 | $ 11,474 | $ (4,041) |
| Total Asset Forfeiture fund | $ - | $ 15,521 | $ 11,950 | $ (3,571) |
| Total Primary Government | $ 21,174,429 | $ 21,951,130 | $ 22,868,695 | $ 917,565 |
| **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 | $ - | $ - | $ 1,045 | $ 1,045 |
| Revenue from the use of property | 14,999 | 15,000 | 1,508 | (13,492) |
| Total revenue from use of money and property | $ 14,999 | $ 15,000 | $ 2,553 | $ (12,447) |
| Charges for services: | | | | |
| Transportation of pupils | $ 84,756 | $ 84,756 | $ 18,738 | $ (66,018) |
| Cafeteria sales | 637,627 | 637,627 | 320,811 | (316,816) |
| Total charges for services | $ 722,383 | $ 722,383 | $ 339,549 | $ (382,834) |
| Miscellaneous: | | | | |
| Other miscellaneous | $ 265,000 | $ 265,000 | $ 558,359 | $ 293,359 |
| Recovered costs: | | | | |
| Other recovered costs | $ 233,096 | $ 233,096 | $ 92,269 | $ (140,827) |
| Total revenue from local sources | $ 1,235,478 | $ 1,235,479 | $ 992,730 | $ (242,749) |

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board: (Continued)** | | | | |
| **School Operating Fund: (Continued)** | | | | |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Patrick, Virginia | $ 5,729,290 | $ 5,729,290 | $ 5,652,209 | $ (77,081) |
| Revenues from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| At risk payments | $ 412,173 | $ 412,173 | $ 414,461 | $ 2,288 |
| At risk four year olds | 386,955 | 386,955 | 248,757 | (138,198) |
| Basic school aid | 9,912,248 | 9,912,248 | 9,619,123 | (293,125) |
| Breakfast after the bell | - | - | 7,848 | 7,848 |
| Early reading intervention | 61,394 | 61,394 | 95,775 | 34,381 |
| English as a second language | 51,260 | 51,260 | 49,124 | (2,136) |
| Fringe benefits-Life-insurance | 41,854 | 41,854 | 40,881 | (973) |
| Fringe benefits-Retirement | 1,393,152 | 1,393,152 | 1,360,758 | (32,394) |
| Fringe benefits-Social security | 607,885 | 607,885 | 593,750 | (14,135) |
| GED Prep | 7,859 | 7,859 | 8,294 | 435 |
| Gifted and talented | 95,667 | 95,667 | 93,443 | (2,224) |
| Homebound education | 30,857 | 30,857 | 35,464 | 4,607 |
| Mentor teacher program | 3,159 | 3,159 | 2,275 | (884) |
| Primary class size | 231,682 | 231,682 | 258,583 | 26,901 |
| Regular foster care | - | - | 4,169 | 4,169 |
| Remedial education | 410,571 | 410,571 | 401,024 | (9,547) |
| Remedial summer education | 33,912 | 33,912 | - | (33,912) |
| School food | 15,021 | 15,021 | 30,625 | 15,604 |
| Share of state sales tax | 2,691,421 | 2,691,421 | 2,538,974 | (152,447) |
| Special education | 1,435,007 | 1,435,007 | 1,401,639 | (33,368) |
| Standards of Learning algebra readiness | 44,704 | 44,704 | 39,659 | (5,045) |
| State lottery payments | 546,339 | 546,339 | 534,122 | (12,217) |
| Supplemental support for schools | 98,818 | 98,818 | 96,505 | (2,313) |
| Textbook payment | 218,799 | 218,799 | 213,711 | (5,088) |
| Vocational adult education | - | - | 440 | 440 |
| Vocational education - equipment | - | - | 5,469 | 5,469 |
| Vocational standards of quality payments | 297,984 | 297,984 | 276,659 | (21,325) |
| Other state funds | 4,685 | 99,548 | 116,465 | 16,917 |
| VPSA technology grant | 232,000 | 232,000 | 232,000 | - |
| Total categorical aid | $ 19,265,406 | $ 19,360,269 | $ 18,719,997 | $ (640,272) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Adult education | $ 52,577 | $ 52,577 | $ 49,782 | $ (2,795) |
| Rural school program | 60,864 | 60,864 | 106,583 | 45,719 |
| School breakfast program | 5,711 | 5,711 | 276,798 | 271,087 |
| School lunch program | 519,600 | 519,600 | 674,406 | 154,806 |
| Summer feeding program | - | - | 5,775 | 5,775 |
| Title I | 730,013 | 730,013 | 738,971 | 8,958 |
| Title II, part A | 104,378 | 104,378 | 103,593 | (785) |
| Title III - Limited English proficient | 10,461 | 10,461 | - | (10,461) |
| Title VI-B, special education flow-through | 548,139 | 548,139 | 520,308 | (27,831) |
| Title VI-B, special education pre-school | 12,578 | 12,578 | 11,298 | (1,280) |

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board: (Continued)** | | | | |
| **School Operating Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Title IV, part A | $ - | $ 22,977 | $ 22,977 | $ - |
| Vocational education | 57,162 | 57,162 | 44,251 | (12,911) |
| Total categorical aid | $ 2,101,483 | $ 2,124,460 | $ 2,554,742 | $ 430,282 |
| Total revenue from the federal government | $ 2,101,483 | $ 2,124,460 | $ 2,554,742 | $ 430,282 |
| Total Discretely Presented Component Unit - School Board | $ 28,331,657 | $ 28,449,498 | $ 27,919,678 | $ (529,820) |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | $ 88,794 | $ 80,921 | $ 63,409 | $ 17,512 |
| General and financial administration: | | | | |
| County administrator | $ 292,519 | $ 303,508 | $ 301,163 | $ 2,345 |
| Finance | 141,231 | 143,318 | 142,023 | 1,295 |
| Audit services | 66,760 | 66,760 | 66,494 | 266 |
| Legal services | 37,800 | 37,989 | 37,407 | 582 |
| Commissioner of revenue | 298,887 | 302,262 | 269,087 | 33,175 |
| DMV agent office | 64,509 | 65,406 | 56,664 | 8,742 |
| Treasurer | 354,823 | 362,752 | 324,554 | 38,198 |
| Tax mapping | 59,693 | 59,876 | 59,385 | 491 |
| Total general and financial administration | $ 1,316,222 | $ 1,341,871 | $ 1,256,777 | $ 85,094 |
| Board of elections: | | | | |
| Electoral board and officials | $ 52,150 | $ 52,150 | $ 44,881 | $ 7,269 |
| Registrar | 83,820 | 84,149 | 75,794 | 8,355 |
| Total board of elections | $ 135,970 | $ 136,299 | $ 120,675 | $ 15,624 |
| Total general government administration | $ 1,540,986 | $ 1,559,091 | $ 1,440,861 | $ 118,230 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | $ 52,642 | $ 52,839 | $ 47,538 | $ 5,301 |
| General district court | 26,475 | 26,370 | 7,886 | 18,484 |
| Special magistrates | 2,570 | 2,570 | 1,953 | 617 |
| Juvenile and domestic relations court | 9,076 | 9,076 | 6,879 | 2,197 |
| Juvenile and domestic relations court services | 13,230 | 43,420 | 42,501 | 919 |
| Victim witness program | 42,644 | 42,228 | 41,177 | 1,051 |
| Courtroom security | 123,932 | 134,783 | 135,260 | (477) |
| Clerk of the circuit court | 332,870 | 358,221 | 319,435 | 38,786 |
| Total courts | $ 603,439 | $ 669,507 | $ 602,629 | $ 66,878 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | $ 401,910 | $ 447,912 | $ 447,007 | $ 905 |
| Total judicial administration | $ 1,005,349 | $ 1,117,419 | $ 1,049,636 | $ 67,783 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ 2,464,650 | $ 2,713,386 | $ 2,733,558 | $ (20,172) |
| Sheriff-school resource officer | 485,818 | 535,684 | 532,507 | 3,177 |
| Total law enforcement and traffic control | $ 2,950,468 | $ 3,249,070 | $ 3,266,065 | $ (16,995) |
| Fire and rescue services: | | | | |
| Volunteer fire departments | $ 423,687 | $ 620,944 | $ 602,622 | $ 18,322 |
| Volunteer emergency operations | 275,110 | 441,228 | 337,558 | 103,670 |
| E-911 department | 661,893 | 562,130 | 845,604 | (283,474) |
| Total fire and rescue services | $ 1,360,690 | $ 1,624,302 | $ 1,785,784 | $ (161,482) |
| Correction and detention: | | | | |
| Sheriff-correction and detention | $ 1,448,737 | $ 1,934,381 | $ 1,952,764 | $ (18,383) |
| Juvenile detention | 15,882 | 15,882 | 15,882 | - |
| Total correction and detention | $ 1,464,619 | $ 1,950,263 | $ 1,968,646 | $ (18,383) |

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Public safety: (Continued) | | | | |
| Inspections: | | | | |
| Building | $ 152,946 | $ 158,409 | $ 142,928 | $ 15,481 |
| Other protection: | | | | |
| Animal control | $ 203,056 | $ 217,984 | $ 214,281 | $ 3,703 |
| Erosion and soil | 38,293 | 49,164 | 47,431 | 1,733 |
| Storm water management | 9,375 | 15,315 | 19,613 | (4,298) |
| Emergency services | 312,046 | 399,350 | 295,058 | 104,292 |
| Medical examiner | 700 | 700 | 280 | 420 |
| Total other protection | $ 563,470 | $ 682,513 | $ 576,663 | $ 105,850 |
| Total public safety | $ 6,492,193 | $ 7,664,557 | $ 7,740,086 | $ (75,529) |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | $ 696,010 | $ 697,496 | $ 683,089 | $ 14,407 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | $ 901,855 | $ 952,897 | $ 940,171 | $ 12,726 |
| Total public works | $ 1,597,865 | $ 1,650,393 | $ 1,623,260 | $ 27,133 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | $ 165,229 | $ 165,229 | $ 165,229 | $ - |
| Mental health and mental retardation: | | | | |
| Mental health | $ 37,500 | $ 37,500 | $ 26,029 | $ 11,471 |
| Contribution to local community services board | 71,179 | 71,179 | 71,179 | - |
| Total mental health and mental retardation | $ 108,679 | $ 108,679 | $ 97,208 | $ 11,471 |
| Welfare: | | | | |
| Contribution to area on aging | $ 2,252 | $ 2,252 | $ 2,252 | $ - |
| Public assistance | 2,407,732 | 2,406,985 | 1,875,946 | 531,039 |
| Children's Services Act (CSA) | - | - | 498,513 | (498,513) |
| Total welfare | $ 2,409,984 | $ 2,409,237 | $ 2,376,711 | $ 32,526 |
| Total health and welfare | $ 2,683,892 | $ 2,683,145 | $ 2,639,148 | $ 43,997 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community College | $ 17,322 | $ 17,322 | $ 17,322 | $ - |
| Contribution to County School Board | 5,729,290 | 5,729,290 | 5,652,209 | 77,081 |
| Total education | $ 5,746,612 | $ 5,746,612 | $ 5,669,531 | $ 77,081 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | $ 270,704 | $ 271,824 | $ 264,958 | $ 6,866 |
| Library: | | | | |
| Contribution to regional library | $ 314,832 | $ 314,832 | $ 314,832 | $ - |
| Total parks, recreation, and cultural | $ 585,536 | $ 586,656 | $ 579,790 | $ 6,866 |

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | $ 199,158 | $ 199,199 | $ 190,842 | $ 8,357 |
| Tourism | 421,376 | 462,792 | 455,876 | 6,916 |
| Economic development | 67,606 | 481,278 | 159,695 | 321,583 |
| Total planning and community development | $ 688,140 | $ 1,143,269 | $ 806,413 | $ 336,856 |
| Environmental management: | | | | |
| Soil and water district | $ 115,832 | $ 117,963 | $ 117,963 | $ - |
| Cooperative extension program: | | | | |
| Extension office | $ 111,526 | $ 111,527 | $ 103,937 | $ 7,590 |
| Total community development | $ 915,498 | $ 1,372,759 | $ 1,028,313 | $ 344,446 |
| Capital projects: | | | | |
| VDOT revenue sharing - paving | $ - | $ 80,500 | $ 80,500 | $ - |
| Other capital projects | 53,400 | 208,216 | 113,734 | 94,482 |
| Total capital projects | $ 53,400 | $ 288,716 | $ 194,234 | $ 94,482 |
| Debt service: | | | | |
| Principal retirement | $ 1,722,762 | $ 1,722,762 | $ 1,295,107 | $ 427,655 |
| Interest and other fiscal charges | 1,202,946 | 1,211,945 | 907,880 | 304,065 |
| Total debt service | $ 2,925,708 | $ 2,934,707 | $ 2,202,987 | $ 731,720 |
| Total General Fund | $ 23,547,039 | $ 25,604,055 | $ 24,167,846 | $ 1,436,209 |
| **Nonmajor Special Revenue funds:** | | | | |
| **Asset Forfeiture Fund:** | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ - | $ 15,521 | $ 15,517 | $ 4 |
| Total Asset Forfeiture fund | $ - | $ 15,521 | $ 15,517 | $ 4 |
| Total Primary Government | $ 23,547,039 | $ 25,619,576 | $ 24,183,363 | $ 1,436,213 |
| **Discretely Presented Component Unit - School Board:** | | | | |
| **School Operating Fund:** | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration and health services | $ 1,482,084 | $ 1,482,084 | $ 1,450,901 | $ 31,183 |
| Instruction costs: | | | | |
| Instructional costs | $ 19,340,968 | $ 19,267,712 | $ 19,463,476 | $ (195,764) |
| Technology | 1,479,531 | 1,575,765 | 1,425,013 | 150,752 |
| Total instruction costs | $ 20,820,499 | $ 20,843,477 | $ 20,888,489 | $ (45,012) |
| Operating costs: | | | | |
| Pupil transportation | $ 2,105,858 | $ 2,105,858 | $ 1,840,796 | $ 265,062 |
| Operation and maintenance of school plant | 2,258,176 | 2,258,176 | 2,258,919 | (743) |
| Food service and non-instructional | 1,491,964 | 1,491,964 | 1,402,010 | 89,954 |
| Facilities | 173,076 | 267,939 | 173,083 | 94,856 |
| Total operating costs | $ 6,029,074 | $ 6,123,937 | $ 5,674,808 | $ 449,129 |
| Total education | $ 28,331,657 | $ 28,449,498 | $ 28,014,198 | $ 435,300 |
| Total Discretely Presented Component Unit - School Board | $ 28,331,657 | $ 28,449,498 | $ 28,014,198 | $ 435,300 |

# Other Statistical Information

Table 1

**County of Patrick, 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 | Public Service Authority | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017-18 | $ 960,130 | $ 997,212 | $ 6,908,864 | $ 1,776,480 | $ 2,549,728 | $ 6,620,767 | $ 612,278 | $ 1,018,079 | $ 1,310,762 | $ 344,782 | $ 23,099,082 |
| 2016-17 | 949,882 | 937,298 | 6,675,438 | 2,083,874 | 2,449,863 | 6,243,278 | 543,517 | 910,975 | 1,377,032 | 360,251 | 22,531,408 |
| 2015-16 | 1,150,083 | 848,242 | 5,932,773 | 1,901,509 | 2,099,216 | 5,729,488 | 561,566 | 593,301 | 1,478,026 | 343,929 | 20,638,133 |
| 2014-15 | 1,343,304 | 800,448 | 5,852,643 | 1,475,097 | 1,804,644 | 5,593,639 | 507,656 | 894,400 | 2,022,846 | 344,843 | 20,639,520 |
| 2013-14 | 1,579,706 | 727,953 | 6,082,736 | 1,453,885 | 1,720,817 | 8,748,911 | 469,479 | 573,776 | 1,701,434 | 801,491 | 23,860,188 |
| 2012-13 | 1,129,245 | 720,041 | 5,294,984 | 1,219,203 | 1,715,921 | 8,434,803 | 497,565 | 1,961,182 | 1,737,202 | 284,378 | 22,994,524 |
| 2011-12 | 1,080,635 | 687,006 | 2,857,489 | 1,218,942 | 1,734,701 | 4,821,016 | 171,656 | 870,585 | 1,778,415 | 215,737 | 15,436,182 |
| 2010-11 | 1,101,780 | 682,045 | 5,012,068 | 1,352,902 | 1,676,559 | 5,021,544 | 479,442 | 931,949 | 1,876,169 | 52,409 | 18,186,867 |
| 2009-10 | 1,077,862 | 685,860 | 4,511,176 | 1,201,585 | 2,139,605 | 4,305,245 | 469,560 | 629,129 | 1,655,271 | - | 16,675,293 |
| 2008-09 | 1,584,552 | 691,303 | 4,319,757 | 1,107,198 | 2,082,146 | 5,180,863 | 468,144 | 1,095,023 | 1,624,607 | - | 18,153,593 |

Table 2

**County of Patrick, Virginia**
**Government-wide Revenues**
**Last Ten Fiscal Years**

| | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous (2) | Grants and Contributions Not Restricted to Specific Programs (1) | Total |
| 2017-18 | $ 641,165 | $ 4,994,023 | $ - | $ 12,395,028 | $ 2,580,028 | $ 45,120 | $ 92,938 | $ 1,317,641 | $ 22,065,943 |
| 2016-17 | 521,333 | 4,728,635 | 317,356 | 12,317,668 | 2,540,893 | 44,175 | 87,220 | 1,303,435 | 21,860,715 |
| 2015-16 | 510,411 | 4,580,269 | - | 11,944,860 | 2,495,653 | 28,471 | 59,879 | 1,256,329 | 20,875,872 |
| 2014-15 | 537,931 | 4,151,843 | - | 11,558,092 | 2,397,795 | 21,797 | 150,626 | 1,226,231 | 20,044,315 |
| 2013-14 | 526,899 | 4,127,970 | 117,953 | 11,252,512 | 2,228,527 | 30,930 | 1,548,947 | 1,260,137 | 21,093,875 |
| 2012-13 | 400,289 | 4,768,248 | 1,168,785 | 11,277,130 | 2,205,676 | 37,613 | 185,323 | 1,321,311 | 21,364,375 |
| 2011-12 | 380,937 | 4,205,478 | - | 11,311,703 | 2,120,029 | 13,462 | 1,717,362 | 1,245,402 | 20,994,373 |
| 2010-11 | 424,797 | 5,276,962 | - | 11,210,900 | 2,092,000 | 57,049 | 211,782 | 1,304,116 | 20,577,606 |
| 2009-10 | 378,658 | 4,179,204 | - | 15,096,410 | 2,011,042 | 138,469 | 210,229 | 1,292,305 | 23,306,317 |
| 2008-09 | 382,472 | 4,455,190 | - | 8,415,767 | 2,447,820 | 469,510 | 257,645 | 830,592 | 17,258,996 |

(1) In fiscal year 2010, communication taxes were reclassed from other local taxes to grants and contributions not restricted to specific programs.
(2) Miscellaneous includes a gain on disposal of asset of $1,481,304 and $1,439,110 in fiscal year 2012 and 2014, respectively.

Table 3

**County of Patrick, 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 | Capital Projects | Debt Service | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017-18 | $ 1,440,861 | $ 1,049,636 | $ 7,755,603 | $ 1,623,260 | $ 2,639,148 | $ 28,031,520 | $ 579,790 | $ 1,028,313 | $ 194,234 | $ 2,202,987 | $ 46,545,352 |
| 2016-17 | 1,441,604 | 882,011 | 6,637,403 | 1,518,445 | 2,392,126 | 27,992,967 | 550,873 | 878,387 | 800,553 | 2,575,599 | 45,669,968 |
| 2015-16 | 1,359,604 | 836,644 | 5,882,374 | 1,407,136 | 2,088,069 | 27,054,109 | 551,805 | 697,115 | 1,443,605 | 2,572,960 | 43,893,421 |
| 2014-15 | 1,480,422 | 815,155 | 6,181,115 | 1,403,761 | 1,844,185 | 27,271,374 | 547,008 | 1,018,031 | 245,054 | 3,396,738 | 44,202,843 |
| 2013-14 | 1,596,476 | 724,378 | 6,112,925 | 1,391,541 | 1,695,066 | 25,167,398 | 482,503 | 630,345 | - | 3,015,908 | 40,816,540 |
| 2012-13 | 1,302,404 | 714,323 | 5,245,398 | 1,378,724 | 1,738,616 | 24,854,973 | 484,690 | 1,890,320 | - | 2,998,449 | 40,607,897 |
| 2011-12 | 1,315,043 | 698,740 | 5,409,834 | 1,204,719 | 1,792,357 | 24,745,312 | 492,844 | 873,669 | 61,433 | 2,903,175 | 39,497,126 |
| 2010-11 | 1,341,103 | 683,627 | 5,039,294 | 1,361,251 | 1,881,784 | 23,994,115 | 485,882 | 890,656 | - | 2,589,445 | 38,267,157 |
| 2009-10 | 1,284,573 | 707,881 | 4,714,035 | 1,192,312 | 2,045,307 | 25,716,881 | 469,691 | 632,530 | 424,283 | 2,740,203 | 39,927,696 |
| 2008-09 | 1,651,467 | 684,346 | 4,264,669 | 1,097,246 | 2,112,049 | 26,238,244 | 467,347 | 1,100,351 | 371,799 | 3,199,611 | 41,187,129 |

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

Table 4

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

| Fiscal Year | General Property Taxes (3) | 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 | $ 12,358,878 | $ 2,580,028 | $ 80,507 | $ 20,530 | $ 47,105 | $ 754,450 | $ 651,297 | $ 1,056,966 | $ 27,586,403 | $ 45,136,164 |
| 2016-17 | 12,298,113 | 2,540,893 | 64,790 | 27,388 | 47,643 | 733,652 | 758,108 | 1,035,402 | 27,802,489 | 45,308,478 |
| 2015-16 | 11,995,394 | 2,495,653 | 54,022 | 24,692 | 40,740 | 742,466 | 383,219 | 856,738 | 27,112,367 | 43,705,291 |
| 2014-15 | 11,501,012 | 2,397,795 | 66,183 | 17,507 | 28,718 | 1,117,325 | 267,955 | 1,254,924 | 26,466,051 | 43,117,470 |
| 2013-14 | 11,378,490 | 2,228,527 | 81,031 | 18,892 | 33,409 | 1,102,511 | 160,715 | 1,136,560 | 24,688,399 | 40,828,534 |
| 2012-13 | 11,301,734 | 2,205,676 | 60,007 | 18,201 | 29,888 | 845,646 | 429,315 | 1,295,934 | 24,367,985 | 40,554,386 |
| 2011-12 | 11,184,689 | 2,120,029 | 95,442 | 16,377 | 19,678 | 805,300 | 1,189,965 | 605,630 | 23,721,899 | 39,759,009 |
| 2010-11 | 11,046,404 | 2,092,000 | 82,905 | 26,708 | 66,548 | 828,660 | 1,091,847 | 442,105 | 23,875,791 | 39,552,968 |
| 2009-10 | 15,487,478 | 2,522,670 | 81,406 | 28,251 | 78,867 | 820,319 | 1,215,160 | 573,619 | 24,709,818 | 45,517,588 |
| 2008-09 | 8,352,446 | 2,447,820 | 79,547 | 21,077 | 139,685 | 891,725 | 1,518,793 | 386,563 | 25,302,825 | 39,140,481 |

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.
Excludes Capital Projects funds.

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

(3) 2009-2010 was the first year that the County implemented twice-year collections for real estate.

Table 5

**County of Patrick, 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 (2) | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|---|---|---|---|
| 2017-18 | $ 12,150,109 | $ 11,614,909 | 95.60% | $ 516,022 | $ 12,130,931 | 99.84% | $ 1,074,666 | 8.84% |
| 2016-17 | 12,058,405 | 11,605,386 | 96.24% | 468,689 | 12,074,075 | 100.13% | 1,057,435 | 8.77% |
| 2015-16 | 11,742,587 | 11,293,278 | 96.17% | 488,812 | 11,782,090 | 100.34% | 1,011,140 | 8.61% |
| 2014-15 | 11,308,370 | 11,052,086 | 97.73% | 260,125 | 11,312,211 | 100.03% | 1,066,079 | 9.43% |
| 2013-14 | 11,213,531 | 10,885,053 | 97.07% | 301,174 | 11,186,227 | 99.76% | 1,034,713 | 9.23% |
| 2012-13 | 11,034,952 | 10,805,696 | 97.92% | 304,939 | 11,110,635 | 100.69% | 1,166,071 | 10.57% |
| 2011-12 | 11,028,994 | 10,753,469 | 97.50% | 267,374 | 11,020,843 | 99.93% | 1,183,290 | 10.73% |
| 2010-11 | 10,729,935 | 10,274,440 | 95.75% | 186,770 | 10,461,210 | 97.50% | 811,357 | 7.56% |
| 2009-10 (3) | 14,853,858 | 14,781,753 | 99.51% | 252,948 | 15,034,701 | 101.22% | 857,981 | 5.78% |
| 2008-09 | 8,982,398 | 8,680,030 | 96.63% | 226,047 | 8,906,077 | 99.15% | 442,164 | 4.92% |

(1) Exclusive of penalties and interest.
(2) Exclusive of land redemptions.
(3) 2009-2010 was the first year that the County implemented twice-year collections for real estate. There was a bookkeeping change relative to stated real estate levies. The real estate levies include the 2009 taxes and the 1st half of the 2010 taxes which were due June 2010. Twice year collections calculated on the billings of December of the first year and June of the second year.

Table 6

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

| Fiscal Year | Real Estate (3) | Personal Property and Mobile Homes (3) | Machinery and Tools (3) | Public Utility (2) Real Estate and Personal Property | Total |
|---|---|---|---|---|---|
| 2017-18 | $ 1,569,230,400 | $ 178,595,077 | $ 37,324,141 | $ 76,804,155 | $ 1,861,953,773 |
| 2016-17 | 1,563,661,350 | 173,386,314 | 38,492,368 | 78,496,926 | 1,854,036,958 |
| 2015-16 | 1,560,070,500 | 167,955,144 | 38,455,812 | 81,109,560 | 1,847,591,016 |
| 2014-15 | 1,655,322,650 | 166,685,416 | 34,927,504 | 75,872,248 | 1,932,807,818 |
| 2013-14 | 1,747,596,250 | 164,524,594 | 35,330,203 | 73,199,458 | 2,020,650,505 |
| 2012-13 | 1,739,594,600 | 163,831,979 | 34,548,797 | 52,520,654 | 1,990,496,030 |
| 2011-12 | 1,732,478,250 | 161,666,824 | 33,603,847 | 67,438,239 | 1,995,187,160 |
| 2010-11 | 1,724,443,955 | 161,488,870 | 36,202,239 | 64,197,225 | 1,986,332,289 |
| 2009-10(4) | 2,558,862,025 | 152,193,677 | 39,433,886 | 65,732,477 | 2,816,222,065 |
| 2008-09 | 997,044,265 | 164,010,669 | 39,389,750 | 41,780,249 | 1,242,224,933 |

(1) Assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Assessed values are established by the local Commissioner of the Revenue.
(4) 2009-10 was the first year that the County implemented twice-year collections. The assessed values include 2009 taxes and the 1st half of 2010 taxes which were due in June 2010.

Table 7

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

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Mobile Home |
|---|---|---|---|---|
| 2017-18 | $ 0.57 | $ 1.71 | $ 1.71 | $ 0.57 |
| 2016-17 | 0.57 | 1.71 | 1.71 | 0.57 |
| 2015-16 | 0.55/0.57 | 1.71 | 1.71 | 0.55 |
| 2014-15 | 0.48/0.55 | 1.71 | 1.71 | 0.48 |
| 2013-14 | 0.48 | 1.71 | 1.71 | 0.48 |
| 2012-13 | 0.48 | 1.71 | 1.71 | 0.48 |
| 2011-12 | 0.48 | 1.71 | 1.71 | 0.48 |
| 2010-11 | 0.48 | 1.71 | 1.71 | 0.48 |
| 2009-10 | 0.48 | 1.71 | 1.71 | 0.48 |
| 2008-09 | 0.55 | 1.71 | 1.71 | 0.55 |

(1) Per $100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (in thousands) (2) | Gross Bonded Debt (3) | Gross and Net Bonded Debt(3) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|---|---|---|---|---|---|---|
| 2017-18 | 18,490 | $ 1,861,954 | $ 33,500,213 | $ 33,500,213 | 1.80% | $ 1,812 |
| 2016-17 | 18,490 | 1,854,037 | 34,214,440 | 34,214,440 | 1.85% | 1,850 |
| 2015-16 | 18,490 | 1,847,591 | 33,993,424 | 33,993,424 | 1.84% | 1,838 |
| 2014-15 | 18,490 | 1,932,808 | 31,959,054 | 31,959,054 | 1.65% | 1,728 |
| 2013-14 | 18,490 | 2,020,651 | 32,636,386 | 32,636,386 | 1.62% | 1,765 |
| 2012-13 | 18,490 | 1,990,496 | 33,722,870 | 33,722,870 | 1.69% | 1,824 |
| 2011-12 | 18,490 | 1,995,187 | 34,782,901 | 34,782,901 | 1.74% | 1,881 |
| 2010-11 | 18,490 | 1,986,332 | 35,812,106 | 35,812,106 | 1.80% | 1,937 |
| 2009-10 | 19,407 | 2,816,222 | 36,706,993 | 36,706,993 | 1.30% | 1,891 |
| 2008-09 | 19,407 | 1,242,225 | 31,307,832 | 31,307,832 | 2.52% | 1,613 |
| 2007-08 | 19,407 | 1,211,214 | 6,756,122 | 6,756,122 | 0.56% | 348 |

(1) Bureau of the Census.
(2) Real property assessed at 100% of fair market value.
(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, revenue bonds, and literary fund loans.
Excludes capital leases and compensated absences.

Table 9

**County of Patrick, Virginia**
**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures (1), (2)**
**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 | $ 1,295,107 | $ 907,880 | $ 2,202,987 | $ 46,545,352 | 4.73% |
| 2016-17 | 1,105,697 | 1,469,902 | 2,575,599 | 45,669,968 | 5.64% |
| 2015-16 | 885,171 | 1,687,789 | 2,572,960 | 43,893,421 | 5.86% |
| 2014-15 | 1,265,923 | 1,719,316 | 2,985,239 | 44,202,843 | 6.75% |
| 2013-14 | 1,290,577 | 1,725,331 | 3,015,908 | 40,816,540 | 7.39% |
| 2012-13 | 1,228,615 | 1,769,834 | 2,998,449 | 40,607,897 | 7.38% |
| 2011-12 | 1,185,427 | 1,717,748 | 2,903,175 | 39,497,126 | 7.35% |
| 2010-11 | 894,887 | 1,694,558 | 2,589,445 | 38,267,157 | 6.77% |
| 2009-10 | 895,839 | 1,530,898 | 2,426,737 | 39,927,696 | 6.08% |
| 2008-09 | 596,638 | 1,102,973 | 1,699,611 | 41,187,129 | 4.13% |

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

(2) Excludes bond issuance costs.

# COMPLIANCE SECTION

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

**To the Honorable Members of the Board of Supervisors**
**County of Patrick, Virginia**
**Stuart, Virginia**

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

### Internal Control over Financial Reporting

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

## Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 30, 2018

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

**To the Honorable Members of the Board of Supervisors**
**County of Patrick, Virginia**
**Stuart, Virginia**

### Report on Compliance for Each Major Federal Program

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

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

*Opinion on Each Major Federal Program*

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

**Report on Internal Control over Compliance**

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 30, 2018

## County of Patrick, 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: | | | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760117, 0760118 | | | $ 26,703 |
| Promoting Safe and Stable Families | 93.556 | 0950116, 0950117 | | | 10,322 |
| Temporary Assistance for Needy Families | 93.558 | 0400117, 0400118 | | | 172,670 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500117, 0500118 | | | 242 |
| Low-Income Home Energy Assistance | 93.568 | 0600417, 0600418 | | | 22,748 |
| Chafee Education and Training Vouchers | 93.599 | 9160117 | | | 1,637 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900116, 0900117 | | | 519 |
| Foster Care - Title IV-E | 93.658 | 1100117, 1100118 | | | 178,140 |
| Adoption Assistance | 93.659 | 1120117, 1120118 | | | 29,688 |
| Social Services Block Grant | 93.667 | 1000117, 1000118 | | | 150,032 |
| Chafee Foster Care Independence Program | 93.674 | 9150117, 9150118 | | | 1,128 |
| Children's Health Insurance Program | 93.767 | 0540117, 0540118 | | | 8,412 |
| Medical Assistance Program | 93.778 | 1200117, 1200118 | | | 211,022 |
| Total Department of Health and Human Services | | | | | $ 813,263 |
| Department of Agriculture: | | | | | |
| Pass Through Payments: | | | | | |
| Child Nutrition Cluster: | | | | | |
| Department of Education: | | | | | |
| School Breakfast Program | 10.553 | APE40253 | | $ 276,798 | |
| National School Lunch Program | 10.555 | APE40254 | $ 594,316 | | |
| Department of Agriculture: | | | | | |
| Food Distribution (Note 3) | 10.555 | Not available | 80,090 | 674,406 | |
| Summer Food Service Program for Children | 10.559 | Not available | | 5,775 | |
| Total Child Nutrition Cluster | | | | | $ 956,979 |
| Department of Social Services: | | | | | |
| State Administrative Matching Grants for the Supplemental Nurition Assistance Program | 10.561 | 0010117, 0010118<br>0040117, 0040118 | | | 206,346 |
| Total Department of Agriculture | | | | | $ 1,163,325 |
| Department of Justice: | | | | | |
| Direct payments: | | | | | |
| Equitable Sharing Program | 16.922 | N/A | | | $ 8,750 |
| Pass Through Payments: | | | | | |
| Department of Criminal Justice Services: | | | | | |
| Crime Victim Assistance | 16.575 | 16VAGX0039 | | | $ 31,356 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16.738 | 15DJBX1062 | | | 53,302 |
| Violence Against Women Formula Grants | 16.588 | 17WFAX0013 | | | 57,750 |
| Total Department of Justice | | | | | $ 151,158 |
| Department of Transportation: | | | | | |
| Pass Through Payments: | | | | | |
| Department of Motor Vehicles: | | | | | |
| Highway Safety Cluster: | | | | | |
| State and Community Highway Safety | 20.600 | FSC-2018-58257-8257 | | | $ 3,900 |
| Alcohol Open Container Requirements | 20.607 | 154AL-2018-58164-8164 | | | 17,126 |
| Total Department of Transportation | | | | | $ 21,026 |
| Department of Education: | | | | | |
| Pass Through Payments: | | | | | |
| Franklin County, Virginia School Board: | | | | | |
| Adult Education - Basic Grants to States | 84.002 | APE42801 | | | $ 49,782 |
| Department of Education: | | | | | |
| Special Education Cluster: | | | | | |
| Special Education - Grants to States | 84.027 | APE43071 | | $ 520,308 | |
| Special Education - Preschool Grants | 84.173 | APE62521 | | 11,298 | |
| Total Special Education Cluster | | | | | 531,606 |
| Title I: Grants to Local Educational Agencies | 84.010 | APE42901 | | | 738,971 |
| Career and Technical Education-Basic Grants to States | 84.048 | APE61095 | | | 44,251 |
| Rural Education | 84.358 | APE43481 | | | 106,583 |
| Supporting Effective Instruction State Grant | 84.367 | APE61480 | | | 103,593 |
| Student Support and Academic Enrichment | 84.424 | APE60019 | | | 22,977 |
| Total Department of Education | | | | | $ 1,597,763 |

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | | Federal Expenditures |
|---|---|---|---|---|
| Department of Labor: | | | | |
| Pass Through Payments: | | | | |
| County of Pittsylvania, Virginia: | | | | |
| WIA/WIOA Cluster: | | | | |
| WIA Adult Program | 17.258 | 534027 | $ 1,603 | |
| WIA Dislocated Worker Formula Grants | 17.278 | 534027 | 963 | |
| Total WIA/WIOA Cluster: | | | | 2,566 |
| Total Department of Labor | | | | $ 2,566 |
| Department of Housing and Urban Development: | | | | |
| Pass Through Payments: | | | | |
| Department of Housing and Community Development: | | | | |
| Community Development Block Grant | 14.228 | HCD50790 | | $ 24,517 |
| Total Department of Housing and Urban Development | | | | $ 24,517 |
| Total Expenditures of Federal Awards | | | | $ 3,773,618 |

**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 Patrick, Virginia, its blended component unit Patrick County Public Service Authority, and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform 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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, 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 an 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, 2017, the School Board had $57,364 in food commodities

Note 4 -- Subrecipients

The County did not have any subrecipients during the fiscal year.

Note 5 -- Federal Loans

The Patrick County Public Service Authority (blended component unit) has two outstanding loans, as of June 30, 2018, with USDA Rural Development totaling $3,281,032.

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 | $ 1,323,984 |
| Less: Payment in lieu of taxes | (21,297) |
| Less: Interest subsidy | (92,561) |
| Asset Forfeiture Fund | - |
| Add: Federal asset forfeiture expenditures of funds on hanc | 8,750 |
| Total primary government | $ 1,218,876 |
| Component Unit School Board: | |
| School Operating Fund | $ 2,554,742 |
| Total component unit school board | $ 2,554,742 |
| Total federal expenditures per basic financial statements | $ 3,773,618 |

**Section I - Summary of Auditors' Results**

*Financial Statements*

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

*Federal Awards*

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

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---|---|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 84.027/84.173 | Special Education Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | No |

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Status of Prior Audit Findings**

There were no prior year findings.