

County of Gloucester, Virginia
Comprehensive Annual Financial Report



For the Fiscal Year Ending June 30, 2018

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Prepared By:

Gloucester County
Department of Finance

THIS PAGE LEFT BLANK INTENTIONALLY

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

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	ii-vi
Directory of Principal Officials	vii
Organizational Chart	viii
GFOA Certificate of Achievement	ix
Letter of Transmittal	x-xxi
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-16
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	20
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	22
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Exhibit 7 Statement of Net Position—Proprietary Fund	24-25
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position—Proprietary Fund	26
Exhibit 9 Statement of Cash Flows—Proprietary Fund	27
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Funds	28
Notes to Financial Statements	29-147
<u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	148

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

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	<u>Page</u>
<u>Required Supplementary Information: (Continued)</u>	
Exhibit 12 Schedule of Changes in Net Pension Liability and Related Ratios— Primary Government	149
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios—Component Unit School Board (nonprofessional)	150
Exhibit 14 Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan	151
Exhibit 15 Schedule of Employer Contributions	152
Exhibit 16 Notes to Required Supplementary Information	153-154
Exhibit 17 Schedule of County’s Share of Net OPEB Liability—Group Life Insurance Program	155
Exhibit 18 Schedule of Employer Contributions - Group Life Insurance Program	156
Exhibit 19 Notes to Required Supplementary Information—Group Life Insurance Program	157-158
Exhibit 20 Schedule of Changes in Net OPEB Liability and Related Ratios—Health Insurance Credit Program (HIC) —Primary Government	159
Exhibit 21 Schedule of Changes in Net OPEB Liability and Related Ratios—Health Insurance Credit Program (HIC) —Component Unit School Board— (nonprofessional)	160
Exhibit 22 Schedule of Employer Contributions - Health Insurance Credit Program (HIC)	161
Exhibit 23 Notes to Required Supplementary Information—Health Insurance Credit Program (HIC)	162
Exhibit 24 Schedule of School Board’s Share of Net OPEB Liability—Teacher Health Insurance Credit Program (HIC)	163
Exhibit 25 Schedule of Employer Contributions—Teacher Health Insurance Credit Program (HIC)	164
Exhibit 26 Notes to Required Supplementary Information—Teacher Health Insurance Credit Program (HIC)	165
Exhibit 27 Schedule of Employer’s Share of Net LODA OPEB Liability—Line of Duty Act Program (LODA)	166
Exhibit 28 Schedule of Employer Contributions—Line of Duty Act Program (LODA)	167

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

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	<u>Page</u>
<u>Required Supplementary Information: (Continued)</u>	
Exhibit 29 Notes to Required Supplementary Information—Line of Duty Act Program Program (LODA)	168
Exhibit 30 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios—Primary Government	169
Exhibit 31 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios—Component Unit School Board	170
Exhibit 32 Notes to Required Supplementary Information—County OPEB	171
Exhibit 33 Notes to Required Supplementary Information—Component Unit School Board	172
<u>Other Supplementary Information:</u>	
Combining and Individual Statement and Schedules:	
Exhibit 34 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Debt Service Fund	173
Exhibit 35 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Capital Projects Fund	174
Exhibit 36 Combining Balance Sheet—Nonmajor Governmental Funds	175
Exhibit 37 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	176
Exhibit 38 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Nonmajor Governmental Funds	177-178
Exhibit 39 Combining Statement of Fiduciary Net Position—Fiduciary Funds	179
Exhibit 40 Combining Statement of Changes in Assets and Liabilities—Agency Funds	180
Discretely Presented Component Unit—School Board:	
Exhibit 41 Combining Balance Sheet	181
Exhibit 42 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit School Board	182
Exhibit 43 Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Discretely Presented Component Unit School Board	183

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

TABLE OF CONTENTS (CONTINUED)

	Page	
FINANCIAL SECTION (CONTINUED)		
<u>Other Supplementary Information: (Continued)</u>		
Discretely Presented Component Unit—School Board: (Continued)		
Exhibit 44	Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—Discretely Presented Component Unit School Board—School Cafeteria Fund	184
Exhibit 45	Statement of Fiduciary Net Position—Fiduciary Fund— Discretely Presented Component Unit School Board	185
Exhibit 46	Statement of Changes in Fiduciary Net Position—Fiduciary Fund— Discretely Presented Component Unit School Board	186
Exhibit 47	Statement of Net Position—Internal Service Fund—Discretely Presented Component Unit School Board	187
Exhibit 48	Statement of Revenues, Expenses, and Changes in Fund Net Position— Internal Service Fund—Discretely Presented Component Unit School Board	188
Exhibit 49	Statement of Cash Flows—Internal Service Fund—Discretely Presented Component Unit School Board	189
Discretely Presented Component Unit—Economic Development Authority:		
Exhibit 50	Statement of Net Position—Discretely Presented Component Unit Economic Development Authority	190
Exhibit 51	Statement of Revenues, Expenses, and Changes in Net Position— Discretely Presented Component Unit Economic Development Authority	191
Exhibit 52	Statement of Cash Flows—Discretely Presented Component Unit Economic Development Authority	192
Supporting Schedules:		
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Funds	193-200
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Funds	201-205
STATISTICAL SECTION:		
Table 1	Net Position by Component—Last Ten Fiscal Years	206-207
Table 2	Changes in Net Position—Last Ten Fiscal Years	208-211
Table 3	Fund Balances Governmental Funds—Last Ten Fiscal Years	212-213
Table 4	Changes in Fund Balances Governmental Funds—Last Ten Fiscal Years	214-215

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

TABLE OF CONTENTS (CONTINUED)

	Page
STATISTICAL SECTION: (CONTINUED)	
Table 5 Principal Property Tax Payers—Current and Nine Years Ago	216
Table 6 Property Tax Levies and Collections—Last Ten Fiscal Years	217
Table 7 Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years	218
Table 8 Assessed Value of Taxable Property Other than Real Property—Last Ten Calendar Years	219
Table 9 Ratio of Outstanding Debt by Type—Last Ten Fiscal Years	220
Table 10 Ratio of General Bonded Debt Outstanding—Last Ten Fiscal Years	221
Table 11 Pledged Revenue Coverage—Last Ten Fiscal Years	222
Table 12 Demographic and Economic Statistics—Last Ten Calendar Years	223
Table 13 Principal Employers—Current and Nine Years Ago	224
Table 14 Full-time Equivalent County Government Employees by Function—Last Ten Fiscal Years	225
Table 15 Operating Indicators by Function—Last Ten Fiscal Years (where available)	226-227
Table 16 High Volume Users of Water System—Current and Nine Years Ago	228
Table 17 Capital Asset Statistics by Function/Program—Last Ten Fiscal Years	229-230
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 <i>Government Auditing Standards</i>	231-232
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	233-234
Schedule of Expenditures of Federal Awards	235-236
Notes to Schedule of Expenditures of Federal Awards	237
Schedule of Findings and Questioned Costs	238

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Christopher A. Hutson, Chair
Ashley C. Chriscoe, Vice-Chair

Kevin M. Smith
Phillip N. Bazzani

Michael R. Winebarger

Andrew James, Jr.
Robert J. Orth

County School Board

Anita F. Parker, Chair
William Jarret Lee, Vice-Chair

Brenda Mack
George R. Burak

Robin Rice

Troy M. Anderson
Elisa A. Nelson

Board of Social Services

Jane Sterling, Chairperson
Aaron Conner, Vice-Chairperson

Corky Hogge
Mark Dutton

Velma Bennis
BOS Representative Michael R. Winebarger

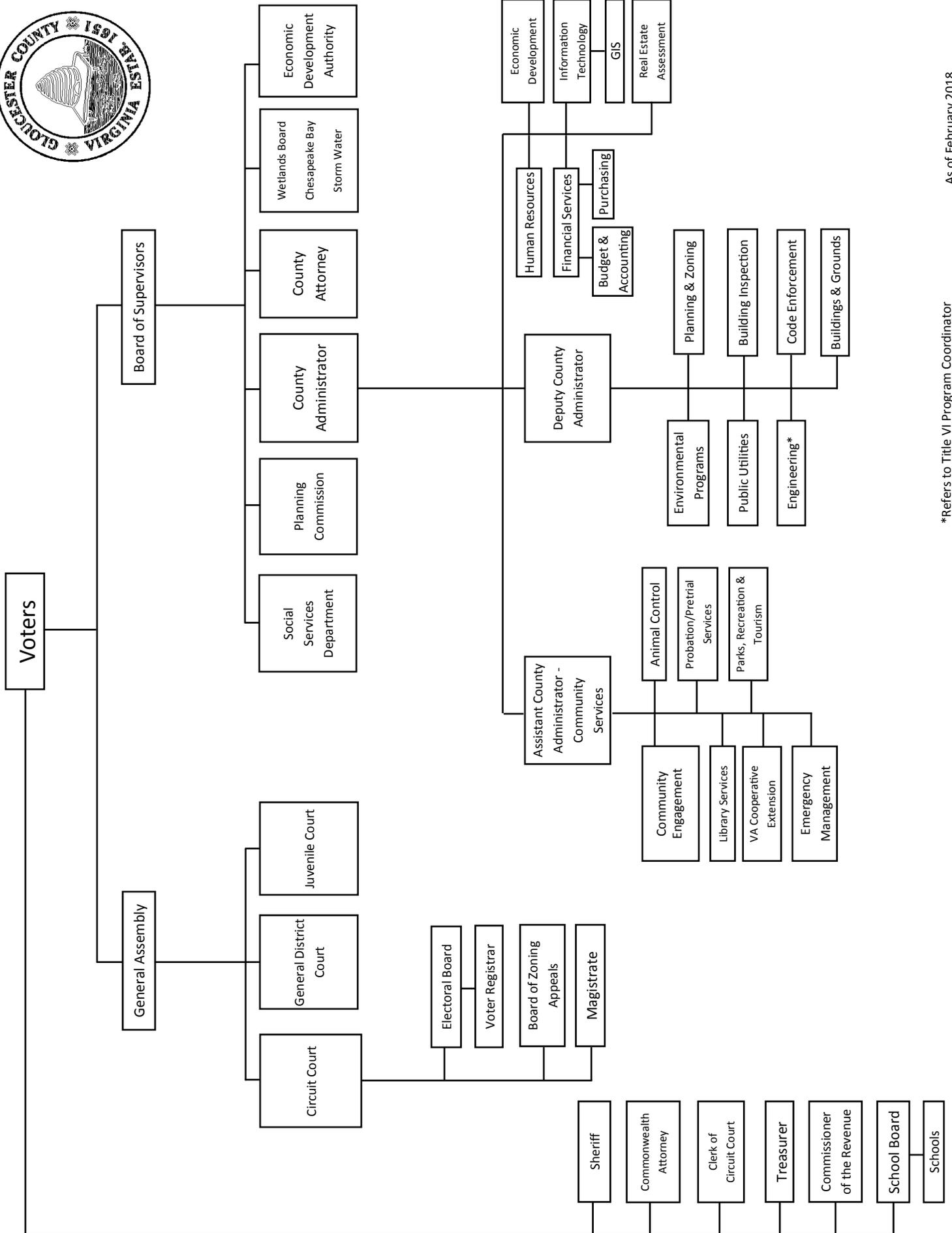
Harrison Dixon
Jane Smith

Other Officials

County AdministratorJ. Brent Fedors
Judge of the Circuit CourtHonorable Jeffrey W. Shaw
Clerk of the Circuit Court.....Margaret Walker
Commonwealth's Attorney Holly B. Smith
Commissioner of the Revenue..... Kevin A. Wilson
TreasurerTara L. Thomas
Judge of the Juvenile and Domestic Relations CourtHonorable Cressondra B. Conyers
Judge of the General District Court.....Honorable Stephanie E. Merritt
Sheriff.....D. W. Warren
Superintendent of Schools.....Walter R. Clemons, Ph.D.
Director of Department of Social Services Zane S. Barry
County Attorney Edwin N. Wilmot

THIS PAGE LEFT BLANK INTENTIONALLY

Gloucester County Organizational Chart



THIS PAGE LEFT BLANK INTENTIONALLY



Government Finance Officers Association

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

Presented to

**County of Gloucester
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Gloucester County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 22nd consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

THIS PAGE LEFT BLANK INTENTIONALLY



County of Gloucester
County Administrator
6467 Main Street
P. O. Box 329
Gloucester, Virginia 23061



(804)693-4042

November 19, 2018

To the Honorable Members of the Board of Supervisors and Citizens of Gloucester County:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Gloucester County, Virginia for the fiscal year ended June 30, 2018 in conformity with the U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the U.S. by a firm of licensed certified public accountants as required by the Code of Virginia. This report is intended to provide informative and relevant financial data for the residents and business owners in the County, Board of Supervisors, investors, creditors, and any other interested readers. All are encouraged to contact the Gloucester County Department of Financial Services with any comments or questions concerning this financial report.

Robinson, Farmer, Cox Associates, Certified Public Accountants, conducted the audit of the County's financial statements for the fiscal year ended June 30, 2018, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2018, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the overall financial statement presentation. The audit was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on the County's internal controls over compliance as required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These reports are available in the Compliance Section of this report.

The Department of Financial Services has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with County management.

To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance

that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported to present fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

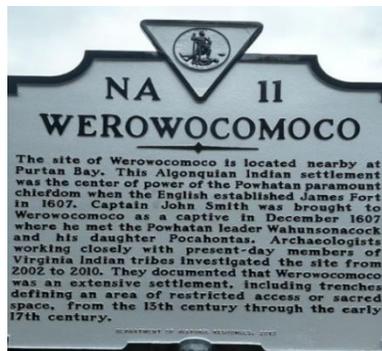
GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to provide a profile of the County and summary information about its economic condition. It is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of Gloucester County

The County was created in 1651 and covers 225 square miles of land area and 32 square miles of water area. The population per the 2010 census was 36,858. The County is empowered to levy a property tax on both real estate and personal property located within its boundaries.



The County is the site of Werowocomoco, capital of the Native American Powhatan Confederacy (a union of 30 tribes under a paramount chief). In June 2016, the National Park Service purchased the 264-acre historical site on the York River for development as a park. The site, which consists primarily of forest and farmland, has been determined to be the place where Captain John Smith was taken after his capture by Native Americans and where he met Chief Powhatan and his daughter Pocahontas. Initial findings suggest the extensive settlement was occupied as early as 1200 CE and functioned as a spiritual and political center for the Algonquian Indians.



When complete, the park will be part of the Captain John Smith Chesapeake National Historic Trail. Currently the park is not open to the public; however the National Park Service has awarded grant funds to the County for permanent display signage in the courthouse Visitor's Center.

Gloucester County is located in the Middle Peninsula of Virginia and is the fourth largest land area in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA), which is the nation's 31st largest MSA. Gloucester County shares a distinction with Chesterfield, Franklin, and Surry Counties in that they are the only four counties in the Commonwealth located within two planning districts. Gloucester County is part of the Hampton Roads Planning District and the Middle Peninsula Planning District.

Gloucester County is located in the Middle Peninsula of Virginia and is the fourth largest land area in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA), which is the nation's 31st largest MSA. Gloucester County shares a distinction with Chesterfield, Franklin, and Surry Counties in that they are the only four counties in the Commonwealth located within two planning districts. Gloucester County is part of the Hampton Roads Planning District and the Middle Peninsula Planning District.

The County of Gloucester has a traditional County Administrator form of government with an elected Board of Supervisors (Board), which establishes policies for the administration of the County. The Board consists of seven members representing the five magisterial districts in the County and two members elected at-large. The Chairman of the Board of Supervisors is elected from within the Board and generally serves for a term of one year in addition to being a District Supervisor. The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, carries out the policies established by the Board, and oversees the daily administration of the County.

The County provides a full range of general governmental administration services for its citizens and businesses, including the offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of Revenue, Treasurer, Registrar, and the departments of Human Resources, Information

Technology, GIS, and Financial Services consisting of Real Estate Assessment, Accounting and Central Purchasing which also provides shared accounting and purchasing support for the Gloucester County Public School (GCPS) system. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

Judicial Administration is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Victim and Witness Assistance, Court Services, Group Home Commission, and Commonwealth's Attorney.

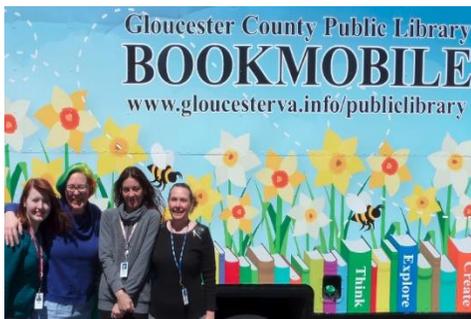
The Public Safety operations of the County include the Law Enforcement (Sheriff's Office and Jail), the departments of Emergency Operations, Building Inspections, Animal Control, Environmental and Stormwater Programs, with financial support to Probation and Pretrial, the Regional Radio (911) system, and the County's two Volunteer Fire and Rescue Squads.



Public Works consists of Engineering and Buildings & Grounds Maintenance. Engineering administers capital projects for the County and oversees the solid waste management services provided for the County. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and associated infrastructure located within the County. Buildings & Grounds also manages the Mosquito Control unit.

Health and Welfare not only includes the Community Services Board which provides mental health, intellectual disability, and substance abuse services, but also the Department of Social Services which administers the Virginia Public Assistance and the Children's Services Act Funds by determining eligibility for these public assistance programs, which are mandated by Federal and State law.

Parks, Recreation, and Cultural provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, including the County's signature event – the Daffodil Festival, and other activities for County residents in addition to the daily operation and maintenance of the County's seven parks.



The Gloucester County Public Libraries provide library services through two branch libraries, the bookmobile, and an e-branch which provides remote access to the library collection through the library's web site.

Community Development consists of the departments of Planning and Zoning, Economic Development, Clean Community, Extension Services, and Tourism to include the County's Historic Museum. The Planning and Zoning Department is responsible for the Comprehensive Plan, Zoning ordinances, demographics, and the acceptance, review, and disposition of all land use and subdivision applications.



The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

Education provides support to the County's public school system administered by the Gloucester County School Board (School Board). GCPS encompasses public education (kindergarten through grade 12) in eight schools - five elementary schools, two middle schools, and one high school - and virtual on-line programs. In addition, the County's Education function covers Community Engagement and Cable Services providing various citizen outreach programs and also shared communication service support for the GCPS system. The County's contribution to Rappahannock Community College can also be found under this function.



In addition, the County operates and maintains a water and sewer utility system, which services both residents and businesses in various geographically dispersed areas of the County. The County provides utility service to approximately 4600 water accounts and 1500 wastewater accounts.

In accordance with the requirements of GASB, the financial reporting entity consists of the primary government (the County), as well as its component units, which are legally separate organizations for which the County is financially accountable, and the governing body has significant financial influence. Discretely presented component units qualifying for inclusion in this report are the Gloucester County School Board and the Gloucester County Economic Development Authority. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government. The School Board oversees the County's schools and administers its own appropriations within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations, and issues debt to finance school capital projects. Additional information on these two legally separate entities can be found in Note 1 of the notes to basic financial statements.

The annual budget serves as the foundation for communicating the County's major financial operating objectives and for allocating resources to achieve them. The annual budget development process, initiated in the summer, is a complex undertaking involving the entire government. Starting in late summer, all departments and agencies of the County are required to submit their 5 Year capital improvement project and operating requests for consideration of the County Administrator. The Department of Financial Services provides initial projections for the major revenue classes. The County Administrator uses these requests and projections as a starting point for developing a proposed balanced budget for presentation to the Board typically in March. The Board is required to hold public hearings to obtain citizen comments on the proposed budget and generally adopts a final budget no later than May 1. The County's appropriated budget is prepared by fund (e.g. General Fund), function (e.g. Public Safety), and department (e.g. Sheriff's Office). The budget appropriation resolution, adopted by the Board, places legal restrictions on expenditures at the fund and function level.

Once the budget is approved, there is significant focus on controlling expenditures and monitoring revenues. The County maintains an encumbrance accounting system as one method of maintaining budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions of the annual appropriated budget. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the function level within each fund except the school operating fund, which is at the fund level. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department and agency directors and the Department of Financial Services. Encumbered amounts lapse at fiscal year-end; however, outstanding encumbrances for multi-year initiatives are generally re-appropriated as part of the following fiscal year's budget.

The Financial Services Department reviews all departmental transfer requests to ensure sufficient appropriations are available. The County Administrator is given authority to redistribute appropriations within and among the funds under the control of the Board as may be necessary to meet the needs and interests of Gloucester County; however, any revisions increasing the total appropriations of the approved County budget must be approved by the Board. Budget to actual comparisons are provided in this report for each governmental and enterprise fund for which an annual budget has been adopted.

Local Economy

Calendar year 2018 was a non-reassessment year for the County. Locally, the continued growth of our own economy, driven largely by economic development, new single and multi-family home construction and new business startups, has strengthened local revenue sources. Looking ahead, the County's forecast looks for further measured growth in real property values in response to solid underlying market fundamentals.

Gloucester County continued to see increases in economic activity and diversity of contributors during the fiscal year. The Department of Economic Development assists County businesses in expanding their existing businesses and helps attract new businesses to the area. Economic Development reported 312 new business starts for the fiscal year. Among them were several businesses within the Fox Mill Centre; Your Pie, GNC, and Sally's Beauty Supply. Furthermore, an additional 15,000 sq. ft. of retail space in the Fox Mill Centre is being planned. Economic Development successes in recent years reflect a strengthening local economy, the County's continued ability to attract new and expanding businesses, and achievements towards the County's strategic goals outlined under Major Initiatives.



Not only does Gloucester County attract great entrepreneurial spirit, but also those who strive to achieve the highest excellence in business and service. Gloucester County was awarded the "Opportunity Zone" designation by Governor Ralph Northam. The County was one of 212 localities that received this recognition.



The County continued to receive submittals of new and expansions to existing major residential subdivisions and commercial developments in this fiscal year. Some of these developments include:

Riverside Walter Reed Hospital – various improvements including lab, office, and parking improvements with a two-story expansion is under construction.

Fiddlers Crossing – 110-unit multifamily residential development is fully permitted and under active development in the Historic Courthouse District.

The Villages – approximately 900 acre Planned Unit Development (PUD) with 1,142 residential units proposed.



Coleman's Crossing - mixed-use development of 89 proposed residential townhouses and 14,000 sq. ft. of proposed commercial shopping center under construction.

Riverbend Apartments - (formerly known as Carriage Point) is a proposed 218-unit apartment complex; the development plans are under review.

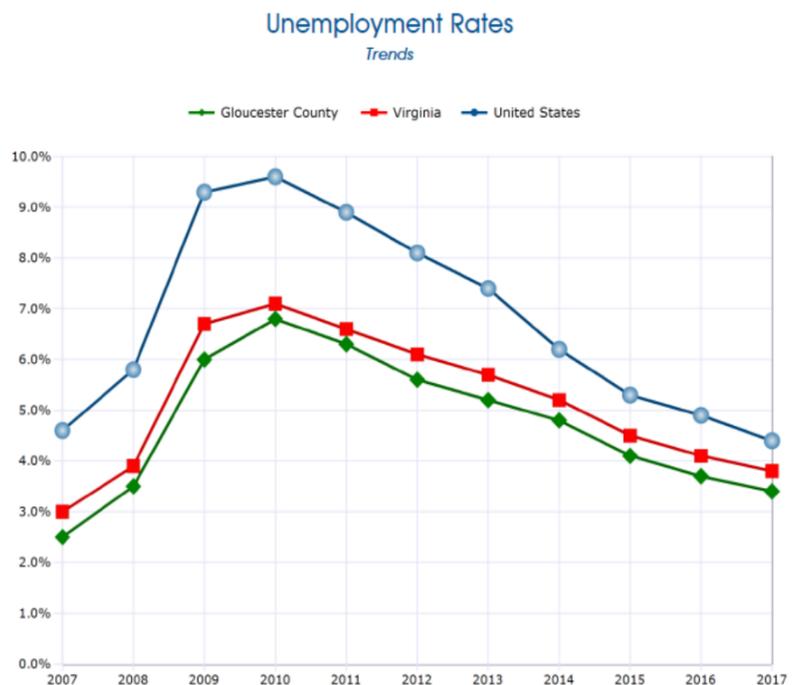
Ryan's Run - plans approved for development of a residential subdivision consisting of 11 proposed single-family homes.

Southern Plumbing & Heating Supply – new plumbing and heating supply outlet completed in FY2018.

Maintaining and improving the quality of life for residents and business owners requires a commitment to long-term strategies for economic development. Gloucester County has demonstrated that commitment as positive trends continue to prevail in all areas of Gloucester County's economy, including real estate values, job growth, employment, median household and per capita income levels, as well as local sales tax collections.

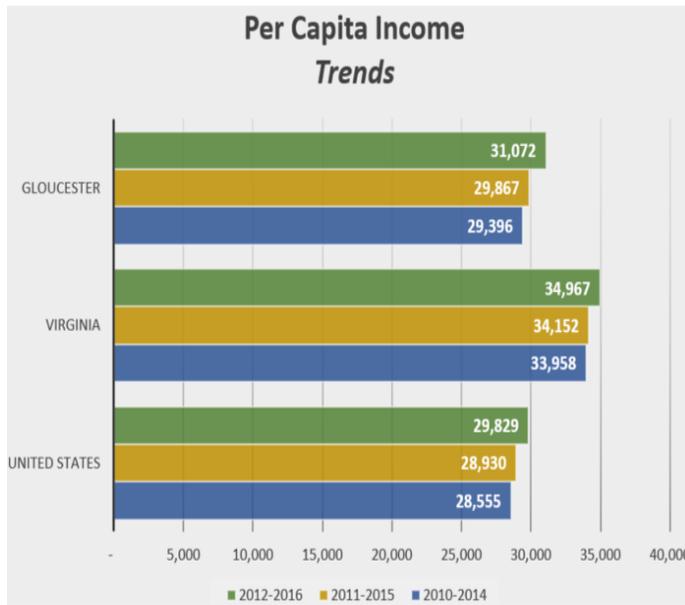
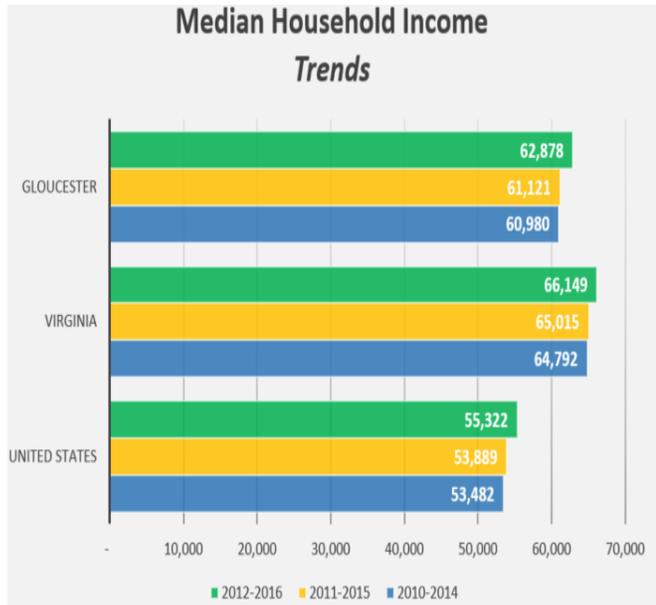
The largest civilian employment sectors in Gloucester County with a thousand employees or more are Retail Trade, Health Care and Social Assistance, Local Government, and Accommodation and Food Services (Source: Virginia Employment Commission). Though the civilian labor force has remained relatively stable, the region and the County are heavily dependent on defense and military related expenditures; therefore, federal budget uncertainty and any related decisions at the Federal level can impact the overall regional economy.

As of calendar year 2017, the Gloucester unemployment rate has continued its downward path to 3.4%, a .3% decrease from 2016 and follows the same trend and comparing favorably with Virginia at 3.8% (4.1% in 2016) and the United States at



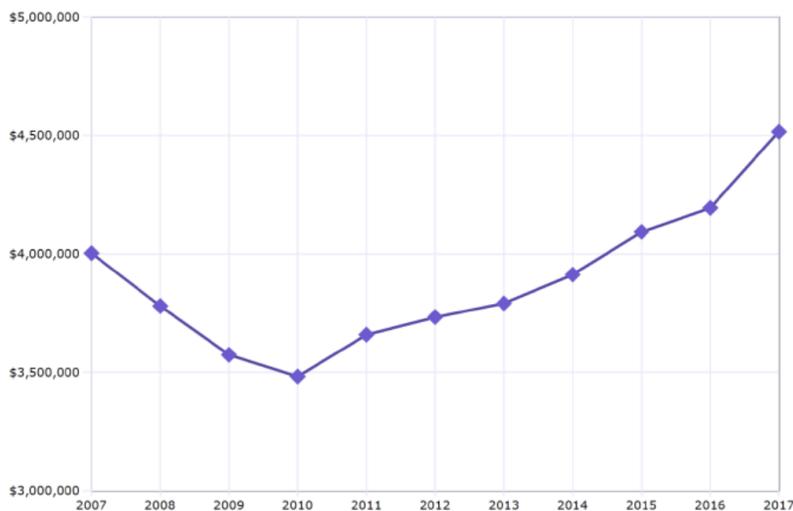
4.4% (4.9% in 2016). In fact, the positive trajectory has continued through 2018 with Gloucester unemployment rate at 2.9% as of June 2018. (Source: Virginia Employment Commission)

As the following charts illustrate, based on the most recent estimates available, Gloucester County has enjoyed increasing median household and per capita income levels over the past three cycles that have been consistently higher than the national average and trending similarly with the Commonwealth (Source: U.S. Census Bureau).



Considering solid economic development results coupled with positively trending income levels, it is no surprise to see Gloucester County experiencing continued growth in local sales tax collection, progressing well past pre-Great Recession levels of 2007.

Local Option Sales Tax Trends



Long Term Financial Planning

The County has long recognized the need for formulating detailed public plans for its long-term financial health. Planning enables the County to appropriately analyze issues and initiatives, receive public

comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. The County's primary long-term financial plan is the Five-Year Capital Improvement Plan (CIP) which is guided by the County's Comprehensive Plan, updated and adopted in February 2016.

The development and evaluation process for the FY2019-FY2023 CIP continued to solicit more direct contact and input from the County's citizens. Any information received was distributed to those departmental leaders responsible for the initial evaluation and/or creation, of related CIP project requests, and/or incorporation into annual operating budget requests. The CIP requests were reviewed, compiled, and presented to the Planning Commission in October. The Planning Commission was not only asked to review project requests for conformity with the Comprehensive Plan as per the Code of Virginia 15.2-2239, but also asked to act as citizen representation by providing a thorough review of submitted CIP project requests; evaluating eligibility, justification, and alignment with community needs; and prioritizing the recommended projects, based on the approved criteria ratings, for consideration by the County Administrator. The County Administrator, as part of his proposed budget to the Board, develops the recommended capital budget and 5 year plan; balancing the competing needs for capital investment with available funding options within the County's current debt and fund balance policies. The result represented a balance between finite resources and an ever-increasing number of competing priorities. This balance was achieved using the priorities and objectives established by the Board consistent with the County's Strategic Priorities Plan and Comprehensive Plan.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at a maximum 10% of governmental fund expenditures. As of FYE 2018, actual results are less than 7%. Gloucester County's last bond rating was AA due to the County's sound financial management, low debt burden, and maintenance of appropriate fund balance reserves.

Relevant Financial Policies

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, towards the end of FY2017 the Board approved adjustment the Unassigned General Fund Balance policy levels to be within 14% and 16% of budgeted governmental fund expenditures less any capital projects funded with bond proceeds. Due to the Great Recession and the slow measured recovery, the Commonwealth itself, as well as many localities began reviewing and revising their policy reserve levels to reflect new economic realities. In 2011, the Commonwealth raised its cap of Revenue Stabilization Fund from 10% to 15% of 3-year average annual revenues. After significant data-driven analysis on the cash flow needs of the County, it was determined that on-going business would be unsustainable if the actual Unassigned General Fund Balance levels were to be at 10% to 12% of budgeted governmental fund expenditures as the previous policy stipulated. Over the past seven fiscal years, the County maintained an actual Unassigned General Fund Balance level between 15% and 20%. These levels have been sufficient to fund the cash flow needs of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances.

In addition, during their 2017 session, general assembly directed the Auditor of Public Accounts (APA) to develop an "early warning system" for localities in fiscal distress. The system, Financial Assessment Model (FAM), is intended to allow the Commonwealth to flag certain localities determined to be in financial trouble for certain follow-up actions, including potential State intervention. The APA completed the model during FY2018; it uses factors such as a locality's ratio of reserves relative to its liabilities and its sufficiency of reserves relative to its General Fund revenue. If a locality's FAM score falls below the threshold of 15%, the APA would follow up with a questionnaire that would probe certain qualitative factors affecting a locality's financial situation. The APA ran data from the last three fiscal years using the information provided in the localities' CAFRs to generate sample scores. Gloucester County's results were well above the minimum threshold.

Using regular financial reports at public meetings, the County recognizes the need to monitor revenue estimates to identify any potential shortfalls and trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing card policies and procedures.

In addition, policies and procedures are being developed or revised periodically to provide better clarification, more detail of practice, and to strengthen documentation of management processes.

Major Initiatives

As stated in the County's Strategic Priorities Plan, the Board's Vision for 2035 is that "...Gloucester will benefit from steady and consistent economic growth enabled by a robust infrastructure, business-friendly government and a top-notch public education system. Gloucester's citizens will enjoy a wealth of recreational activities, shop locally at numerous and varied markets and stores, and have access to county-based, world-class health care. Gloucester will offer all the amenities of modern life, while continuing to surround its citizens with the tranquility of rural and waterfront living."

Having a vision and a set of strategic goals provide County leaders with an improved framework to enhance their ability to prioritize and allocate resources with focus on results. The County's strategic goals are to:

- Be a destination of choice for entrepreneurs looking for a qualified and stable workforce, affordable real estate, and a relaxed and fulfilling lifestyle;
- Provide the opportunity for all of its citizens to have a quality education;
- Have efficient and strategically placed roads, water, sewer, broadband, and natural gas that supports desired business growth and a high quality of life;
- Ensure that the needs of its citizens – children, adults, and the elderly – are met through a combination of government, commercial, and volunteer programs;
- Maintain the County's essential character as a rural county while offering diverse housing opportunities that include a range of multi-family and single-family homes that meet the needs of singles and families of all ages and incomes;
- Maintain uniqueness among its peers because of the abundance and diversity of its natural resources, including clean protected waterways, forested landscapes, wildlife, and the longest coastline in the Commonwealth; and
- Implement the leanest form of government to minimize impediments to economic development and take advantage of collaborative processes, shared services, and other cost-effective measures for the maximum benefit of its citizens.

Though many initiatives were started and continued throughout the fiscal year and into the next, the major ones, outlined below, represent the results achieved towards these goals by the County staff.

Several County facilities improvements began including: expansion of the Social Services building to meet mandated requirements as well as the needs of our citizens; accessibility improvements to the County's buildings, parks, and historic areas; and replacement of voting machines and 911 Call Handling Equipment.

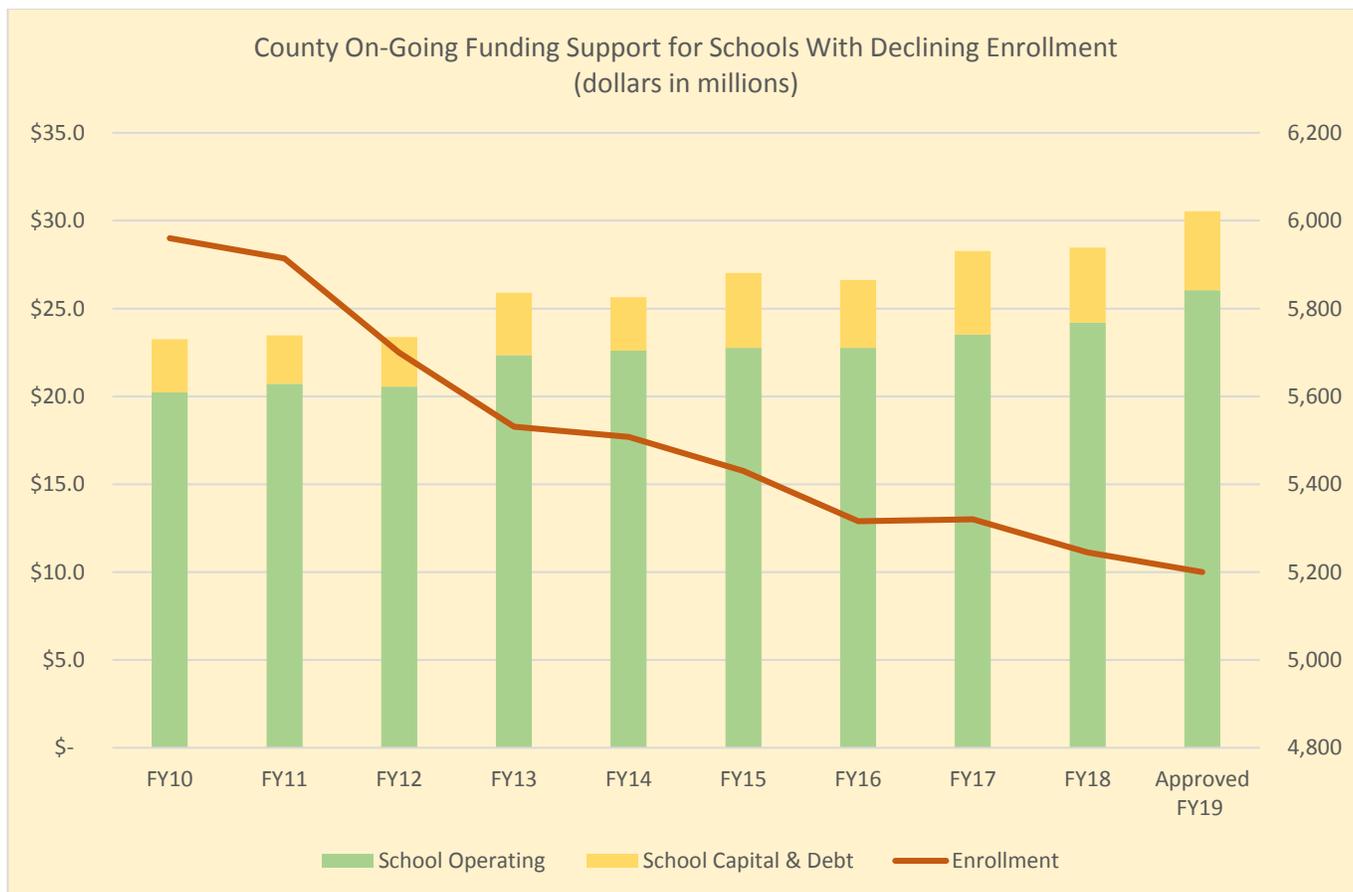
Starting in 2008 and continuing through 2018, the Federal Emergency Management Agency (FEMA) awarded a series of grants totaling \$11.8 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation. As of FY2018, the program has supported increased resiliency of nearly 100 homes and properties in the County. In FY2018-FY2019, the County applied for several more FEMA grants totaling about \$3M which are expected to support elevations of approximately 18 more homes.

One of the most important services that the County provides to its citizens is public education and a quality education system continues to be one of the County’s top priorities. During FY2018, the County continued its support for large capital maintenance items within the school system, including HVAC, lighting, and school bus replacements among other priorities. This effort was in direct response to pent-up demand since the Great Recession and the solid recovery over the past several years.

Planning continues for significant upcoming investments in various school construction projects. Total requests for the five-year CIP (FY20-FY24) exceeded \$209M of which approximately \$195M was for GCPS. The major cost driver of the GCPS requests relates to one project – Gloucester High School (GHS) that contains two options: total new construction of \$109M or major renovations of the current facility of \$72M. Both options were analyzed as part of the Gloucester High School (GHS) Master Plan that was completed during FY2018. The original structure, built in 1974, has undergone various expansions and miscellaneous renovations. The goal is to provide options given the established guiding principles and program results desired from a modernized GHS.

Another major project under consideration is the School Transportation & Maintenance Facility at an estimated cost of \$7M. Current facilities are undersized for the increased number and diversity of the vehicles to be maintained. The future development of GHS and the Transportation Facility will require major investment and debt management by the County in the coming fiscal years.

Though enrollment has been on a slow decline since FY2010, the County continues to provide increasing support to the school system. Each successive fiscal year, the County budget provides for the highest per-pupil spending in the history of the school division.



Awards and Acknowledgements

Gloucester County received a number of awards and was recognized by a variety of organizations. Among these awards and recognitions are:

Central Purchasing

Gloucester Purchasing Agent, Bill Lindsey, CPPS/CPM received the Virginia Association of Government Purchasing's (VAGP) most prestigious award - The T. Gordon Sandridge Lifetime Achievement Award. The award was presented to Mr. Lindsey for his high ethical and moral standards and lifetime contributions and service to public procurement. Mr. Lindsey has been actively involved with the VAGP since 1974, having served on the Board of Directors as President in 2013 and currently as 2nd Vice-President and dedicated time to the Legislative and Finance Committees. Honored by the VAGP in 2015 with the Distinguished Service Award, Lindsey also serves as a council member for the National Institute for Public Procurement. As a highly regarded and respected procurement professional, Lindsey has authored numerous professional opinions and informational articles on procurement practices and procedures and been called on to represent procurement legislation in the General Assembly of Virginia. A lifelong public servant, Lindsey has been employed in the procurement profession for over 40 years and has served as Gloucester County's Purchasing Agent for 9 years.



Information Technology

Gloucester County was recognized in the top-ten ranking of localities for the 2018 Digital Counties Survey conducted by the Center for Digital Government and the National Association of Counties. Gloucester was one of six localities in Virginia to be recognized in this category.

Sheriff's Office

The Gloucester County Sheriff's Office received a 2018 Virginia Association of Counties Achievement Award for the department's Traffic Safety Initiative, reducing traffic fatalities from an average of 8.8 per year to 4.8 per year or by 50%. Jason Schnurr, an investigator with the Sheriff's Office, graduated from the prestigious Virginia Forensic Science Academy. The academy provides high-level training to qualified crime scene search officers. Law enforcement personnel learn to properly recognize, document, collect, and preserve – for laboratory examination – items of physical evidence found at crime scenes.



Schools

Two teams from Gloucester High School (advised by GHS teacher Mr. Jon Neblett) were winners in the statewide Stock Market Game competition for Fall 2017. The Stock Market Game is an online education program used to help teach math, social studies, business, economics and language skills while focusing on the importance of long-term saving and investment. Teachers of the Year for the 2017-18 school year have been selected for Gloucester County Public Schools. Each of these outstanding educators are congratulated on this wonderful honor. They are as follows: Melanie McComb (Abingdon), Amber Meland (Achilles), Michelle Kennedy (Bethel), Natalie Shepherd (Botetourt), Sharon Carino (Petersworth), Shanna Merritt (Page), Jennifer Hemphill (Peasley), Travis Patrick (GHS), and John Scalf (GHS).



Finance

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the twenty-second consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and it will also be submitted to the GFOA for consideration.



The GFOA also awarded the Distinguished Budget Presentation Award to Gloucester County for its FY2018 Approved Budget Book. This was the third year that the County achieved this prestigious award. In order to receive this award, a governmental entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of one year only. We believe that our current Approved Budget Book document continues to conform to program requirements and it has also been submitted to the GFOA to determine eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Treasurer's Office, School Board, Social Services Board, and Financial Services Department. We would like to express our appreciation to all the members who assisted and contributed to the preparation of this report, in particular, the outstanding efforts and diligence of our new Accounting and Budget Manager, Ms. Andrea Cooper. Credit also must be given to the Board of Supervisors for their unflinching support for maintaining the highest standards of professionalism in the management of County finances.

Respectfully submitted,

J. Brent Fedors
County Administrator

11/27/18

Stephanie M. Tinsley, CPA, CPFO, CGFM
Chief Financial Officer

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, 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 24 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 24 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-16, 148 and 149-172 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of County of Gloucester, 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 Gloucester, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Gloucester, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 26, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

County of Gloucester, Virginia Management's Discussion and Analysis

This section of the County of Gloucester's (County's) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's basic financial statements, which follow this section.

Financial Highlights

- In June 2015, GASB issued Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB 75 resulted in a restatement of FY2017 net position, reducing it by \$3.4 million for the Primary Government and \$13 million for Component Units, which was entirely attributable to the School Board.
- The Primary Government ended the most recent year with a positive net position of \$56 million, an increase of \$.6 million from FY 2017 prior to restatement for GASB 75. The Component Units closed the year with a deficit balance of \$25.7 million, a decrease of \$10.2 million from FY 2017 balances prior to restatement for GASB 75.
- At June 30, 2018, the unrestricted net position of the Primary Government is \$18 million, which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2018, the County's governmental funds reported combined ending fund balances of \$24.7 million, an increase of \$1.2 million over the prior year. Approximately 3.2 percent of this amount, or \$.8 million, is restricted or non-spendable.
- At June 30, 2018, the General Fund's unassigned fund balance was \$21 million. Adjusted unassigned fund balance per the County's revised Fund Balance Policy is \$18.4 million (\$21 million less the budgeted use of unassigned fund balance for FY19), or approximately 18% of expected governmental fund expenditures less any capital projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$7.1 million from the prior year's balance of \$66 million prior to restatement for GASB 75 to \$58.9 million at June 30, 2018 due primarily to principal payments on existing debt (bonds and capital leases).

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. 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 themselves.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being 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 may be changing. However, other non-financial factors will need to be considered, such as changes in the County's property tax base and the condition of the County's infrastructure.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this 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).

In the Statement of Net Position and the Statement of Activities, the County is divided into the following:

- Governmental activities – The County's basic municipal services are reported here, including: general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation, and cultural; and community development; and education. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- Business-type activities – The County charges fees to customers to help cover all or most of the cost of services it provides. This category includes the County's public utilities, which provides water and sewer services.
- Component Units – The County includes two separate legal entities in its report – the Gloucester County School Board and the Gloucester Economic Development Authority. Although legally separate, the County is financially accountable for the School Board and the Economic Development Authority component units and provides operating and capital funding for these activities.

Fund Financial Statements

The fund financial statements provide more information about the County's most significant funds – not the County as a whole. Funds are accounting units that the County uses to keep track of specific sources of fund and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – Most of the County's basic services are reported in governmental funds. These funds focus on the inflows and outflows of cash and other financial assets that can readily be converted into cash and the balances left at year-end that are available for spending. As such, the governmental funds statements provide a short-term view of the County's financial

resources. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and County Capital Improvements Fund, all of which are considered to be major funds. The School Construction Fund is not reported this year as it was not used and had no assets or liabilities. Data from the other two County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

- Proprietary funds – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The County uses enterprise funds (one type of proprietary fund), which are used to report the same functions presented as business-type activities in the government-wide financial statements, to account for its public utilities. The fund financial statements provide more detail and additional information, such as cash flows.

The basic proprietary fund financial statements can be found at Exhibits 7 through 9 of this report.

- Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund statement can be found at Exhibit 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found at Exhibits 11 through 33 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56 million at the close of the most recent year. A large portion of the County's net position (\$36 million, approximately 64.3% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and businesses; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional amount of \$1.8 million is restricted for business-type activities for bond covenants which cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$18 million or 32.1% of the County's total net position may be used to meet the County's ongoing obligations to citizens and creditors. The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statement:

Summary of Net Position								
As of June 30, 2018 and 2017								
(\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 52,974	\$ 53,050	\$ 5,771	\$ 6,297	\$ 58,745	\$ 59,347	\$ 10,121	\$ 9,227
Capital assets	55,921	59,973	27,567	27,227	83,488	87,200	48,168	48,825
Total assets	\$ 108,895	\$ 113,023	\$ 33,338	\$ 33,523	\$ 142,233	\$ 146,547	\$ 58,289	\$ 58,053
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186	\$ 683
Pension related items	1,410	2,813	81	182	1,490	2,996	6,807	7,987
OPEB related items	181	-	6	-	187	-	1,043	-
Deferred charges on refunding	139	154	203	265	342	418	-	-
Total deferred outflows	\$ 1,731	\$ 2,967	\$ 289	\$ 447	\$ 2,020	\$ 3,414	\$ 8,036	\$ 8,670
Long-term debt outstanding	\$ 45,087	\$ 48,395	\$ 8,061	\$ 10,965	\$ 53,147	\$ 59,360	\$ 65,192	\$ 69,397
Other liabilities	9,761	12,310	2,975	2,807	12,736	15,117	19,100	8,979
Total liabilities	\$ 54,848	\$ 60,705	\$ 11,036	\$ 13,772	\$ 65,883	\$ 74,477	\$ 84,291	\$ 78,376
Deferred revenue -								
property taxes	\$ 20,196	\$ 19,841	\$ -	\$ -	\$ 20,196	\$ 19,841	\$ -	\$ -
Pension related items	1,713	238	97	15	1,810	254	7,337	3,843
OPEB related items	397	-	8	-	405	-	413	-
Total deferred inflows	22,306	20,079	105	15	22,412	20,094	7,750	3,843
Net position								
Net investment in capital assets	\$ 18,431	\$ 18,280	\$ 17,704	\$ 15,069	\$ 36,135	\$ 33,349	\$ 36,020	\$ 35,860
Restricted	-	-	1,834	1,866	1,834	1,866	-	-
Unrestricted (deficit)	15,040	16,926	2,948	3,247	17,989	20,173	(61,737)	(51,357)
Total net position	\$ 33,472	\$ 35,206	\$ 22,486	\$ 20,183	\$ 55,958	\$ 55,389	\$ (25,717)	\$ (15,497)

* Restatement of Total net position for 2017 not reflected in this table. Please see Note 24.

The Primary Government ended the most recent year with a positive net position of \$56 million, an increase of \$.6 million from FY 2017 prior to restatement for GASB 75. The Component Units closed the year with a deficit balance of \$25.7 million, a decrease of \$10.2 million from FY 2017 balances prior to restatement for GASB 75.

The County's combined net position, which is the County's bottom line, increased by \$500K in the current year. The reduction of beginning combined net position by \$3.4 million due to GASB 75 adoption was offset by increased net investment in capital assets, resulting in the increase.

In the case of the Component Units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2017 of \$15.5 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014. The net deficit position grew substantially in this fiscal year with the implementation of GASB 75.

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund governmental operations. The following table shows the revenue and expenses of government-wide activities:

Summary of Changes in Net Position								
Years Ended June 30, 2018 and 2017								
(\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program revenue:								
Charges for services	\$ 1,648	\$ 1,726	\$ 4,568	\$ 4,966	\$ 6,216	\$ 6,692	\$ 2,698	\$ 3,070
Operating grants and contributions	8,487	8,238	-	-	8,487	8,238	33,391	32,896
Capital grants and contributions	1,150	1,232	-	-	1,150	1,232	-	-
General revenues:								
Property taxes	40,205	39,730	40	39	40,245	39,768	-	-
Other taxes	10,565	10,168	-	-	10,565	10,168	-	-
Unrestricted revenues	356	203	78	97	434	300	15	9
Miscellaneous	322	433	-	-	322	433	153	272
Grants and contributions	4,424	4,487	779	-	5,203	4,487	-	-
Payment from County	-	-	-	-	-	-	25,818	24,285
Total revenue	\$ 67,156	\$ 66,216	\$ 5,465	\$ 5,102	\$ 72,621	\$ 71,318	\$ 62,075	\$ 60,532
Expenses:								
General government	\$ 6,274	\$ 5,985	\$ -	\$ -	\$ 6,274	\$ 5,985	\$ -	\$ -
Judicial administration	2,023	1,748	-	-	2,023	1,748	-	-
Public safety	15,005	14,420	-	-	15,005	14,420	-	-
Public works	2,147	2,118	-	-	2,147	2,118	-	-
Health and welfare	5,516	5,515	-	-	5,516	5,515	-	-
Parks, recreation, and cultural	2,438	2,360	-	-	2,438	2,360	-	-
Community development	2,569	2,671	-	-	2,569	2,671	1,580	1,615
Interest on long-term debt	1,375	1,565	-	-	1,375	1,565	-	-
Education	27,761	27,273	-	-	27,761	27,273	57,760	58,463
Public Utilities	-	-	3,543	3,669	3,543	3,669	-	-
Total expenses	\$ 65,108	\$ 63,654	\$ 3,543	\$ 3,669	\$ 68,651	\$ 67,324	\$ 59,340	\$ 60,078
Change in net position, before transfers	\$ 2,048	\$ 2,562	\$ 1,922	\$ 1,433	\$ 3,970	\$ 3,995	\$ 2,735	\$ 454
Transfers	(431)	(576)	431	576	-	-	-	-
Change in net position	1,617	1,986	2,353	2,008	3,970	3,995	2,735	454
Net position, beginning	31,854	33,220	20,133	18,175	51,988	51,395	(28,452)	(15,950)
Net position, ending	\$ 33,472	\$ 35,206	\$ 22,486	\$ 20,183	\$ 55,957	\$ 55,390	\$ (25,717)	\$ (15,496)

*2018 Net position, beginning differs from 2017 Net position, ending, due to a restatement of net position from an accounting change. Please see Note 24.

Governmental Activities

Overall revenues for the County's Governmental Activities were \$67.2 million for FY 2018, an increase of \$1 million from the prior year. Property tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2017 and the first half of calendar year 2018, increased by \$475K. The County's assessed real property tax base for calendar year 2018 saw an increase of approximately \$65.5 million primarily due to economic development, including commercial construction, and continued improvements in the assessment model. No changes were made to tax rates for FY 2018 and current year collection rates remained stable; however, delinquent real estate taxes collected for FY 2018 increased by 15% over that collected in FY 2017. Other evidence of growth and recovery following the economic downturn are as follows:

- Other tax collections increased substantially in FY 2018 due to the following increases in collections over the previous year:

○ Bank Stock Tax	8%
○ Local Sales Tax	6%
○ Electric Consumption Tax	6%
○ Local Meals Tax	4%
○ Business, Professional, and Occupational License	3%
- Unrestricted revenues from use of money and property also increased substantially in FY2018 due to increased earnings rates on deposits and investments. Interest earnings for FY 2018 were \$142K more than FY 2017, or 177%.

Operating grants and contributions grew by \$249K in FY 2018 primarily due to the award of a Virginia Telecommunications Initiative (VATI) grant in the amount of \$193K, which was used to expand broadband access to a previously unserved area of the County-a strategic priority of the Board of Supervisors. Increased reimbursement from the state for constitutional officers' operations and fire programs also contributed to the increase, while decrease payments from the state for communications, mobile home titling, recordation, and rental vehicle taxes resulted in a \$63K reduction in grants and contributions for FY 2018. Charges for services also saw revenue under that collected for FY 2018 since permit fees in FY 2017 included several large commercial projects. The decrease in permit fees was offset by increased landfill fees of \$53K and fines of \$33K. Also reflecting a decrease in FY 2018 is miscellaneous revenue. Miscellaneous revenue includes items that are infrequent, unexpected, and/or not able to be classified in one of the other revenue categories and, as such, is subject to variances, possibly large, from year to year.

For the fiscal year ended June 30, 2018, expenses relating to Governmental Activities were \$1.5 million more than the prior year.

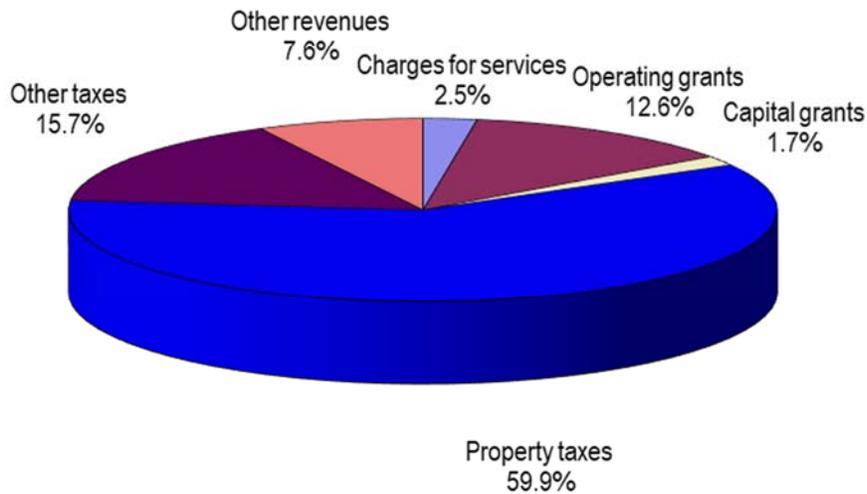
- Salaries and their associated fringe benefits increased by \$714K. 58% of this increase was solely attributable to health insurance costs, while 38% was a bonus paid to employees in November, 2017.
- Contributions to the County's two volunteer fire and rescue squads were increased by \$382K.
- Charges for juvenile detention increased by \$117K.
- Expenses for the aforementioned VATI grant were \$193K
- The County's transfer to the school system increased by \$616K.
- Debt service costs decreased by \$262K.
- Facilities maintenance repair and replacement costs decreased by \$172K.
- A decrease of \$150K for a one-time expense that occurred in FY 2017.

The County continued its process of accelerating expenditures into the current fiscal year when increased revenues warrant doing so. The County also continued exercising prudent budget management strategies to reduce expenses to include delaying filling vacancies, delaying capital and

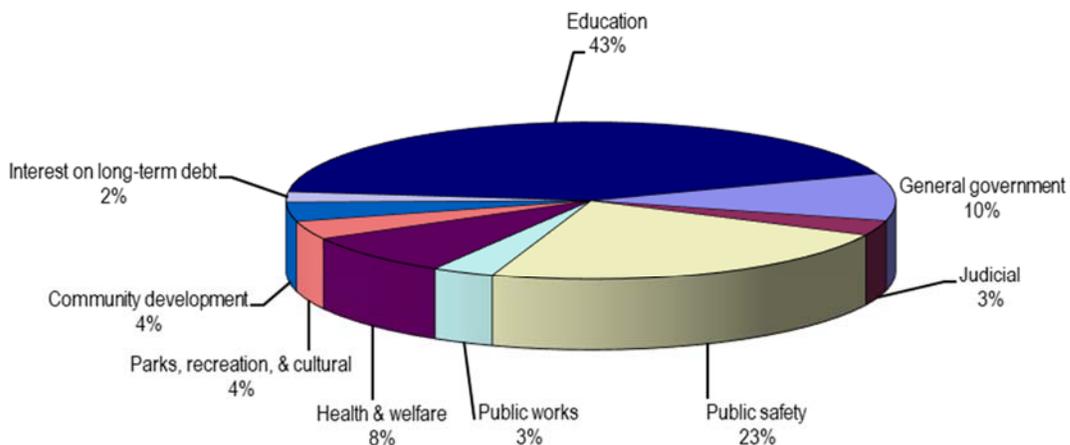
other major facility maintenance and replacement needs, and examining program and service efficiencies particularly through departmental reorganization taking advantage of synergistic opportunities. Public Education and Public Safety continue to dominate our local government spending as these continue to be the two areas of the County's highest priorities and commitments.

The following graphs illustrate revenues by source for Governmental Activities, as well as illustrating expenses for each of the functional areas of Governmental Activities:

Governmental Activities Revenue Sources for Fiscal Year 2018



Governmental Activities Total Expenses by Function for Fiscal Year 2018



Business-type Activities

Business-type Activities increased the County's net position by \$2.3 million for fiscal year 2018 from the beginning balance of \$20.2 million. Similar to the changes in net assets attributable to Governmental Activities, changes in Business-type Activity net assets also result from the difference between revenues and expenses. Unlike Governmental Activities, which primarily rely on general tax revenue to finance operations, Business-type Activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,900 customers in the County. Like all Business-type Activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- Several years ago, the County recognized that the Utility Fund had no capacity for additional debt, but needed to address the various capital repairs needed by the utility system, such as water treatment plant rehabilitation and upgrading sewer pump stations. During FY2016, the County issued \$9.4 million in Water and Sewer Revenue Refunding Bonds, Series 2016 with an interest rate of 2.1%. The proceeds were used to refund \$6.8 million of outstanding Water and Sewer Revenue Bonds, Series 2006B which had interest rates ranging from 4% to 4.5% and \$2.9 million of outstanding Water and Sewer Revenue Bonds, Series 2011 with an interest rate of 2.8%. The County refunded the Series 2006B and 2011 bonds to reduce its total debt service payments over 14 years by about \$1.4 million ultimately reducing the General Fund transfer by the savings going forward. In addition, only one payment remains on the Series 2012 bonds.
- Efforts to make the fund self-supporting have concluded and the fund will be self-supporting in FY 2019. The County transferred \$431K from the General Fund to the Utility Fund this year, the last of such transfers that will be made.
- Utilities service revenue in the current year decreased by \$400K over that of the preceding year, which had seen an \$800K increase. This decrease was offset by the contribution of a sewer pump station valued at \$780K to the County. The reduction in service revenue is attributable to two factors. First, the County received a lot of rainfall in FY 2018. In years where there is increased rainfall, service revenues are reduced due to reduced demand for water for irrigation. Second, the County has many aging water meters. As meters age, they begin to report a reduced consumption of water. The County is in the midst of a multi-year project to repair and replace aged meters, beginning with commercial meters that have a larger flow rate.
- Utilities expenses decreased by \$126K in FY 2018, 69% of which is attributable to reduced payroll costs due to position vacancies and outsourcing

Financial Analysis of Governmental Funds

The County and School Board use fund accounting in accordance with GASB standards to ensure and demonstrate finance-related legal requirements.

Governmental fund balance

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financial requirements. In particular, committed, assigned, and unassigned fund balances serve as a useful measure of a government's net resources that may be leveraged for spending at the end of the fiscal year. At the end of FY 2018, the County's governmental funds reported combined ending fund balances of \$24.7 million, a net increase of \$1.2 million in comparison with that of the prior year.

Nonspendable and restricted fund balance equates to 3.2% or \$785K of the total governmental fund balance and is comprised of prepaid items, restricted funds related to seized assets, and proffers. Nonspendable fund balance wholly consists of prepaid items, which are mainly comprised of school bus purchases of \$342K, debt service of \$190K, and rent of \$29K.

Committed fund balance equates to 10.9% or \$2.7 million of the total governmental fund balance. This is comprised of committed funds that can only be used for specific purposes already imposed by a formal action of the County Board of Supervisors. \$2 million or 73.9% of the total committed fund balance is from the general fund. The remaining committed fund balance of \$700K is appropriated for ongoing capital projects.

The assigned fund balance of \$260K, 1% of the total governmental fund balance, applies to funds that are intended for specific purposes designated and proposed by the County Administrator. This class of fund balance is new for FY 2018.

Additional information on fund balances can be found in Note 1(R) in the Notes to Financial Statements section of this report.

General Fund

The General Fund is the major governmental fund of the County. At the end of the current year, the general fund balance was \$23.9 million, or 96.7% of the total fund balance. General Fund unassigned fund balance was \$21 million. The Board of Supervisors revised the County's Fund Balance policy in June 2017 to keep an unassigned general fund balance level of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds. Adjusted unassigned fund balance per revised Fund Balance Policy is \$18.4 million (\$21 million less budgeted use of unassigned fund balance for FY19). The unassigned fund balance in the General Fund was approximately 18% using this policy criterion.

General Fund Budgetary Highlights

At the end of FY 2018, General Fund additional budget appropriations resulted in an increase of \$970K between originally adopted FY 2018 budget appropriations for expenditures and transfers out and the final budget. The increase resulted primarily from re-appropriations of FY 2017 budget commitments for completion of ongoing projects in FY 2018 and acceleration of FY 2019 budget commitments into FY 2018 due to higher than anticipated revenues.

General Fund revenues exceeded final budget projections in FY 2018 by \$1.6 million, the majority of which is attributable to higher than anticipated general property and other local tax collections. This variance can continue to be attributed to the signs of a measured recovery in the local economy. Total General Fund expenditures for FY 2018 were less than the final budget by \$1.4 million. Unexpended County Administrator's contingency, part of nondepartmental expenditures, accounted for 46.7% of this variance. \$260K of this excess was used to establish Assigned Fund Balance.

Additional information on the County's statement of revenues, expenditures and changes in fund balance, budget and actual can be found in the Required Supplementary Information section of this report.

Capital Improvements Fund

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund or School Construction Fund. The County Capital Improvements Fund has a fund balance of \$825K, which is essentially committed for future capital projects.

Capital Assets and Capital Projects

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$83.5 million (net of accumulated depreciation). This represents a decrease of \$3.7 million from fiscal year 2017. This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The County does not own its roads; therefore, roads are not included in the capital assets.

Major capital expenditure events during the current fiscal year included the following:

- Improvements at several County parks to improve ADA accessibility
- Railings at Gloucester Point Beach Park
- Replacement voting machines
- Replacement Sheriff's patrol units, School buses, and County fleet vehicles
- Lighting and HVAC replacements in School buildings
- Improvements at the Water Treatment Plant
- Ongoing sewer replacement projects

Funding for capital projects has been severely scaled back. Only those capital projects where it did not make economic sense to delay a project to a future year or where funding was already in place have moved forward.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

Capital Assets As of June 30, 2018 and 2017 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2018	2017	2018	2017	2018	2017	2018	2017	
Land	\$ 6,467	\$ 6,487	\$ 3,690	\$ 3,632	\$ 10,158	\$ 10,119	\$ 2,289	\$ 2,289	
Construction in progress	427	507	352	1,633	779	2,140	20		
Buildings	10,473	10,952	22,096	20,445	32,569	31,397	13,587	13,743	
Improvements other than buildings	3,020	3,049	-	-	3,020	3,049	-	-	
Equipment	6,044	7,580	1,428	1,515	7,472	9,095	2,455	2,536	
Jointly owned assets	29,491	31,399	-	-	29,491	31,399	29,816	30,256	
Total	\$ 55,921	\$ 59,973	\$ 27,566	\$ 27,227	\$ 83,487	\$ 87,200	\$ 48,168	\$ 48,825	

Additional information on the County's capital assets can be found in Note 6 in the notes to the financial statements section of this report.

Long-term Debt

At June 30, 2018, the County's Primary Government had total outstanding debt of \$58.9 million and details are summarized in the following table:

Long-Term Debt								
As of June 30, 2018 and 2017								
(\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Bonds Payable:								
General obligation bonds	\$ 30,742	\$ 32,755	\$ -	\$ -	\$ 30,742	\$ 32,755	\$ -	\$ -
Revenue bonds	-	-	10,066	12,625	10,066	12,625	12,148	12,965
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	220	470	-	-	220	470	-	-
Capital leases	6,528	8,467	-	-	6,528	8,467	-	-
Derivative instrument liability	-	-	-	-	-	-	186	683
OPEB liability	4,992	1,679	170	134	5,162	1,813	16,776	2,686
Net pension liability	4,067	7,585	240	492	4,307	8,077	46,860	53,224
Compensated absences	1,767	1,707	79	106	1,846	1,812	1,553	1,688
Total	\$ 48,317	\$ 52,663	\$ 10,554	\$ 13,357	\$ 58,871	\$ 66,020	\$ 77,522	\$ 71,246

*2017 Balances were not restated for GASB 75 in the table above.

The Total Primary Government long-term debt decreased by \$7.1 million from the prior year's balance before restatement for GASB 75, due mainly to scheduled debt repayment. Increases in Total Primary Government OPEB liability due to GASB 75 adoption were offset by decreases in net pension liability. The Component Unit long-term debt increased by \$6.3 million as the School Board's decrease in net pension liability was not sufficient to offset the increase in OPEB liability this year.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3%. In addition, the County's Debt Obligation Policy limits the net County debt per capita to \$1,700, and general obligation debt service and capital lease payments will not exceed 10% of general government expenditures. As of the end of the current year, the County's net debt as a percentage of assessed value was just .86%, the net debt per capita ratio was \$1,009, and the debt payments percentage was 6.75%.

Additional information on the County's long-term debt can be found in Note 8 in the notes to the financial statements section of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

Throughout the calendar year 2017, the County's unemployment rate continued to show steady improvement over the prior year. The unemployment rate for Gloucester County was 3.4%, which is pre-recession level and the lowest reported rate in the last 10 years. (Source: Virginia Employment Commission) Positive trends also continue in the areas of real estate assessments and local sales tax collections due to the continued growth of our local economy.

The Board of Supervisors considered many factors when developing the fiscal year 2019 General Fund budget and the FY2019-FY2023 Five Year Capital Improvement Project (CIP) Plan - particularly the impacts of state and national economic conditions. The national economy continues to improve with job growth, wages and household incomes trending positively under the new Presidential administration. However, uncertainty lingers on how long the economy will continue to grow and at what level. Changes initiated by the Federal administration including changes in federal government priorities could have both positive and negative impacts on the Commonwealth and on the Hampton Roads region. Decreases in federal spending and shifting of funds among competing agencies could impact future state budgets. As in the past, the Commonwealth could pass these cuts on to the localities, reducing further what little budget flexibility we have.

Guidance provided by the Board specific to FY2019 Operating Budget and 5 Year CIP development was similar that of the prior year: produce a financial plan that incorporated little or no real estate tax increase; does not reduce service levels; and does not eliminate programs. In addition, the BOS requested development of "excursion options" that afforded the ability to contemplate elimination of any proposed real estate tax increase; improving compensation of employees, their top priority; funding unmet needs; and trading off between service/program impacts.

The FY 2019 General Fund approved budget is \$66.2 million, which is comprised of \$31 million in operating expenditures and approximately \$35 million in transfers to other funds. Of this transfer amount, \$30.6 million supports our School Division's operating budget, capital projects, and debt service. For FY 2019, the real estate tax rate remained at \$0.695 and personal property tax rates remained at \$2.95. The County was able to leverage economic growth and lean operations to fund most of the partial compensation deficit correction for both County and School employees without raising taxes.

The FY 2019 School Operating Budget was approved at \$59.6 million, which is a \$2.5 million increase over the adopted FY 2018 School Operating Budget. The County's contribution to the School Operation Budget increased by \$1.7 million, which accounts for roughly 70% of the overall budget increase. Additional information regarding the Fiscal Year 2019 Adopted Budget can be found on the County's Finance Department website at <http://gloucesterva.info/Finance/BudgetsandFinancialReports>.

Economic conditions, trends, and revenue collections continue to be closely monitored. Key factors that are expected to impact future budgets include declining revenue sources, projected increases in health insurance premiums, citizens' demands for maintaining and/or increasing service levels, needed funding for facility maintenance and capital improvements and replacing reductions in state educational funding.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, County of Gloucester, 6467 Main Street, Gloucester, VA 23061.

The remainder of the page left blank intentionally.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

Statement of Net Position
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 8,922,074	\$ 774,230	\$ 9,696,304	\$ 204,538	\$ 222,993
Investments	16,435,347	1,673,311	18,108,658	757,896	557,371
Receivables (net of allowance for uncollectibles):					
Taxes receivable	24,333,124	1,801	24,334,925	-	-
Accounts receivable	539,356	468,659	1,008,015	915,575	-
Due from other governmental units	2,163,595	-	2,163,595	5,911,917	-
Inventories	-	96,505	96,505	30,836	1,083,044
Net pension asset	-	-	-	436,793	-
Prepaid items	580,408	-	580,408	-	-
Restricted assets:					
Temporarily restricted:					
Investments - bond requirements	-	1,834,232	1,834,232	-	-
Cash and cash equivalents (in custody of others)	-	922,531	922,531	-	-
Capital assets (net of accumulated depreciation):					
Land	6,467,388	3,690,276	10,157,664	1,476,061	813,267
Buildings and system	39,963,446	22,096,394	62,059,840	33,833,492	9,569,321
Improvements other than buildings	3,019,784	-	3,019,784	-	-
Machinery and equipment	6,043,852	1,427,620	7,471,472	2,455,263	-
Construction in progress	426,777	352,376	779,153	20,149	-
Total assets	<u>\$ 108,895,151</u>	<u>\$ 33,337,935</u>	<u>\$ 142,233,086</u>	<u>\$ 46,042,520</u>	<u>\$ 12,245,996</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 185,671
Pension related items	1,409,756	80,618	1,490,374	6,807,161	-
OPEB related items	181,443	5,841	187,284	1,043,055	-
Deferred charges on refunding	139,305	202,708	342,013	-	-
Total deferred outflows of resources	<u>\$ 1,730,504</u>	<u>\$ 289,167</u>	<u>\$ 2,019,671</u>	<u>\$ 7,850,216</u>	<u>\$ 185,671</u>
LIABILITIES					
Accounts payable	\$ 458,999	\$ 299,292	\$ 758,291	\$ 1,307,786	\$ 59,834
Accrued liabilities	885,898	18,561	904,459	5,378,789	-
Accrued interest payable	547,385	37,051	584,436	-	-
Due to other governmental units	4,584,829	-	4,584,829	22,872	-
Unearned revenue	53,645	-	53,645	-	-
Deposits held in escrow	-	126,290	126,290	-	-
Long-term liabilities:					
Due within one year	3,230,062	2,493,900	5,723,962	155,309	11,989,269
Derivative instrument - rate swap	-	-	-	-	185,671
Due in more than one year	45,086,880	8,060,523	53,147,403	65,033,439	158,323
Total liabilities	<u>\$ 54,847,698</u>	<u>\$ 11,035,617</u>	<u>\$ 65,883,315</u>	<u>\$ 71,898,195</u>	<u>\$ 12,393,097</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 20,196,206	\$ -	\$ 20,196,206	\$ -	\$ -
Pension related items	1,713,044	97,152	1,810,196	7,337,228	-
OPEB related items	397,174	8,092	405,266	412,831	-
Total deferred inflow of resources	<u>\$ 22,306,424</u>	<u>\$ 105,244</u>	<u>\$ 22,411,668</u>	<u>\$ 7,750,059</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 18,431,064	\$ 17,703,636	\$ 36,134,700	\$ 37,784,965	\$ (1,765,004)
Restricted:					
Debt service and bond covenants	-	1,834,232	1,834,232	-	-
Unrestricted (deficit)	15,040,469	2,948,373	17,988,842	(63,540,483)	1,803,574
Total net position	<u>\$ 33,471,533</u>	<u>\$ 22,486,241</u>	<u>\$ 55,957,774</u>	<u>\$ (25,755,518)</u>	<u>\$ 38,570</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,273,889	\$ -	\$ 330,888	\$ -
Judicial administration	2,022,836	239,638	1,150,790	-
Public safety	15,005,085	493,463	2,886,282	-
Public works	2,147,005	551,396	-	-
Health and welfare	5,515,673	-	3,529,703	-
Education	27,761,018	80	-	-
Parks, recreation, and cultural	2,437,963	363,322	149,552	-
Community development	2,569,352	-	203,196	1,149,639
Interest on long-term debt	1,375,212	-	236,708	-
Total governmental activities	\$ 65,108,033	\$ 1,647,899	\$ 8,487,119	\$ 1,149,639
Business-type activities:				
Public utilities	\$ 3,542,913	\$ 4,568,243	\$ -	\$ -
Total business-type activities	\$ 3,542,913	\$ 4,568,243	\$ -	\$ -
Total primary government	\$ 68,650,946	\$ 6,216,142	\$ 8,487,119	\$ 1,149,639
COMPONENT UNITS:				
School Board	\$ 57,759,811	\$ 1,080,935	\$ 33,391,107	\$ -
Economic Development Authority	1,579,717	1,617,102	-	-
Total component units	\$ 59,339,528	\$ 2,698,037	\$ 33,391,107	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility tax				
Business license taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (5,943,001)	\$ -	\$ (5,943,001)			
(632,408)	-	(632,408)			
(11,625,340)	-	(11,625,340)			
(1,595,609)	-	(1,595,609)			
(1,985,970)	-	(1,985,970)			
(27,760,938)	-	(27,760,938)			
(1,925,089)	-	(1,925,089)			
(1,216,517)	-	(1,216,517)			
(1,138,504)	-	(1,138,504)			
<u>\$ (53,823,376)</u>	<u>\$ -</u>	<u>\$ (53,823,376)</u>			
\$ -	\$ 1,025,330	\$ 1,025,330			
\$ -	\$ 1,025,330	\$ 1,025,330			
<u>\$ (53,823,376)</u>	<u>\$ 1,025,330</u>	<u>\$ (52,798,046)</u>			
\$ -	\$ -	\$ -	\$ (23,287,769)	\$ -	
-	-	-	-	37,385	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,287,769)</u>	<u>\$ 37,385</u>	
\$ 40,204,898	\$ 39,849	\$ 40,244,747	\$ -	\$ -	
4,627,344	-	4,627,344	-	-	
733,044	-	733,044	-	-	
1,729,800	-	1,729,800	-	-	
2,274,619	-	2,274,619	-	-	
1,199,763	-	1,199,763	-	-	
356,250	77,735	433,985	13,563	1,042	
321,874	-	321,874	152,647	-	
4,423,702	779,370	5,203,072	-	-	
-	-	-	25,818,233	-	
(430,524)	430,524	-	-	-	
<u>\$ 55,440,770</u>	<u>\$ 1,327,478</u>	<u>\$ 56,768,248</u>	<u>\$ 25,984,443</u>	<u>\$ 1,042</u>	
\$ 1,617,394	\$ 2,352,808	\$ 3,970,202	\$ 2,696,674	\$ 38,427	
31,854,139	20,133,433	51,987,572	(28,452,192)	143	
<u>\$ 33,471,533</u>	<u>\$ 22,486,241</u>	<u>\$ 55,957,774</u>	<u>\$ (25,755,518)</u>	<u>\$ 38,570</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

Balance Sheet
 Governmental Funds
 June 30, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 8,922,074	\$ -	\$ -	\$ -	\$ 8,922,074
Investments	16,310,493	-	124,854	-	16,435,347
Receivables (net of allowance for uncollectibles):					
Taxes receivable	24,333,124	-	-	-	24,333,124
Accounts receivable	538,956	-	-	400	539,356
Due from other funds	596,552	-	554,357	-	1,150,909
Due from other governmental units	1,523,134	109,269	151,420	379,772	2,163,595
Prepaid items	390,393	190,015	-	-	580,408
Total assets	<u>\$ 52,614,726</u>	<u>\$ 299,284</u>	<u>\$ 830,631</u>	<u>\$ 380,172</u>	<u>\$ 54,124,813</u>
LIABILITIES					
Accounts payable	\$ 370,762	\$ -	\$ 5,333	\$ 82,904	\$ 458,999
Accrued liabilities	885,898	-	-	-	885,898
Due to other governmental units	4,584,829	-	-	-	4,584,829
Due to other funds	554,357	299,284	-	297,268	1,150,909
Unearned revenue	53,645	-	-	-	53,645
Total liabilities	<u>\$ 6,449,491</u>	<u>\$ 299,284</u>	<u>\$ 5,333</u>	<u>\$ 380,172</u>	<u>\$ 7,134,280</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 22,310,596	\$ -	\$ -	\$ -	\$ 22,310,596
Total deferred inflows of resources	<u>\$ 22,310,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,310,596</u>
Fund balances:					
Nonspendable	\$ 390,393	\$ 190,015	\$ -	\$ -	\$ 580,408
Restricted	79,268	-	125,000	-	204,268
Committed	1,983,468	-	700,298	-	2,683,766
Assigned	260,000	-	-	-	260,000
Unassigned	21,141,510	(190,015)	-	-	20,951,495
Total fund balances	<u>\$ 23,854,639</u>	<u>\$ -</u>	<u>\$ 825,298</u>	<u>\$ -</u>	<u>\$ 24,679,937</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,614,726</u>	<u>\$ 299,284</u>	<u>\$ 830,631</u>	<u>\$ 380,172</u>	<u>\$ 54,124,813</u>

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

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		\$ 24,679,937
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 98,386,271	
Accumulated depreciation	<u>(42,465,024)</u>	55,921,247
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ <u>2,114,390</u>	2,114,390
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	\$ 139,305	
OPEB related items	181,443	
Pension related items	<u>1,409,756</u>	1,730,504
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and loans payable	\$ (29,710,885)	
Less: Issuance premium (to be amortized over life of debt)	(1,251,020)	
Accrued Interest payable	(547,385)	
Net OPEB liability	(4,991,870)	
Net pension liability	(4,067,452)	
Capital leases	(6,528,278)	
Compensated absences	<u>(1,767,437)</u>	(48,864,327)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,713,044)	
OPEB related items	<u>(397,174)</u>	<u>(2,110,218)</u>
Net position of governmental activities		<u>\$ 33,471,533</u>

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

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 40,429,513	\$ -	\$ -	\$ -	\$ 40,429,513
Other local taxes	10,564,570	-	-	-	10,564,570
Permits, privilege fees, and regulatory licenses	438,668	-	-	-	438,668
Fines and forfeitures	118,878	-	-	-	118,878
Revenue from the use of money and property	354,455	-	1,795	-	356,250
Charges for services	1,090,353	-	-	-	1,090,353
Miscellaneous	284,790	-	20,083	17,001	321,874
Recovered costs	434,664	-	-	-	434,664
Intergovernmental:					
Commonwealth	8,939,933	-	138,043	1,703,099	10,781,075
Federal	321,064	236,708	1,011,596	1,710,017	3,279,385
Total revenues	<u>\$ 62,976,888</u>	<u>\$ 236,708</u>	<u>\$ 1,171,517</u>	<u>\$ 3,430,117</u>	<u>\$ 67,815,230</u>
EXPENDITURES					
Current:					
General government administration	\$ 5,963,044	\$ -	\$ -	\$ -	\$ 5,963,044
Judicial administration	1,864,417	-	-	-	1,864,417
Public safety	13,715,518	-	-	-	13,715,518
Public works	2,157,205	-	-	-	2,157,205
Health and welfare	797,659	-	-	4,743,457	5,541,116
Education	24,850,100	-	-	-	24,850,100
Parks, recreation, and cultural	2,323,548	-	-	-	2,323,548
Community development	1,134,167	-	-	-	1,134,167
Nondepartmental	285,585	-	-	-	285,585
Capital projects	-	-	2,682,620	-	2,682,620
Debt service:					
Principal retirement	-	4,097,070	-	-	4,097,070
Interest and other fiscal charges	-	1,581,253	-	-	1,581,253
Total expenditures	<u>\$ 53,091,243</u>	<u>\$ 5,678,323</u>	<u>\$ 2,682,620</u>	<u>\$ 4,743,457</u>	<u>\$ 66,195,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,885,645</u>	<u>\$ (5,441,615)</u>	<u>\$ (1,511,103)</u>	<u>\$ (1,313,340)</u>	<u>\$ 1,619,587</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 5,441,615	\$ 1,524,582	\$ 1,313,340	\$ 8,279,537
Transfers out	(8,710,061)	-	-	-	(8,710,061)
Total other financing sources (uses)	<u>\$ (8,710,061)</u>	<u>\$ 5,441,615</u>	<u>\$ 1,524,582</u>	<u>\$ 1,313,340</u>	<u>\$ (430,524)</u>
Net change in fund balances	\$ 1,175,584	\$ -	\$ 13,479	\$ -	\$ 1,189,063
Fund balances - beginning	22,679,055	-	811,819	-	23,490,874
Fund balances - ending	<u>\$ 23,854,639</u>	<u>\$ -</u>	<u>\$ 825,298</u>	<u>\$ -</u>	<u>\$ 24,679,937</u>

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

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

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

Net change in fund balances - total governmental funds \$ 1,189,063

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

Capital asset additions	\$ 1,496,980	
Depreciation expense	(3,910,225)	
Jointly owned asset allocation of assets	(2,052,247)	
Jointly owned asset depreciation	<u>428,161</u>	(4,037,331)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ <u>(224,615)</u>	(224,615)
----------------	---------------------	-----------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets

	\$ <u>(14,264)</u>	(14,264)
--	--------------------	----------

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.

Principal payments	\$ <u>4,097,070</u>	4,097,070
--------------------	---------------------	-----------

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.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (60,914)	
OPEB expense	(177,166)	
Pension expense	639,510	
Amortization of deferred charges on refunding	(14,365)	
Premium amortization	105,462	
(Increase) decrease in accrued interest payable	<u>114,944</u>	<u>607,471</u>

Change in net position of governmental activities		\$ <u><u>1,617,394</u></u>
---	--	----------------------------

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

Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund <u>Utilities Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 774,230
Investments	1,673,311
Taxes receivable (net of allowance for uncollectibles)	1,801
Accounts receivable	468,659
Inventories	96,505
Total current assets	<u>\$ 3,014,506</u>
Noncurrent assets:	
Restricted current assets:	
Investments - bond requirements	\$ 1,834,232
Cash and cash equivalents (in custody of others)	922,531
Total restricted current assets	<u>\$ 2,756,763</u>
Capital assets:	
Land	\$ 3,690,276
Utility plant in service	37,374,997
Machinery and equipment	2,167,248
Buildings	6,542,938
Construction in progress	352,376
Accumulated depreciation	(22,561,169)
Total net capital assets	<u>\$ 27,566,666</u>
Total noncurrent assets	<u>\$ 30,323,429</u>
Total assets	<u>\$ 33,337,935</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 202,708
Pension related items	80,618
OPEB related items	5,841
Total deferred outflows of resources	<u>\$ 289,167</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 299,292
Accrued liabilities	18,561
Accrued interest payable	37,051
Compensated absences - current portion	7,900
Deposits held in escrow	126,290
Bonds payable - current portion	2,486,000
Total current liabilities	<u>\$ 2,975,094</u>

Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund <u>Utilities Fund</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 7,579,738
Net OPEB liability	169,767
Net pension liability	239,920
Compensated absences - net of current portion	71,098
Total noncurrent liabilities	<u>\$ 8,060,523</u>
Total liabilities	<u>\$ 11,035,617</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 97,152
OPEB related items	8,092
Total deferred outflows of resources	<u>\$ 105,244</u>
NET POSITION	
Net investment in capital assets	\$ 17,703,636
Restricted for debt service and bond covenants	1,834,232
Unrestricted	2,948,373
Total net position	<u><u>\$ 22,486,241</u></u>

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

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

	Enterprise Fund <u>Utilities Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,389,589
Sewer revenues	702,737
Other revenues	87,277
Total operating revenues	<u>\$ 4,179,603</u>
OPERATING EXPENSES	
Personnel services	\$ 893,856
Fringe benefits	243,770
Contractual services	348,483
Other charges	803,149
Depreciation	1,081,250
Total operating expenses	<u>\$ 3,370,508</u>
Operating income (loss)	<u>\$ 809,095</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 388,640
Investment income	77,735
Taxes	39,849
Interest expense	(172,405)
Total nonoperating revenues (expenses)	<u>\$ 333,819</u>
Income before transfers	<u>\$ 1,142,914</u>
Capital contributions and construction grants	779,370
Transfers in	430,524
Change in net position	<u>\$ 2,352,808</u>
Total net position - beginning, as restated	20,133,433
Total net position - ending	<u><u>\$ 22,486,241</u></u>

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

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

	Enterprise Fund
	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,132,524
Receipts for miscellaneous items	86,802
Payments to suppliers	(1,091,732)
Payments to and for employees	(1,244,942)
Net cash provided by (used for) operating activities	<u>\$ 1,882,652</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 422,732
Connection fees	388,640
Tax revenue	39,202
Net cash provided by (used for) noncapital financing activities	<u>\$ 850,574</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (641,831)
Principal payments on bonds	(2,382,000)
Interest expense	(309,767)
Net cash provided by (used for) capital and related financing activities	<u>\$ (3,333,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 477
Purchase of investments	(258,897)
Net cash provided by (used for) investing activities	<u>\$ (258,420)</u>
Net increase (decrease) in cash and cash equivalents	\$ (858,792)
Cash and cash equivalents - beginning - including restricted	2,555,553
Cash and cash equivalents - ending - including restricted	<u><u>\$ 1,696,761</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 809,095</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 1,081,250
(Increase) decrease in accounts receivable	40,198
(Increase) decrease in deferred outflows of resources	102,251
(Increase) decrease in inventories	(28,997)
Increase (decrease) in customer deposits	(475)
Increase (decrease) in accrued liabilities	(238)
Increase (decrease) in accounts payable	89,135
Increase (decrease) in net OPEB liability	(20,438)
Increase (decrease) in net pension liability	(251,971)
Increase (decrease) in deferred inflows of resources	89,791
Increase (decrease) in compensated absences	(26,949)
Total adjustments	<u>\$ 1,073,557</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,882,652</u></u>
Schedule of non-cash investing and financing activities:	
Change in fair value of investments	<u>\$ 77,158</u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 137,154
Investments	22,649
Accounts receivable	34
Total assets	<u>\$ 159,837</u>
LIABILITIES	
Accounts payable	\$ 68,234
Amounts held for social services clients	23,654
Amounts held for regional program	6,946
Amounts held for others	61,003
Total liabilities	<u>\$ 159,837</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The exception to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental 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.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds 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, final budget and actual results.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2018.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Gloucester County Economic Development Authority (EDA) is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Authority does not issue a separate financial report.

C. Other Related Organizations

The Middle Peninsula Juvenile Detention Commission (the Commission) was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a new juvenile detention facility serving the eighteen member jurisdictions of which the Assistant County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o the County of James City at P.O. Box 8784, Williamsburg, VA 23187-8784.

The Middle Peninsula Regional Airport Authority (Airport) was created in 1997 by the Virginia General Assembly for the purpose of owning and operating the airport. The Airport consists of five member jurisdictions. The Airport is fiscally independent of the County, because substantially all of its income comes from State and Federal funds. Separate audited financial statements are available from the Airport at 1000 Airport Road, Mattaponi, VA 23110.

Other Agencies-Certain agencies and commissions service both the County of Gloucester and surrounding localities. Board membership is allocated among the localities and their governing bodies appointments. These agencies include: Colonial Group Home Commission, Hampton Roads Planning District Commission, Middle Peninsula Planning District Commission, Northern Neck Regional Jail, Hampton Roads Economic Development Alliance, Peninsula Council Workforce Development and Hampton Roads Partnership.

Included in the County's Financial Report

None

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

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

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

D. 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, except for agency funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

D. 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.

1. Governmental Funds - are those through which most governmental functions typically are financed. The County reports the following governmental funds:

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

Debt Service Fund - accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund. The County reports the Debt Service Fund as a major fund.

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds - accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Virginia Public Assistance and Comprehensive Services Act.

Internal Service Funds - accounts 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 Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.

Fiduciary Funds - (Trust and Agency Funds) - accounts for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare, Middle Peninsula Regional Special Education, Flexible Benefits and Sheriff/Jail.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

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

Enterprise Funds - Enterprise 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. The County's major Enterprise Funds consist of the Utilities Fund, which accounts for the operations of sewage pumping stations and collection systems, and the water distribution system.

E. Cash and Cash Equivalents:

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$594,585 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 30/December 5 (50% each date)	June 30/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

H. Capital Assets

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

The Component Unit Economic Development Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed at the business park.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Improvements other than buildings	35
Buildings	10-35
Machinery and Equipment	2-15
Infrastructure	25

I. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Use of Estimates

The preparation of financial statements in conformity with 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.

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. 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.

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

N. Other Postemployment Benefits (OPEB) (Continued)

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Political Subdivision and Teacher Employee Health Insurance Credit Program

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

Medical and Dental Pay-As-You Go

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

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

O. Long-term Obligations

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

P. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid items in governmental funds are reported as nonspendable fund balance.

Q. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Utilities Fund consists of expendable supplies held for consumption. Inventory in the Component Unit-School Board Cafeteria Fund consists of the purchased food and supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. Inventory in the Component Unit-Economic Development Authority consists of land held for resale.

R. Fund Equity

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

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

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

R. Fund Equity (Continued)

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors.

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to 10% of governmental fund expenditures, with a preferred target of 12% of governmental fund expenditures, less any capital outlay projects funded with bond proceeds.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

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

R. Fund Equity (Continued)

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

	General Fund	Major Capital Projects Fund	Major Debt Service Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 390,393	\$ -	\$ 190,015	\$ 580,408
Total Nonspendable	<u>\$ 390,393</u>	<u>\$ -</u>	<u>\$ 190,015</u>	<u>\$ 580,408</u>
Restricted:				
Sheriff's asset forfeiture, federal	\$ 28,415	\$ -	\$ -	\$ 28,415
Sheriff's asset forfeiture, state	41,988	-	-	41,988
Commonwealth Attorney's asset forfeiture, federal	468	-	-	468
Commonwealth Attorney's asset forfeiture, state	8,397	-	-	8,397
Proffers	-	125,000	-	125,000
Total Restricted	<u>\$ 79,268</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 204,268</u>
Committed:				
Mosquito control	\$ 142,173	\$ -	\$ -	\$ 142,173
Tourism projects	285,261	6,700	-	291,961
Daffodil festival	61,057	-	-	61,057
Program donations	26,346	2,084	-	28,430
Subsequent expenditures	-	543,541	-	543,541
Probation and pretrial	59,940	-	-	59,940
Cable services	806,868	-	-	806,868
County capital replacement	601,823	-	-	601,823
Park projects	-	23,118	-	23,118
Older adult capital projects	-	124,855	-	124,855
Total Committed	<u>\$ 1,983,468</u>	<u>\$ 700,298</u>	<u>\$ -</u>	<u>\$ 2,683,766</u>
Assigned:				
County administrator's contingency	\$ 260,000	\$ -	\$ -	\$ 260,000
Total Assigned	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,000</u>
Unassigned	\$ 21,141,510	\$ -	\$ (190,015)	\$ 20,951,495
Total Fund Balances	<u><u>\$ 23,854,639</u></u>	<u><u>\$ 825,298</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,679,937</u></u>

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

5. 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. The first 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 second item is related to the financial reporting for the derivative debt incurred by the Component Economic Development Authority. The third item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/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 asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
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. Several Supplemental Appropriations were necessary during the fiscal year.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2018 were held by the County or in the County’s name by the County’s custodial banks.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAA	AA-
Primary Government:			
Local Government Investment Pool	\$ 18,108,658	\$ -	\$ -
U.S. Government Obligations	2,756,763	-	-
Total	<u>\$ 20,865,421</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-School Board:			
Local Government Investment Pool	\$ 757,896	\$ -	\$ -
Total	<u>\$ 757,896</u>	<u>\$ -</u>	<u>\$ -</u>

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Interest Rate Risk

Investment Maturities (in years)

Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 18,108,658	\$ 18,108,658	\$ -
U.S. Government Obligations	2,756,763	2,756,763	-
Total	<u>\$ 20,865,421</u>	<u>\$ 20,865,421</u>	<u>\$ -</u>
Component Unit-School Board:			
Local Government Investment Pool	\$ 757,896	\$ 757,896	\$ -
Total	<u>\$ 757,896</u>	<u>\$ 757,896</u>	<u>\$ -</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of pool shares. As LGIP 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 left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2018, the County has receivables from and amounts due to other governments as follows:

	Primary Government	Component Unit	
		School Board	School Board Internal Service Fund
Amounts due from other governments are as follows:			
Other Local Governments:			
Gloucester School Board Self insurance fund	\$ 22,872	\$ -	\$ -
Gloucester County	-	4,584,829	-
Commonwealth of Virginia:			
Local sales tax	854,374	-	-
Local communication sales tax	157,901	-	-
Local cable television fees	66,496	-	-
Mobile home titling tax	11,470	-	-
CSA funds	118,239	-	-
VPA funds	108,345	-	-
State sales tax	-	716,998	-
Constitutional officer reimbursements	295,379	-	-
Recordation tax	34,371	-	-
Other Grants	19,621	-	-
E-911 funds	4,020	-	-
Federal Government:			
School fund grants	-	610,090	-
VPSA QSCB interest subsidy	109,269	-	-
Emergency services	13,644	-	-
Highway construction funds	144,220	-	-
VPA funds	153,188	-	-
Victim witness grant	23,526	-	-
Other federal grants	26,660	-	-
Total due from other governments	\$ 2,163,595	\$ 5,911,917	\$ -
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 4,584,829	\$ -	\$ -
Gloucester County	-	-	22,872
Total due to other governments	\$ 4,584,829	\$ -	\$ 22,872

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2018, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 596,552	\$ 554,357
Capital Projects	554,357	-
Debt Service	-	299,284
Virginia Public Assistance	-	261,888
Comprehensive Services Act	-	35,380
Total Governmental Funds	<u>\$ 1,150,909</u>	<u>\$ 1,150,909</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year.

NOTE 6—CAPITAL ASSETS:

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

Primary Government:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,486,853	\$ -	\$ 19,465	\$ 6,467,388
Construction in progress	506,618	222,589	302,430	426,777
Total capital assets not subject to depreciation	<u>\$ 6,993,471</u>	<u>\$ 222,589</u>	<u>\$ 321,895</u>	<u>\$ 6,894,165</u>
Capital assets subject to depreciation:				
Buildings	\$ 19,814,400	\$ -	\$ -	\$ 19,814,400
Improvements other than buildings	3,955,441	178,352	-	4,133,793
Machinery and equipment	20,226,154	491,602	398,069	20,319,687
Jointly owned assets - buildings	48,364,405	-	1,140,179	47,224,226
Total capital assets subject to depreciation	<u>\$ 92,360,400</u>	<u>\$ 669,954</u>	<u>\$ 1,538,248</u>	<u>\$ 91,492,106</u>
Accumulated depreciation:				
Buildings	\$ (8,862,808)	\$ (478,708)	\$ -	\$ (9,341,516)
Improvements other than buildings	(906,103)	(207,906)	-	(1,114,009)
Machinery and equipment	(12,646,234)	(2,027,670)	(398,069)	(14,275,835)
Jointly owned assets - buildings	(16,965,884)	(1,195,941)	(428,161)	(17,733,664)
Total accumulated depreciation	<u>\$ (39,381,029)</u>	<u>\$ (3,910,225)</u>	<u>\$ (826,230)</u>	<u>\$ (42,465,024)</u>
Total capital assets being depreciated, net	<u>\$ 52,979,371</u>	<u>\$ (3,240,271)</u>	<u>\$ 712,018</u>	<u>\$ 49,027,082</u>
Governmental activities capital assets, net	<u>\$ 59,972,842</u>	<u>\$ (3,017,682)</u>	<u>\$ 1,033,913</u>	<u>\$ 55,921,247</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government administration	\$	281,875
Judicial administration		216,275
Public safety		1,953,944
Public works		34,463
Health and welfare		57,207
Education		1,212,453
Parks, recreation and cultural		147,168
Community development		<u>6,840</u>
Total Governmental activities	\$	<u>3,910,225</u>

A summary of proprietary fund property, plant, and equipment at June 30, 2018 follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,632,327	\$ 57,949	\$ -	\$ 3,690,276
Construction in progress	<u>1,633,491</u>	<u>641,831</u>	<u>1,922,946</u>	<u>352,376</u>
Total capital assets not subject to depreciation	\$ <u>5,265,818</u>	\$ <u>699,780</u>	\$ <u>1,922,946</u>	\$ <u>4,042,652</u>
Capital assets subject to depreciation:				
Plant in service	\$ 35,140,955	\$ 2,234,042	\$ -	\$ 37,374,997
Machinery and equipment	2,174,061	-	6,813	2,167,248
Buildings	<u>6,132,616</u>	<u>410,322</u>	<u>-</u>	<u>6,542,938</u>
Total capital assets subject to depreciation	\$ <u>43,447,632</u>	\$ <u>2,644,364</u>	\$ <u>6,813</u>	\$ <u>46,085,183</u>
Accumulated depreciation:				
Plant in service	\$ (16,787,801)	\$ (798,807)	\$ -	\$ (17,586,608)
Machinery and equipment	(658,640)	(87,801)	(6,813)	(739,628)
Buildings	<u>(4,040,291)</u>	<u>(194,642)</u>	<u>-</u>	<u>(4,234,933)</u>
Total accumulated depreciation	\$ <u>(21,486,732)</u>	\$ <u>(1,081,250)</u>	\$ <u>(6,813)</u>	\$ <u>(22,561,169)</u>
Total capital assets being depreciated, net	\$ <u>21,960,900</u>	\$ <u>1,563,114</u>	\$ <u>-</u>	\$ <u>23,524,014</u>
Business-type activities capital assets, net	\$ <u>27,226,718</u>	\$ <u>2,262,894</u>	\$ <u>1,922,946</u>	\$ <u>27,566,666</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Component Unit - School Board:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Construction in progress	-	20,149	-	20,149
Total capital assets not subject to depreciation	<u>\$ 1,476,061</u>	<u>\$ 20,149</u>	<u>\$ -</u>	<u>\$ 1,496,210</u>
Capital assets subject to depreciation:				
Buildings	\$ 3,731,393	\$ 733,479	\$ -	\$ 4,464,872
Machinery and equipment	11,821,666	441,711	493,778	11,769,599
Jointly owned assets - buildings	46,605,212	-	(1,140,179)	47,745,391
Total capital assets subject to depreciation	<u>\$ 62,158,271</u>	<u>\$ 1,175,190</u>	<u>\$ (646,401)</u>	<u>\$ 63,979,862</u>
Accumulated depreciation:				
Buildings	\$ (294,583)	\$ (152,816)	\$ -	\$ (447,399)
Machinery and equipment	(9,285,216)	(522,898)	(493,778)	(9,314,336)
Jointly owned assets - buildings	(16,348,771)	(1,152,440)	428,161	(17,929,372)
Total accumulated depreciation	<u>\$ (25,928,570)</u>	<u>\$ (1,828,154)</u>	<u>\$ (65,617)</u>	<u>\$ (27,691,107)</u>
Total capital assets being depreciated, net	<u>\$ 36,229,701</u>	<u>\$ (652,964)</u>	<u>\$ (712,018)</u>	<u>\$ 36,288,755</u>
Governmental activities capital assets, net	<u>\$ 37,705,762</u>	<u>\$ (632,815)</u>	<u>\$ (712,018)</u>	<u>\$ 37,784,965</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2018, is that school financed assets in the amount of \$29,490,562 are reported in the Primary Government for financial reporting purposes.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2018 follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 813,267	\$ -	\$ -	\$ 813,267
Total capital assets not subject to depreciation	\$ 813,267	\$ -	\$ -	\$ 813,267
Capital assets subject to depreciation:				
Buildings	\$ 18,442,262	\$ -	\$ -	\$ 18,442,262
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	\$ 18,449,496	\$ -	\$ -	\$ 18,449,496
Accumulated depreciation:				
Buildings	\$ (8,136,052)	\$ (736,889)	\$ -	\$ (8,872,941)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (8,143,286)	\$ (736,889)	\$ -	\$ (8,880,175)
Total capital assets being depreciated, net	\$ 10,306,210	\$ (736,889)	\$ -	\$ 9,569,321
Business-type activities capital assets, net	\$ 11,119,477	\$ (736,889)	\$ -	\$ 10,382,588

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 8,710,061
Debt Service	5,441,615	-
Capital Projects	1,524,582	-
Other Governmental Funds	<u>1,313,340</u>	<u>-</u>
Total Governmental Funds	\$ 8,279,537	\$ 8,710,061
Enterprise Funds:		
Utilities	<u>430,524</u>	<u>-</u>
Total-All Funds	<u>\$ 8,710,061</u>	<u>\$ 8,710,061</u>

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

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2018 is as follows:

	<u>Restated Balance at July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Incurred by County:					
Compensated absences	\$ 1,706,523	\$ 1,490,078	\$ 1,429,164	\$ 1,767,437	\$ 176,744
Net OPEB liabilities	5,214,039	342,767	564,936	4,991,870	-
Net pension liability	7,585,144	5,678,086	9,195,778	4,067,452	-
Capital leases	8,467,388	-	1,939,110	6,528,278	570,216
Total incurred by County	<u>\$ 22,973,094</u>	<u>\$ 7,510,931</u>	<u>\$ 13,128,988</u>	<u>\$ 17,355,037</u>	<u>\$ 746,960</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 470,324	\$ -	\$ 250,000	\$ 220,324	\$ 220,324
General obligation bonds	31,398,521	-	1,907,960	29,490,561	2,262,778
Add deferred amounts:					
For issuance premium	1,356,482	-	105,462	1,251,020	-
Total incurred by School Board	<u>\$ 33,225,327</u>	<u>\$ -</u>	<u>\$ 2,263,422</u>	<u>\$ 30,961,905</u>	<u>\$ 2,483,102</u>
Total Governmental Activities	<u>\$ 56,198,421</u>	<u>\$ 7,510,931</u>	<u>\$ 15,392,410</u>	<u>\$ 48,316,942</u>	<u>\$ 3,230,062</u>
Business-type Activities:					
Compensated absences	\$ 105,947	\$ 73,924	\$ 100,873	\$ 78,998	\$ 7,900
Net OPEB liabilities	190,205	10,418	30,856	169,767	-
Net pension liability	491,891	332,447	584,418	239,920	-
Revenue bonds	12,270,000	-	2,382,000	9,888,000	2,486,000
Add deferred amounts:					
For issuance premium	355,476	-	177,738	177,738	-
Total Business-type Activities	<u>\$ 13,413,519</u>	<u>\$ 416,789</u>	<u>\$ 3,275,885</u>	<u>\$ 10,554,423</u>	<u>\$ 2,493,900</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities	
	Capital Leases	
	Principal	Interest
2019	\$ 570,216	\$ 168,600
2020	580,065	154,046
2021	598,997	139,125
2022	423,000	123,779
2023	432,000	112,194
2024	441,000	100,365
2025	459,000	88,170
2026	471,000	75,568
2027	483,000	62,642
2028	498,000	49,349
2029	508,000	35,718
2030	523,000	21,748
2031	541,000	7,331
Total	\$ <u>6,528,278</u>	\$ <u>1,138,635</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Governmental Activities			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 220,324	\$ 6,609	\$ 2,262,778	\$ 1,256,636
2020	-	-	2,342,866	1,165,801
2021	-	-	2,418,219	1,071,132
2022	-	-	2,518,853	970,440
2023	-	-	2,581,258	878,352
2024	-	-	2,661,126	791,492
2025	-	-	2,005,284	707,585
2026	-	-	2,067,045	631,358
2027	-	-	2,129,162	557,061
2028	-	-	1,686,650	490,400
2029	-	-	1,365,490	436,215
2030	-	-	990,490	398,483
2031	-	-	1,020,489	357,543
2032	-	-	1,022,712	315,313
2033	-	-	1,057,713	282,310
2034	-	-	1,087,713	247,910
2035	-	-	272,713	115,194
Total	\$ <u>220,324</u>	\$ <u>6,609</u>	\$ <u>29,490,561</u>	\$ <u>10,673,225</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2019	\$ 2,486,000	\$ 208,543
2020	714,000	147,945
2021	708,000	133,014
2022	719,000	118,031
2023	729,000	102,826
2024	749,000	87,308
2025	759,000	71,473
2026	775,000	55,367
2027	699,000	39,889
2028	506,000	27,237
2029	517,000	16,496
2030	527,000	5,533
Total	\$ <u>9,888,000</u>	\$ <u>1,013,662</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-Term Obligations:</u>	
Governmental activities	
<u>Capital Leases:</u>	
\$6,725,000 capital lease revenue refunding bond (payable from the General Fund) issued August 12, 2015, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at 2.71%.	\$ 5,982,000
\$1,020,726 capital lease (payable from the General Fund) dated July 1, 2016, secured by communications equipment, due in combined annual installments of principal and interest of \$190,015 through July 1, 2020, including interest at 2.16%.	<u>546,278</u>
Total Capital Leases	\$ 6,528,278
Compensated absences (payable from the General Fund)	1,767,437
Net OPEB liabilities (payable from the General Fund)	4,991,870
Net pension liability (payable from the General Fund)	<u>4,067,452</u>
Total long-term obligations incurred by County	<u><u>\$ 17,355,037</u></u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds:</u>	
\$500,000 General Obligation School Bond, Series 2011, dated December 15, 2011 payable in various annual installments each December 1 through 2030, interest payable semi-annually at 4.25%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	\$ 410,000
\$5,999,684 General Obligation School Bond, Series 2012, dated October 31, 2012 payable in various annual installments each December 1 through 2034, interest payable semi-annually at 3.84%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	5,399,709
\$7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Face amount of bonds outstanding, \$3,105,000 plus unamortized issuance premium of \$118,094.	3,223,094
\$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Face amount of bonds outstanding, \$3,680,000 plus unamortized issuance premium of \$72,910.	3,752,910
\$15,845,000 School Bonds issued November 21, 2013 payable in various annual installments each July 15 through 2033. Interest payable semi-annually at various interest rates from 2.3% through 5.05%. Face amount of bonds outstanding, \$13,470,000 plus unamortized issuance premium of \$899,787.	14,369,787
\$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Face amount of bonds outstanding, \$3,425,852 plus unamortized issuance premium of \$160,229.	3,586,081
Total school bonds	<u>\$ 30,741,581</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%.	\$ <u>220,324</u>
Total long-term obligations incurred by School Board, payable from the General Fund	\$ <u>30,961,905</u>
Total governmental activities obligations	\$ <u>48,316,942</u>
<u>Business-type activities:</u>	
<u>Revenue Bonds:</u>	
\$9,427,000 Water and Sewer Revenue and Refunding Bonds issued March 30, 2016, payable in various amounts through December 1, 2029, interest payable semi-annually at 2.1%.	\$ 8,103,000
\$9,740,000 Water and Sewer Revenue and Refunding Bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.286% to 5.125%. Face amount of bonds outstanding, \$1,785,000 plus unamortized issuance premium of \$177,738.	1,962,738
Total revenue bonds	\$ <u>10,065,738</u>
Compensated absences (payable from the Enterprise Fund)	78,998
Net Pension liability (payable from the Enterprise Fund)	239,920
Net OPEB obligation (payable from the Enterprise Fund)	169,767
Total business-type activities obligations	\$ <u>10,554,423</u>

All Enterprise Fund revenue is pledged to collateralize all revenue bonds as long as they remain outstanding. Outstanding revenue bonds at June 30, 2018 report remaining principal and interest balances payable of \$9,888,000 and \$1,013,662, respectively.

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of a new courthouse and radio equipment for judicial administration and public safety. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Courthouse Construction	\$ 7,237,000
Radio Equipment	13,513,899
Less: Accumulated depreciation	<u>(11,884,928)</u>
	<u>\$ 8,865,971</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 738,816
2020	734,111
2021	738,122
2022	546,779
2023	544,194
2024	541,365
2025	547,170
2026	546,568
2027	545,642
2028	547,349
2029	543,718
2030	544,748
2031	<u>548,331</u>
Total minimum lease payments	\$ 7,666,913
Less: amount representing interest	<u>(1,138,635)</u>
Present value of minimum lease payments	<u>\$ 6,528,278</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board:

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

	<u>Restated Balance at July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Compensated absences (payable from the School Fund)	\$ 1,687,519	\$ 1,945,204	\$ 2,079,629	\$ 1,553,094	\$ 155,309
Net OPEB liabilities	16,442,349	1,543,177	1,209,872	16,775,654	-
Net pension liability	<u>53,224,022</u>	<u>9,627,359</u>	<u>15,991,381</u>	<u>46,860,000</u>	<u>-</u>
Total incurred by School Board	<u>\$ 71,353,890</u>	<u>\$ 13,115,740</u>	<u>\$ 19,280,882</u>	<u>\$ 65,188,748</u>	<u>\$ 155,309</u>

Component Unit—Economic Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2018:

	<u>Balance at July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Bonds and Note Payable	\$ 12,965,039	\$ -	\$ 817,447	\$ 12,147,592	\$ 11,989,269
Derivative instrument	<u>682,656</u>	<u>-</u>	<u>496,985</u>	<u>185,671</u>	<u>-</u>
Total	<u>\$ 13,647,695</u>	<u>\$ -</u>	<u>\$ 1,314,432</u>	<u>\$ 12,333,263</u>	<u>\$ 11,989,269</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority: (Continued)

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Bonds and Note Payable:</u>	
\$18,500,000 variable rate taxable Lease Revenue and Refunding Bonds, Series 2008, issued August 1, 2008, due in monthly installments through March 1, 2019, variable interest rate equal to 100% of the Bank's LIBOR rate plus 1.30%, adjusted monthly with an interest rate swap option effectively making this a loan with a fixed rate of 5.96%.	\$ 11,980,943
\$173,789 Promissory Note with BB&T dated July 12, 2017, payable in monthly installments of combined principal and interest of \$1,400 through June 12, 2022, interest at 5.21%, balance due on July 12, 2022. This note was paid in full on July 11, 2018.	<u>166,649</u>
Total Debt incurred by the Component Unit Economic Development Authority	<u><u>\$ 12,147,592</u></u>

Interest rate swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in August 2008, the Authority entered into an interest rate swap in connection with its \$18.5 million Taxable Lease Revenue and Refunding Bonds, Series 2008. The intention of the swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 5.96 percent. Utilizing the synthetic instrument method, the Authority has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms. The bonds and the related swap agreement mature on March 1, 2019. The swap's notional value of \$11,980,943 is more than the balance outstanding on the bonds payable of \$12,166,614. The difference of \$185,671 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap (Continued)

Fair Value. The fair values and changes in fair values of the swap are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fair value	\$ (1,590,397)	\$ (2,504,543)	\$ (2,220,148)	\$ (3,313,813)	\$ (2,363,123)
Change in fair value	(1,590,397)	(914,146)	284,395	(1,093,665)	950,690
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fair value	\$ (2,051,465)	\$ (1,665,311)	\$ (1,405,254)	(682,656)	(185,671)
Change in fair value	311,658	386,154	260,057	722,598	496,985

Annual amounts required to amortize the Authority loan using the fixed rate provided by the swap agreement which is not significantly different from the variable rate are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 11,989,269	\$ 587,757
2020	8,770	8,035
2021	9,238	7,567
2022	9,731	7,074
2023	130,584	566
Total	<u>\$ 12,147,592</u>	<u>\$ 610,999</u>

NOTE 9—LANDFILL POST CLOSURE COSTS:

The County stopped receiving waste at its landfill in September 1993, which was prior to the date mandated by State and Federal laws and regulations, so as to be liable for post-closure monitoring for a period of only ten years. The Department of Environmental Quality has agreed to stop requiring groundwater monitoring for this landfill, but continue to require monitoring for landfill gas. Post-closure monitoring costs for this function are believed to be minimal and will be paid for with general fund revenues.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS: (CONTINUED)

In 1993, the County contracted with a third party, Waste Management Disposal Services of Virginia, Inc., to collect and dispose of all County solid waste generated after October 1, 1993. As required by this contract, an environmental trust fund was established for the benefit of the County to provide assurance against any environmental problems on the landfill property. No amounts have been recorded in these financial statements for post-closure monitoring of this landfill, because the third party has assumed all post-closure obligations.

NOTE 10—DEFERRED AND UNAVAILABLE REVENUE:

At June 30, 2018, deferred and unavailable revenue are reported as follows:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 2,114,390
2nd half assessments due in December 2018	19,745,604	19,745,604
Prepaid property taxes due in December 2018 but paid in advance by taxpayers	<u>450,602</u>	<u>450,602</u>
	<u>\$ 20,196,206</u>	<u>\$ 22,310,596</u>

NOTE 11—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform 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 disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8a) between the state Water Control Board and the Hampton Roads Sanitation District, the cities of Chesapeake, Hampton, Newport News, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg; the counties of Gloucester, Isle of Wight, and York; the James City Service Authority; and the town of Smithfield for the purpose of resolving certain alleged violations of environmental laws and regulations. All parties have agreed to a two-phased approach to address the initiative: the first phase is principally a data collection, evaluation and plan development program and the second phase will implement long-term capacity enhancement and sewer rehabilitation plans.

The County entered into a Financing Lease Agreement and an Amended Cooperation Agreement on September 1, 2016 with the Counties of Northumberland, Richmond, and Westmoreland to become a member of the Northern Neck Regional Jail. As a result of these agreements, the County is committed to pay the Northern Neck Regional Jail \$684,053 for 15 years through 2031.

NOTE 12—LITIGATION:

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

NOTE 13—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Association of Counties Group Self-Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units - School Board and Economic Development Authority, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 13—RISK MANAGEMENT: (CONTINUED)

The Component Unit School Board utilizes a self-insurance program for employee health insurance. The School Board accounts for this program in an internal service fund. A summary of the claims liability for the current and prior year follows:

Unpaid claims, June 30, 2016	\$ 840,088
Incurred claims (including IBNR and changes in estimates)	5,900,448
Claim payments	<u>(5,836,674)</u>
Unpaid claims, June 30, 2017	<u>\$ 903,862</u>
Incurred claims (including IBNR and changes in estimates)	7,855,597
Claim payments	<u>(7,420,597)</u>
Unpaid claims, June 30, 2018	<u>\$ 435,000</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—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
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u></p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	189	108
Inactive members:		
Vested inactive members	61	22
Non-vested inactive members	69	49
Inactive members active elsewhere in VRS	143	50
Total inactive members	<u>273</u>	<u>121</u>
Active members	<u>308</u>	<u>176</u>
Total covered employees	<u><u>770</u></u>	<u><u>405</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,385,499 and \$1,410,351 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$175,385 and \$184,184 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—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%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—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:

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

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

Discount Rate

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—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	\$ 61,053,194	\$ 52,976,159	\$ 8,077,035
Changes for the year:			
Service cost	\$ 1,722,474	\$ -	\$ 1,722,474
Interest	4,186,921	-	4,186,921
Changes in benefit terms	-	-	-
Changes of assumptions	16,358	-	16,358
Differences between expected and actual experience	(1,128,018)	-	(1,128,018)
Assumption changes			
Contributions - employer	-	1,387,991	(1,387,991)
Contributions - employee	-	744,807	(744,807)
Net investment income	-	6,477,379	(6,477,379)
Benefit payments, including refunds			
Refunds of employee contributions	(2,480,079)	(2,480,079)	-
Administrative expenses	-	(37,007)	37,007
Other changes	-	(5,772)	5,772
Net changes	\$ 2,317,656	\$ 6,087,319	\$ (3,769,663)
Balances at June 30, 2017	\$ 63,370,850	\$ 59,063,478	\$ 4,307,372

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 17,967,628	\$ 16,693,606	\$ 1,274,022
Changes for the year:			
Service cost	\$ 311,465	\$ -	\$ 311,465
Interest	1,227,510	-	1,227,510
Changes in benefit terms	-	-	-
Changes of assumptions	(28,612)	-	(28,612)
Differences between expected and actual experience	(905,115)	-	(905,115)
Assumption changes			
Contributions - employer	-	177,460	(177,460)
Contributions - employee	-	145,681	(145,681)
Net investment income	-	2,006,570	(2,006,570)
Benefit payments, including refunds			
Refunds of employee contributions	(863,540)	(863,540)	-
Administrative expenses	-	(11,875)	11,875
Other changes	-	(1,773)	1,773
Net changes	\$ (258,292)	\$ 1,452,523	\$ (1,710,815)
Balances at June 30, 2017	\$ 17,709,336	\$ 18,146,129	\$ (436,793)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 12,660,639	\$ 4,307,372	\$ (2,631,525)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	1,658,529	(436,793)	(2,201,680)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$655,172 and (\$395,905) respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,550	\$ 939,994	\$ -	\$ 721,109
Change of assumptions	11,325	-	-	18,573
Net difference between projected and actual earnings on pension plan investments	-	870,202	-	253,546
Employer contributions subsequent to the measurement date	1,385,499	-	175,385	-
Total	\$ 1,490,374	\$ 1,810,196	\$ 175,385	\$ 993,228

\$1,385,499 and \$175,385 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 (increase) of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (876,680)	\$ (605,145)
2020	(176,741)	(219,403)
2021	(95,360)	2,802
2022	(556,540)	(171,482)
2023	-	-
Thereafter	-	-

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—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 political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually employer required 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 \$4,786,776 and \$4,396,122 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 \$46,860,000 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 .38104% as compared to .37070% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$3,166,000. 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflow</u> <u>of Resources</u>
Differences between expected and actual experience	-	\$ 3,318,000
Change in assumptions	684,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,702,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,161,000	1,324,000
Employer contributions subsequent to the measurement date	<u>4,786,776</u>	<u>-</u>
Total	<u>\$ 6,631,776</u>	<u>\$ 6,344,000</u>

\$4,786,776 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:

<u>Year ended June 30</u>	
2019	\$ (2,132,000)
2020	(343,000)
2021	(608,000)
2022	(1,396,000)
2023	(20,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

Net Pension Liability

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	69,978,000 \$	46,860,000 \$	27,737,000

Pension Plan Fiduciary Net Position

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L. Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Darrell W. Warren, Jr., Sheriff	30,000
Western Surety	
Carol Dehoux, Clerk of the School Board	10,000
Betty Jane Duncan, Deputy Clerk of the School Board	10,000
Zane S. Barry, Director of Social Services	20,000
NGM Insurance Company	
J. Brent Fedors, County Administrator	5,000
VA CORP Insurance Program - Surety	
All County and Social Services Employees - Blanket Bond	250,000

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$165,000 for the year ended June 30, 2018. In FY 2015, the County decided to accept the first renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 166,375
Total	<u>\$ 166,375</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 16—OPERATING LEASES: (CONTINUED)

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was \$47,338 for the year ended June 30, 2018. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 48,522
2020	49,735
2021	50,978
2022	52,253
2023	53,559
2024 - 2032	496,010
Total	<u>\$ 751,057</u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$69,015 for the year ended June 30, 2018. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 70,495
2020	71,774
2021	73,209
2022	74,673
2023	76,167
2024 - 2029	439,630
Total	<u>\$ 805,948</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>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.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$73,647 and \$73,548 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$157,280 and \$157,819 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$15,688 and \$16,072 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$1,154,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$2,458,000 and \$250,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .07668% as compared to .07666% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .16329% and .01663%, respectively as compared to .15766% and .01964% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$13,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$43,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$5,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,000	\$ -	\$ 54,000	\$ -	\$ 6,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	43,000	-	92,000	-	9,000
Change in assumptions	-	59,000	-	127,000	-	13,000
Changes in proportion	-	-	83,000	-	-	45,000
Employer contributions subsequent to the measurement date	73,647	-	157,280	-	15,688	-
Total	\$ 73,647	\$ 128,000	\$ 240,280	\$ 273,000	\$ 15,688	\$ 73,000

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

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

\$73,647, \$157,280 and \$15,688, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (professional)</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (26,000)	\$ (41,000)	\$ (14,000)
2020	(26,000)	(41,000)	(14,000)
2021	(26,000)	(41,000)	(14,000)
2022	(26,000)	(41,000)	(14,000)
2023	(16,000)	(18,000)	(11,000)
Thereafter	(8,000)	(8,000)	(6,000)

Actuarial Assumptions

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - 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 Retirement Rates)	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	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)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 17—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:

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

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

Discount Rate

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 17—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 follow 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:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,493,000	\$ 1,154,000	\$ 880,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	3,179,000	2,458,000	1,873,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	324,000	250,000	191,000

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PROGRAM:

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• <u>Disability Retirement</u>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessiona</u>
Inactive members or their beneficiaries currently receiving benefits	<u>34</u>	<u>52</u>
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	<u>39</u>	<u>53</u>
Active members	144	176
Total covered employees	<u><u>183</u></u>	<u><u>229</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County and School Board’s contractually required employer contribution rate for the year ended June 30, 2018 was .19% and .62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$12,249 and \$12,479 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the School Board to the Health Insurance Credit Program were \$18,538 and \$18,508 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Net HIC OPEB Liability

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

Actuarial Assumptions

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 293,035	\$ 247,167	\$ 45,868
Changes for the year:			
Service cost	\$ 10,108	\$ -	\$ 10,108
Interest	20,191	-	20,191
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(9,679)	-	(9,679)
Contributions - employer	-	12,479	(12,479)
Net investment income	-	28,877	(28,877)
Benefit payments	(9,197)	(9,197)	-
Administrative expenses	-	(472)	472
Other changes	-	1,448	(1,448)
Net changes	\$ 11,423	\$ 33,135	\$ (21,712)
Balances at June 30, 2017	\$ 304,458	\$ 280,302	\$ 24,156

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

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

Changes in Net HIC OPEB Liability (Continued)

	<u>Component Unit School Board (nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	<u>Total</u> <u>HIC OPEB</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>HIC OPEB</u> <u>Liability (Asset)</u> <u>(a) - (b)</u>
Balances at June 30, 2016	\$ 380,373	\$ 128,023	\$ 252,350
Changes for the year:			
Service cost	\$ 7,069	\$ -	\$ 7,069
Interest	25,888	-	25,888
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(5,500)	-	(5,500)
Contributions - employer	-	18,508	(18,508)
Net investment income	-	14,450	(14,450)
Benefit payments	(21,113)	(21,113)	-
Administrative expenses	-	(227)	227
Other changes	-	747	(747)
Net changes	<u>\$ 6,344</u>	<u>\$ 12,365</u>	<u>\$ (6,021)</u>
Balances at June 30, 2017	<u>\$ 386,717</u>	<u>\$ 140,388</u>	<u>\$ 246,329</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Sensitivity of the County and School Board’s Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Primary Government:			
Net HIC OPEB Liability (Asset) \$	54,539	24,156	(1,846)
Component Unit School Board (nonprofessional):			
Net HIC OPEB Liability	284,173	246,329	213,784

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

For the year ended June 30, 2018, the County and School Board recognized Health Insurance Credit Program OPEB expense of \$8,033 and \$21,318. At June 30, 2018, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board’s Health Insurance Credit Program 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	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	9,141	-	4,449
Change in assumptions	-	8,125	-	4,382
Employer contributions subsequent to the measurement date	12,249	-	18,538	-
Total	\$ 12,249	\$ 17,266	\$ 18,538	\$ 8,831

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 (CONTINUED)

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

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

\$12,249 and \$18,538 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (3,839)	\$ (2,230)
2020	(3,839)	(2,230)
2021	(3,839)	(2,230)
2022	(3,840)	(2,141)
2023	(1,554)	-
Thereafter	(355)	-

Health Insurance Credit Program Plan Data

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$367,997 and \$332,858 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 \$4,820,000 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 .37997% as compared to .37068% 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 \$407,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

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

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

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflow</u> <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	9,000
Change in assumptions	-	49,000
Change in proportion	103,000	-
Employer contributions subsequent to the measurement date	<u>367,997</u>	<u>-</u>
Total	<u>\$ 470,997</u>	<u>\$ 58,000</u>

\$367,997 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(8,000)
Thereafter	(17,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions

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

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
---	-------

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 19—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:

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

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

Discount Rate

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 19—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 follow presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 5,380,000	\$ 4,820,000	\$ 4,345,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none">• <u>Death</u> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:<ul style="list-style-type: none">○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.• <u>Health Insurance</u> - The Line of Duty Act program provides health insurance benefits.<ul style="list-style-type: none">○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$82,977 and \$86,807 for the years ended June 30, 2018 and June 30, 2017, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the entity reported a liability of \$2,115,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .80488% as compared to .82026% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$181,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Net difference between projected and actual earnings on LODA OPEB plan investments	-	4,000
Change in assumptions	-	218,000
Change in proportion	-	38,000
Employer contributions subsequent to the measurement date	<u>82,977</u>	<u>-</u>
Total	<u>\$ 82,977</u>	<u>\$ 260,000</u>

\$82,977 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (33,000)
2020	(33,000)
2021	(33,000)
2022	(33,000)
2023	(32,000)
Thereafter	(96,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions

The total LODA 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	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB 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 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act 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 Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	3,461
Employers' Net OPEB Liability (Asset)	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease (2.56%)</u>	<u>Current (3.56%)</u>	<u>1% Increase (4.56%)</u>
County's proportionate share of the total LODA Net OPEB Liability	\$ 2,398,000	\$ 2,115,000	\$ 1,878,236

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	<u>Health Care Trend Rates</u>		
	<u>1% Decrease (6.75% decreasing to 4.00%)</u>	<u>Current (7.75% decreasing to 5.00%)</u>	<u>1% Increase (8.75% decreasing to 6.00%)</u>
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,795,000	\$ 2,115,000	\$ 2,512,000

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Fiduciary Net Position

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN):

County and School Board

Plan Description

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Gloucester Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Gloucester County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses.

Postemployment benefits that are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the Gloucester County Public School’s retiree medical plan. The School Board pays \$4.00 per month per full year of consecutive Gloucester County Public Schools service capped at 30 years of service upon retirement.

Plan Membership

At June 30, 2017 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	248	601
Total active employees without coverage	50	1
Total retirees with coverage	6	38
Total retirees without coverage	-	-
Total	304	640

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$18,411 and \$297,576.

Total OPEB Liability

The County and School Board's total OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate was 2.50% per annum
Discount Rate	3.13% based on the S&Pmunicipal Bond 20 Year High Grade Rate index as of January 31, 2018
Investment Rate of Return	N/A

Mortality rates for the County were based on the following actuarial assumptions:

Pre-Commencement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year

Post-Commencement: 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; female's setback 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.

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Actuarial Assumptions (Continued)

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

Pre-Commencement: 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-Commencement: 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 setback 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

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of January 31, 2018.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
	<u> </u>	<u> </u>
Balances at June 30, 2017	\$ 1,734,376	\$ 8,385,999
Changes for the year:		
Service cost	94,444	617,668
Interest	56,708	273,191
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	(17,047)	(275,533)
Net changes	<u>\$ 134,105</u>	<u>\$ 615,326</u>
Balances at June 30, 2018	<u>\$ 1,868,481</u>	<u>\$ 9,001,325</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Sensitivity 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 (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	Rate		
	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Primary Government:			
Total OPEB liability	\$ 2,066,522	\$ 1,868,481	\$ 1,686,922
Component Unit School Board:			
Total OPEB liability	9,816,583	9,001,325	8,247,962

Sensitivity 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 (7.00% decreasing to 4% over 10 years) or one percentage point higher (9.00% decreasing to 6.00% over 10 years) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Primary Government:			
Total OPEB liability	\$ 1,621,910	\$ 1,868,481	\$ 2,161,256
Component Unit School Board:			
Total OPEB liability	7,998,900	9,001,325	10,194,677

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

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

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of \$151,152 and \$890,859. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-	-	-
Employer contributions subsequent to the measurement date	18,411	-	297,576	-
Total	\$ 18,411	\$ -	\$ 297,576	\$ -

\$18,411 and \$297,576 reported as deferred outflows of resources related to OPEB resulting from the County and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

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

NOTE 22—FAIR VALUE MEASUREMENTS:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 22—FAIR VALUE MEASUREMENTS: (CONTINUED)

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

Investment type	Balance June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Government Obligations	\$ 2,756,763	\$ 2,756,763	\$ -	\$ -
	<u>\$ 2,756,763</u>	<u>\$ 2,756,763</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit--				
Economic Development Authority				
Investments in derivative instruments:				
Interest rate swap liability	\$ 185,671	\$ -	\$ 185,671	\$ -
	<u>\$ 185,671</u>	<u>\$ -</u>	<u>\$ 185,671</u>	<u>\$ -</u>

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

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

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 (CONTINUED)

NOTE 23—UPCOMING PRONOUNCEMENTS: (CONTINUED)

lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

NOTE 24—ADOPTION OF ACCOUNTING PRINCIPLES:

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (CONTINUED)

NOTE 24—ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

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:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit - School Board</u>
Net position, July 1, 2017, as previously stated	\$ 35,205,950	\$ 20,183,234	\$ (15,496,947)
Implementation of GASB 75:			
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(1,259,281)	(81,719)	(3,102,000)
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	69,069	4,479	173,891
Adjustment to record OPEB HIC liability as reported by VRS at the beginning of the year	(43,073)	(2,795)	(4,954,350)
Adjustment to record deferred outflow of resources related to OPEB HIC liability at the beginning of the year	11,719	760	351,366
Adjustment to record OPEB LODA liability as reported by VRS at the beginning of the year	(2,283,000)	-	-
Adjustment to record deferred outflow of resources related to OPEB LODA liability at the beginning of the year	86,807	-	-
Adjustment to remove OPEB healthcare insurance liability as reported under GASB 45	1,678,624	134,127	2,686,314
Adjustment to record OPEB healthcare insurance liability as reported under GASB 75	(1,628,685)	(105,691)	(8,385,999)
Adjustment to record deferred outflow of resources related to OPEB healthcare insurance liability at the beginning of the year	16,009	1,038	275,533
Net position, July 1, 2017, as restated	<u>\$ 31,854,139</u>	<u>\$ 20,133,433</u>	<u>\$ (28,452,192)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

General Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 39,381,451	\$ 39,641,451	\$ 40,429,513	\$ 788,062
Other local taxes	10,174,980	10,174,980	10,564,570	389,590
Permits, privilege fees, and regulatory licenses	395,680	395,680	438,668	42,988
Fines and forfeitures	85,150	85,150	118,878	33,728
Revenue from the use of money and property	145,750	145,750	354,455	208,705
Charges for services	1,043,675	1,043,675	1,090,353	46,678
Miscellaneous	128,930	130,930	284,790	153,860
Recovered costs	366,700	371,200	434,664	63,464
Intergovernmental:				
Commonwealth	8,884,897	9,077,991	8,939,933	(138,058)
Federal	261,208	287,482	321,064	33,582
Total revenues	<u>\$ 60,868,421</u>	<u>\$ 61,354,289</u>	<u>\$ 62,976,888</u>	<u>\$ 1,622,599</u>
EXPENDITURES				
Current:				
General government administration	\$ 5,935,097	\$ 6,130,503	\$ 5,963,044	\$ 167,459
Judicial administration	1,867,529	1,924,892	1,864,417	60,475
Public safety	13,470,208	13,902,595	13,715,518	187,077
Public works	2,223,323	2,199,181	2,157,205	41,976
Health and welfare	825,718	825,718	797,659	28,059
Education	25,033,112	24,941,646	24,850,100	91,546
Parks, recreation, and cultural	2,241,099	2,421,880	2,323,548	98,332
Community development	1,099,197	1,200,452	1,134,167	66,285
Nondepartmental	848,245	935,571	285,585	649,986
Total expenditures	<u>\$ 53,543,528</u>	<u>\$ 54,482,438</u>	<u>\$ 53,091,243</u>	<u>\$ 1,391,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,324,893</u>	<u>\$ 6,871,851</u>	<u>\$ 9,885,645</u>	<u>\$ 3,013,794</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (9,344,222)</u>	<u>\$ (9,377,268)</u>	<u>\$ (8,710,061)</u>	<u>\$ 667,207</u>
Total other financing sources (uses)	<u>\$ (9,344,222)</u>	<u>\$ (9,377,268)</u>	<u>\$ (8,710,061)</u>	<u>\$ 667,207</u>
Net change in fund balances	\$ (2,019,329)	\$ (2,505,417)	\$ 1,175,584	\$ 3,681,001
Fund balances - beginning	2,019,329	2,505,417	22,679,055	20,173,638
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,854,639</u>	<u>\$ 23,854,639</u>

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,722,474	\$ 1,729,707	\$ 1,746,320	\$ 1,706,383
Interest	4,186,921	3,978,981	3,729,750	3,522,284
Changes of assumptions	16,358	-	-	-
Difference between expected and actual experience	(1,128,018)	(348,414)	431,689	-
Benefit payments, including refunds of employee contributions	(2,480,079)	(2,299,345)	(2,395,275)	(2,134,451)
Net change in total pension liability	\$ 2,317,656	\$ 3,060,929	\$ 3,512,484	\$ 3,094,216
Total pension liability - beginning	61,053,194	57,992,265	54,479,781	51,385,565
Total pension liability - ending (a)	\$ 63,370,850	\$ 61,053,194	\$ 57,992,265	\$ 54,479,781
Plan fiduciary net position				
Contributions - employer	\$ 1,387,991	\$ 1,524,213	\$ 1,533,287	\$ 1,630,763
Contributions - employee	744,807	721,049	693,210	711,429
Net investment income	6,477,379	913,929	2,298,831	6,835,011
Benefit payments, including refunds of employee contributions	(2,480,079)	(2,299,345)	(2,395,275)	(2,134,451)
Administrative expense	(37,007)	(32,083)	(31,171)	(36,335)
Other	(5,772)	(387)	(486)	360
Net change in plan fiduciary net position	\$ 6,087,319	\$ 827,376	\$ 2,098,396	\$ 7,006,777
Plan fiduciary net position - beginning	52,976,159	52,148,783	50,050,387	43,043,610
Plan fiduciary net position - ending (b)	\$ 59,063,478	\$ 52,976,159	\$ 52,148,783	\$ 50,050,387
County's net pension liability - ending (a) - (b)	\$ 4,307,372	\$ 8,077,035	\$ 5,843,482	\$ 4,429,394
Plan fiduciary net position as a percentage of the total pension liability	93.20%	86.77%	89.92%	91.87%
Covered payroll	\$ 14,117,623	\$ 13,744,410	\$ 13,824,211	\$ 13,810,687
County's net pension liability as a percentage of covered payroll	30.51%	58.77%	42.27%	32.07%

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

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 311,465	\$ 426,688	\$ 427,429	\$ 409,024
Interest	1,227,510	1,180,310	1,153,160	1,095,611
Changes of assumptions	(28,612)	-	-	-
Difference between expected and actual experience	(905,115)	(120,700)	(462,410)	-
Benefit payments, including refunds of employee contributions	(863,540)	(760,487)	(700,146)	(664,869)
Net change in total pension liability	\$ (258,292)	\$ 725,811	\$ 418,033	\$ 839,766
Total pension liability - beginning	17,967,628	17,241,817	16,823,784	15,984,018
Total pension liability - ending (a)	\$ <u>17,709,336</u>	\$ <u>17,967,628</u>	\$ <u>17,241,817</u>	\$ <u>16,823,784</u>
Plan fiduciary net position				
Contributions - employer	\$ 177,460	\$ 294,552	\$ 337,412	\$ 369,055
Contributions - employee	145,681	171,445	197,164	201,136
Net investment income	2,006,570	287,673	736,846	2,207,074
Benefit payments, including refunds of employee contributions	(863,540)	(760,487)	(700,146)	(664,869)
Administrative expense	(11,875)	(10,449)	(10,111)	(11,877)
Other	(1,773)	(122)	(154)	116
Net change in plan fiduciary net position	\$ 1,452,523	\$ (17,388)	\$ 561,011	\$ 2,100,635
Plan fiduciary net position - beginning	16,693,606	16,710,994	16,149,983	14,049,348
Plan fiduciary net position - ending (b)	\$ <u>18,146,129</u>	\$ <u>16,693,606</u>	\$ <u>16,710,994</u>	\$ <u>16,149,983</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (436,793)	\$ 1,274,022	\$ 530,823	\$ 673,801
Plan fiduciary net position as a percentage of the total pension liability	102.47%	92.91%	96.92%	95.99%
Covered payroll	\$ 2,985,162	\$ 3,485,857	\$ 3,973,266	\$ 4,025,922
School Division's net pension liability (asset) as a percentage of covered payroll	-14.63%	36.55%	13.36%	16.74%

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

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.38104%	0.37070%	0.37696%	0.38539%
Employer's Proportionate Share of the Net Pension Liability (Asset) \$	46,860,000	\$ 51,950,000	\$ 47,446,000	\$ 46,573,000
Employer's Covered Payroll	\$ 30,132,419	\$ 28,264,289	\$ 28,026,897	\$ 28,183,593
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.51%	183.80%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

Schedule of Employer Contributions
 For the Years Ended June 30, 2009 though June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 1,385,499	\$ 1,385,499	\$ -	\$ 14,153,829	9.79%
2017	1,410,351	1,410,351	-	14,117,623	9.99%
2016	1,531,127	1,531,127	-	13,744,410	11.14%
2015	1,533,287	1,533,287	-	13,824,211	11.09%
2014	1,631,042	1,631,042	-	13,810,687	11.81%
2013	1,560,294	1,560,294	-	13,211,634	11.81%
2012	1,136,083	1,136,083	-	12,189,732	9.32%
2011	1,144,691	1,144,691	-	12,282,090	9.32%
2010	999,941	999,941	-	12,514,910	7.99%
2009	1,014,964	1,014,964	-	12,702,932	7.99%
Component Unit School Board (nonprofessional)					
2018	\$ 175,385	\$ 175,385	\$ -	\$ 2,990,016	5.87%
2017	184,184	184,184	-	2,985,162	6.17%
2016	297,344	297,344	-	3,485,857	8.53%
2015	337,412	337,412	-	3,973,266	8.49%
2014	369,177	369,177	-	4,025,922	9.17%
2013	362,215	362,215	-	3,950,003	9.17%
2012	262,579	262,579	-	3,822,107	6.87%
2011	266,997	266,997	-	3,886,418	6.87%
2010	299,100	299,100	-	4,303,592	6.95%
2009	302,859	302,859	-	4,357,689	6.95%
Component Unit School Board (professional)					
2018	\$ 4,786,776	\$ 4,786,776	\$ -	\$ 29,956,443	16.32%
2017	4,396,122	4,396,122	-	30,132,419	14.66%
2016	3,973,959	3,973,959	-	28,264,289	14.06%
2015	4,063,900	4,063,900	-	28,026,897	14.50%
2014	3,286,207	3,286,207	-	28,183,593	11.66%
2013	3,283,284	3,283,284	-	28,158,525	11.66%

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

Schedule is intended to show information for 10 years. Only 6 years of information are available for the professional group of the Component Unit School Board.

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

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.07668%	\$ 1,154,000	\$ 14,117,623	8.17%	48.86%
Component Unit School Board (professional):					
2017	0.16329%	\$ 2,458,000	\$ 30,132,419	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.01663%	\$ 250,000	\$ 2,985,162	8.37%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2016 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 73,647	\$ 73,647	- \$	14,153,829	0.52%
2017	73,548	73,548	-	14,117,623	0.52%
2016	66,124	66,124	-	13,744,410	0.48%
Component Unit School Board (professional):					
2018	\$ 157,280	\$ 157,280	- \$	29,956,443	0.53%
2017	157,819	157,819	-	30,132,419	0.52%
2016	134,853	134,853	-	28,264,289	0.48%
Component Unit School Board (nonprofessional):					
2018	\$ 15,688	\$ 15,688	- \$	2,990,016	0.52%
2017	16,072	16,072	-	2,985,162	0.52%
2016	16,834	16,834	-	3,485,857	0.48%

Schedule is intended to show information for 10 years. Information prior to 2016 is not available. However, additional years will be included as they become available.

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

since the prior actuarial valuation.

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 10,108
Interest	20,191
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(9,679)
Benefit payments	(9,197)
Net change in total HIC OPEB liability	\$ 11,423
Total HIC OPEB Liability - beginning	293,035
Total HIC OPEB Liability - ending (a)	<u>\$ 304,458</u>
Plan fiduciary net position	
Contributions - employer	\$ 12,479
Net investment income	28,877
Benefit payments	(9,197)
Administrative expense	(472)
Other	1,448
Net change in plan fiduciary net position	\$ 33,135
Plan fiduciary net position - beginning	247,167
Plan fiduciary net position - ending (b)	<u>\$ 280,302</u>
County's net HIC OPEB liability - ending (a) - (b)	\$ 24,156
Plan fiduciary net position as a percentage of the total HIC OPEB liability	92.07%
Covered payroll	\$ 14,117,623
County's net HIC OPEB liability as a percentage of covered payroll	0.17%

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

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

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 7,069
Interest	25,888
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(5,500)
Benefit payments	(21,113)
Net change in total HIC OPEB liability	\$ 6,344
Total HIC OPEB Liability - beginning	380,373
Total HIC OPEB Liability - ending (a)	<u>\$ 386,717</u>
Plan fiduciary net position	
Contributions - employer	\$ 18,508
Net investment income	14,450
Benefit payments	(21,113)
Administrative expense	(227)
Other	747
Net change in plan fiduciary net position	\$ 12,365
Plan fiduciary net position - beginning	128,023
Plan fiduciary net position - ending (b)	<u>\$ 140,388</u>
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 246,329
Plan fiduciary net position as a percentage of the total HIC OPEB liability	36.30%
Covered payroll	\$ 2,985,162
School Board's net HIC OPEB liability as a percentage of covered payroll	8.25%

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

Schedule of Employer Contributions
 Health Insurance Credit Program (HIC)
 For the Year Ended 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	\$ 12,249	\$ 12,249	-	\$ 6,446,775	0.19%
Component Unit School Board (nonprofessional):					
2018	\$ 18,538	\$ 18,538	-	\$ 2,990,016	0.62%

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

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.37997% \$	4,820,000 \$	29,956,443	16.09%	7.04%

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

Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2016 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	\$ 367,997	\$ 367,997	- \$	29,956,443	1.23%
2017	332,858	332,858	-	30,132,419	1.10%
2016	299,601	299,601	-	28,264,289	1.06%

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

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

Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act Program (LODA)
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.8049%	\$ 2,115,000	\$ N/A	N/A	1.30%

N/A
 Covered payroll for the LODA Program is not a relevant measurement as over 75% of covered participants are volunteers rather than employees.

*
 The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Schedule of Employer Contributions
 Line of Duty Act Program (LODA)
 For the Years Ended June 30, 2016 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	\$ 82,977	\$ 82,977	- \$	N/A	N/A
2017	86,807	86,807	-	N/A	N/A
2016	80,031	80,031	-	N/A	N/A

*

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Notes to Required Supplementary Information
 Line of Duty Act Program (LODA)
 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%

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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety 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%

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 94,444
Interest	56,708
Benefit payments	(17,047)
Net change in total OPEB liability	\$ 134,105
Total OPEB liability - beginning	<u>1,734,376</u>
Total OPEB liability - ending	<u>\$ 1,868,481</u>
Covered payroll	\$ 13,837,870
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	13.50%

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

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 617,668
Interest	273,191
Benefit payments	(275,533)
Net change in total OPEB liability	\$ 615,326
Total OPEB liability - beginning	8,385,999
Total OPEB liability - ending	<u>\$ 9,001,325</u>
Covered payroll	\$ 24,978,896
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	36.04%

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

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

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13% based on the S&P Municipal Bond 20 Year High Grade Rate index as of January 31, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 8% graded down to 5% over 10 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB 20 to 2020; males set forward 1 year; female's setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13% based on the S&P Municipal Bond 20 Year High Grade Rate index as of January 31, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption was 8% to 5% graded down over 10 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the 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 setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

*COMBINING AND INDIVIDUAL STATEMENT
AND SCHEDULES*

THIS PAGE LEFT BLANK INTENTIONALLY

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 233,268	\$ 233,268	\$ 236,708	\$ 3,440
Total revenues	\$ 233,268	\$ 233,268	\$ 236,708	\$ 3,440
EXPENDITURES				
Debt service:				
Principal retirement	\$ 4,097,070	\$ 4,097,070	\$ 4,097,070	\$ -
Interest and other fiscal charges	1,612,305	1,586,995	1,581,253	5,742
Total expenditures	\$ 5,709,375	\$ 5,684,065	\$ 5,678,323	\$ 5,742
Excess (deficiency) of revenues over (under) expenditures	\$ (5,476,107)	\$ (5,450,797)	\$ (5,441,615)	\$ 9,182
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,476,107	\$ 5,450,797	\$ 5,441,615	\$ (9,182)
Total other financing sources (uses)	\$ 5,476,107	\$ 5,450,797	\$ 5,441,615	\$ (9,182)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,795	\$ 1,795
Miscellaneous	-	-	20,083	20,083
Intergovernmental:				
Commonwealth	400,000	233,735	138,043	(95,692)
Federal	300,000	1,195,283	1,011,596	(183,687)
Total revenues	<u>\$ 700,000</u>	<u>\$ 1,429,018</u>	<u>\$ 1,171,517</u>	<u>\$ (257,501)</u>
EXPENDITURES				
Capital projects	\$ 3,768,408	\$ 4,555,783	\$ 2,682,620	\$ 1,873,163
Total expenditures	<u>\$ 3,768,408</u>	<u>\$ 4,555,783</u>	<u>\$ 2,682,620</u>	<u>\$ 1,873,163</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (3,068,408)	\$ (3,126,765)	\$ (1,511,103)	\$ 1,615,662
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,471,408	\$ 1,529,765	\$ 1,524,582	\$ (5,183)
Issuance of capital lease	1,597,000	1,597,000	-	(1,597,000)
Total other financing sources (uses)	<u>\$ 3,068,408</u>	<u>\$ 3,126,765</u>	<u>\$ 1,524,582</u>	<u>\$ (1,602,183)</u>
Net change in fund balances	\$ -	\$ -	\$ 13,479	\$ 13,479
Fund balances - beginning	-	-	811,819	811,819
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,298</u>	<u>\$ 825,298</u>

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue		Total
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 400	\$ -	\$ 400
Due from other governmental units	261,533	118,239	379,772
Total assets	<u>\$ 261,933</u>	<u>\$ 118,239</u>	<u>\$ 380,172</u>
LIABILITIES			
Accounts payable	\$ 45	\$ 82,859	\$ 82,904
Due to other funds	261,888	35,380	297,268
Total liabilities	<u>\$ 261,933</u>	<u>\$ 118,239</u>	<u>\$ 380,172</u>

THIS PAGE LEFT BLANK INTENTIONALLY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 3,962	\$ 13,039	\$ 17,001
Intergovernmental:			
Commonwealth	1,194,969	508,130	1,703,099
Federal	1,679,685	30,332	1,710,017
Total revenues	<u>\$ 2,878,616</u>	<u>\$ 551,501</u>	<u>\$ 3,430,117</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 3,840,334	\$ 903,123	\$ 4,743,457
Total expenditures	<u>\$ 3,840,334</u>	<u>\$ 903,123</u>	<u>\$ 4,743,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (961,718)</u>	<u>\$ (351,622)</u>	<u>\$ (1,313,340)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 961,718	\$ 351,622	\$ 1,313,340
Total other financing sources (uses)	<u>\$ 961,718</u>	<u>\$ 351,622</u>	<u>\$ 1,313,340</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,962	\$ 3,962
Intergovernmental:				
Commonwealth	1,411,912	1,411,912	1,194,969	(216,943)
Federal	1,517,776	1,517,776	1,679,685	161,909
Total revenues	<u>\$ 2,929,688</u>	<u>\$ 2,929,688</u>	<u>\$ 2,878,616</u>	<u>\$ (51,072)</u>
EXPENDITURES				
Health and welfare	\$ 4,256,871	\$ 4,256,871	\$ 3,840,334	\$ 416,537
Total expenditures	<u>\$ 4,256,871</u>	<u>\$ 4,256,871</u>	<u>\$ 3,840,334</u>	<u>\$ 416,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,327,183)</u>	<u>\$ (1,327,183)</u>	<u>\$ (961,718)</u>	<u>\$ 365,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,327,183	\$ 1,327,183	\$ 961,718	\$ (365,465)
Total other financing sources (uses)	<u>\$ 1,327,183</u>	<u>\$ 1,327,183</u>	<u>\$ 961,718</u>	<u>\$ (365,465)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 38

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,720	\$ 3,720	\$ 13,039	\$ 9,319
825,280	825,280	508,130	(317,150)
18,000	18,000	30,332	12,332
<u>\$ 847,000</u>	<u>\$ 847,000</u>	<u>\$ 551,501</u>	<u>\$ (295,499)</u>
\$ 1,486,000	\$ 1,486,000	\$ 903,123	\$ 582,877
<u>\$ 1,486,000</u>	<u>\$ 1,486,000</u>	<u>\$ 903,123</u>	<u>\$ 582,877</u>
\$ (639,000)	\$ (639,000)	\$ (351,622)	\$ 287,378
\$ 639,000	\$ 639,000	\$ 351,622	\$ (287,378)
<u>\$ 639,000</u>	<u>\$ 639,000</u>	<u>\$ 351,622</u>	<u>\$ (287,378)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Agency Funds				Total
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Sheriff/ Jail	
ASSETS					
Cash and cash equivalents	\$ 23,620	\$ 52,531	\$ 38,426	\$ 22,577	\$ 137,154
Investments	-	22,649	-	-	22,649
Accounts receivable	34	-	-	-	34
Total assets	<u>\$ 23,654</u>	<u>\$ 75,180</u>	<u>\$ 38,426</u>	<u>\$ 22,577</u>	<u>\$ 159,837</u>
LIABILITIES					
Accounts payable	\$ -	\$ 68,234	\$ -	\$ -	\$ 68,234
Amounts held for social services clients	23,654	-	-	-	23,654
Amounts held for regional program	-	6,946	-	-	6,946
Amounts held for others	-	-	38,426	22,577	61,003
Total liabilities	<u>\$ 23,654</u>	<u>\$ 75,180</u>	<u>\$ 38,426</u>	<u>\$ 22,577</u>	<u>\$ 159,837</u>

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 28,155	\$ 26,231	\$ 30,766	\$ 23,620
Accounts receivable	-	34	-	34
Total assets	<u>\$ 28,155</u>	<u>\$ 26,265</u>	<u>\$ 30,766</u>	<u>\$ 23,654</u>
Liabilities:				
Amounts held for social services clients	\$ 28,155	\$ 26,265	\$ 30,766	\$ 23,654
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	\$ 25,499	\$ 590,358	\$ 563,326	\$ 52,531
Accounts receivable	1,475	-	1,475	-
Investments	55,910	-	33,261	22,649
Total assets	<u>\$ 82,884</u>	<u>\$ 590,358</u>	<u>\$ 598,062</u>	<u>\$ 75,180</u>
Liabilities:				
Accounts payable	\$ 76,297	\$ 68,234	\$ 76,297	\$ 68,234
Amounts held for regional program	6,587	522,124	521,765	6,946
Total liabilities	<u>\$ 82,884</u>	<u>\$ 590,358</u>	<u>\$ 598,062</u>	<u>\$ 75,180</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 37,079	\$ 160,097	\$ 158,750	\$ 38,426
Liabilities:				
Amounts held for others	\$ 37,079	\$ 160,097	\$ 158,750	\$ 38,426
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	\$ 18,528	\$ 102,224	\$ 98,175	\$ 22,577
Liabilities:				
Amounts held for others	\$ 18,528	\$ 102,224	\$ 98,175	\$ 22,577
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 109,261	\$ 878,910	\$ 851,017	\$ 137,154
Investments	55,910	-	33,261	22,649
Accounts receivable	1,475	34	1,475	34
Total assets	<u>\$ 166,646</u>	<u>\$ 878,944</u>	<u>\$ 885,753</u>	<u>\$ 159,837</u>
Liabilities:				
Accounts payable	\$ 76,297	\$ 68,234	\$ 76,297	\$ 68,234
Amounts held for social services clients	28,155	26,265	30,766	23,654
Amounts held for regional program	6,587	522,124	521,765	6,946
Amounts held for others	55,607	262,321	256,925	61,003
Total liabilities	<u>\$ 166,646</u>	<u>\$ 878,944</u>	<u>\$ 885,753</u>	<u>\$ 159,837</u>

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

THIS PAGE LEFT BLANK INTENTIONALLY

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 204,488	\$ 204,538
Investments	-	757,896	757,896
Receivables (net of allowance for uncollectibles):			
Accounts receivable	90,949	981	91,930
Due from other governmental units	5,911,917	-	5,911,917
Inventories	-	30,836	30,836
Total assets	<u>\$ 6,002,916</u>	<u>\$ 994,201</u>	<u>\$ 6,997,117</u>
LIABILITIES			
Accounts payable	\$ 780,711	\$ 114,947	\$ 895,658
Accrued liabilities	5,222,205	156,584	5,378,789
Total liabilities	<u>\$ 6,002,916</u>	<u>\$ 271,531</u>	<u>\$ 6,274,447</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 30,836	\$ 30,836
Assigned	-	691,834	691,834
Total fund balances	<u>\$ -</u>	<u>\$ 722,670</u>	<u>\$ 722,670</u>
Total liabilities and fund balances	<u>\$ 6,002,916</u>	<u>\$ 994,201</u>	<u>\$ 6,997,117</u>

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

Total fund balances per above \$ 722,670

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

Capital assets, cost	\$ 65,476,072	
Accumulated depreciation	<u>(27,691,107)</u>	37,784,965

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

Net pension asset		436,793
-------------------	--	---------

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

Pension related items	\$ 6,807,161	
OPEB related items	<u>1,043,055</u>	7,850,216

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.

388,645

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

Compensated absences	\$ (1,553,094)	
Net OPEB liability	(16,775,654)	
Net pension liability	<u>(46,860,000)</u>	(65,188,748)

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

Pension related items	\$ (7,337,228)	
OPEB related items	<u>(412,831)</u>	(7,750,059)

Net position of governmental activities		<u>\$ (25,755,518)</u>
---	--	------------------------

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 11,063	\$ 13,563
Charges for services	37,549	1,043,386	1,080,935
Miscellaneous	78,584	74,063	152,647
Recovered costs	426,042	-	426,042
Intergovernmental:			
Local government	24,194,147	-	24,194,147
Commonwealth	29,694,772	37,814	29,732,586
Federal	2,314,228	1,344,293	3,658,521
Total revenues	<u>\$ 56,747,822</u>	<u>\$ 2,510,619</u>	<u>\$ 59,258,441</u>
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,468,059	\$ 2,468,059
Instruction	41,510,743	-	41,510,743
Administration, Attendance, Health	2,268,562	-	2,268,562
Pupil Transportation	3,816,252	-	3,816,252
Operations and Maintenance	6,218,670	-	6,218,670
Technology	2,933,595	-	2,933,595
Total expenditures	<u>\$ 56,747,822</u>	<u>\$ 2,468,059</u>	<u>\$ 59,215,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 42,560</u>	<u>\$ 42,560</u>
Net change in fund balances	\$ -	\$ 42,560	\$ 42,560
Fund balances - beginning	-	680,110	680,110
Fund balances - ending	<u>\$ -</u>	<u>\$ 722,670</u>	<u>\$ 722,670</u>

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

Net change in fund balances - total governmental funds - per above \$ 42,560

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

Capital asset additions	\$ 2,335,518	
Depreciation expense	(2,256,315)	79,203

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.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 134,425	
Pension expense	2,136,019	
OPEB expense	(503,847)	1,766,597

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

		<u>817,137</u>
Change in net position of governmental activities	\$	<u><u>2,705,497</u></u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	71,350	71,350	37,549	(33,801)
Miscellaneous	94,247	94,247	78,584	(15,663)
Recovered costs	449,370	449,370	426,042	(23,328)
Intergovernmental:				
Local government	24,379,022	24,272,917	24,194,147	(78,770)
Commonwealth	29,681,657	29,681,657	29,694,772	13,115
Federal	2,465,541	2,465,541	2,314,228	(151,313)
Total revenues	<u>\$ 57,143,687</u>	<u>\$ 57,037,582</u>	<u>\$ 56,747,822</u>	<u>\$ (289,760)</u>
EXPENDITURES				
Current:				
Instruction	\$ 41,873,682	\$ 41,688,623	\$ 41,510,743	\$ 177,880
Administration, Attendance, Health	2,269,474	2,269,474	2,268,562	912
Pupil Transportation	3,931,272	3,931,272	3,816,252	115,020
Operations and Maintenance	6,261,136	6,204,181	6,218,670	(14,489)
Technology	2,808,123	2,944,032	2,933,595	10,437
Total expenditures	<u>\$ 57,143,687</u>	<u>\$ 57,037,582</u>	<u>\$ 56,747,822</u>	<u>\$ 289,760</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 11,063	\$ 8,563
Charges for services	1,344,700	1,344,700	1,043,386	(301,314)
Miscellaneous	70,300	70,300	74,063	3,763
Intergovernmental:				
Commonwealth	40,169	40,169	37,814	(2,355)
Federal	1,208,342	1,208,342	1,344,293	135,951
Total revenues	<u>\$ 2,666,011</u>	<u>\$ 2,666,011</u>	<u>\$ 2,510,619</u>	<u>\$ (155,392)</u>
EXPENDITURES				
Current:				
Education	\$ 2,701,011	\$ 2,723,616	\$ 2,468,059	\$ 255,557
Total expenditures	<u>\$ 2,701,011</u>	<u>\$ 2,723,616</u>	<u>\$ 2,468,059</u>	<u>\$ 255,557</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,000)</u>	<u>\$ (57,605)</u>	<u>\$ 42,560</u>	<u>\$ 100,165</u>
Net change in fund balances	\$ (35,000)	\$ (57,605)	\$ 42,560	\$ 100,165
Fund balances - beginning	35,000	57,605	680,110	622,505
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,670</u>	<u>\$ 722,670</u>

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

	Scholarship Private-Purpose Trust
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 331,223
Total assets	\$ <u>331,223</u>
 NET POSITION	
Held in trust for scholarships	\$ <u>331,223</u>

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

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 18,893
Total contributions	<u>\$ 18,893</u>
Investment earnings:	
Interest	\$ 3,187
Total investment earnings	<u>\$ 3,187</u>
Total additions	<u>\$ 22,080</u>
DEDUCTIONS	
Scholarships	\$ 22,000
Total deductions	<u>\$ 22,000</u>
Change in net position	\$ 80
Net position - beginning	<u>331,143</u>
Net position - ending	<u><u>\$ 331,223</u></u>

Statement of Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 June 30, 2018

	<u>Self- Insurance Fund</u>
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 823,645
Total current assets	<u>\$ 823,645</u>
 Total assets	 <u>\$ 823,645</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 412,128
Due to other governmental units	<u>22,872</u>
Total current liabilities	<u>435,000</u>
 Total liabilities	 <u>\$ 435,000</u>
NET POSITION	
Unrestricted	\$ 388,645
Total net position	<u><u>\$ 388,645</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2018

	<u>Self- Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ <u>8,242,734</u>
Total operating revenues	\$ <u>8,242,734</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ <u>7,425,597</u>
Total operating expenses	\$ <u>7,425,597</u>
Operating income (loss)	\$ <u>817,137</u>
Total net position - beginning	\$ <u>(428,492)</u>
Total net position - ending	\$ <u><u>388,645</u></u>

Statement of Cash Flows
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2018

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 7,508,326
Payments for premiums	<u>(7,508,326)</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash	
provided by (used for) operating activities:	
Operating income (loss)	\$ <u>817,137</u>
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities:	
Depreciation expense	
(Increase) decrease in accounts receivable	\$ (822,137)
(Increase) decrease in intergovernmental receivables	473,862
Increase (decrease) in accounts payable	(491,734)
Increase (decrease) intergovernmental payables	<u>22,872</u>
Total adjustments	\$ <u>(817,137)</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY

Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$	222,993
Investments		557,371
Inventories		1,083,044
Total current assets	\$	<u>1,863,408</u>

Noncurrent assets:

Capital assets:

Land	\$	813,267
Buildings		18,442,262
Machinery and equipment		7,234
Accumulated depreciation		(8,880,175)
Total net capital assets	\$	<u>10,382,588</u>
Total noncurrent assets	\$	<u>10,382,588</u>
Total assets	\$	<u>12,245,996</u>

DEFERRED OUTFLOWS

Accumulated decrease in fair value of hedging derivatives	\$	<u>185,671</u>
---	----	----------------

LIABILITIES

Current liabilities:

Accounts payable	\$	59,834
Bonds payable - current portion		11,989,269
Total current liabilities	\$	<u>12,049,103</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	158,323
Derivative instrument - rate swap		185,671
Total noncurrent liabilities	\$	<u>343,994</u>
Total liabilities	\$	<u>12,393,097</u>

NET POSITION

Net investment in capital assets	\$	(1,765,004)
Unrestricted		1,803,574
Total net position	\$	<u>38,570</u>

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

OPERATING REVENUES

Charges for services:

Rents	\$	1,532,112
Contributions from local governments		74,174
Other revenues		10,816
Total operating revenues	\$	<u>1,617,102</u>

OPERATING EXPENSES

Contractual services	\$	10,694
Other charges		17,622
Insurance		2,298
Economic development incentive programs		57,913
Depreciation		736,889
Total operating expenses	\$	<u>825,416</u>

Operating income (loss)	\$	<u>791,686</u>
-------------------------	----	----------------

NONOPERATING REVENUES (EXPENSES)

Investment income	\$	1,042
Interest expense		(754,301)
Total nonoperating revenues (expenses)	\$	<u>(753,259)</u>

Change in net position	\$	38,427
------------------------	----	--------

Total net position - beginning		143
Total net position - ending	\$	<u><u>38,570</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,617,102
Payments for operating activities	(94,057)
Net cash provided by (used for) operating activities	<u>\$ 1,523,045</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (817,447)
Interest payments	(754,301)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,571,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ 95,000
Net cash provided by (used for) investing activities	<u>\$ 95,000</u>
Net increase (decrease) in cash and cash equivalents	\$ 46,297
Cash and cash equivalents - beginning	176,696
Cash and cash equivalents - ending	<u><u>\$ 222,993</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 791,686
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 736,889
Increase (decrease) in accounts payable	(5,530)
Total adjustments	<u>\$ 731,359</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,523,045</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

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	\$ 28,950,378	\$ 29,210,378	\$ 29,724,131	\$ 513,753
Real and personal public service corporation taxes	1,000,225	1,000,225	998,381	(1,844)
Personal property taxes	8,850,000	8,850,000	9,109,058	259,058
Mobile home taxes	40,000	40,000	45,710	5,710
Penalties	350,492	350,492	362,383	11,891
Interest	190,356	190,356	189,850	(506)
Total general property taxes	<u>\$ 39,381,451</u>	<u>\$ 39,641,451</u>	<u>\$ 40,429,513</u>	<u>\$ 788,062</u>
Other local taxes:				
Local sales and use taxes	\$ 4,404,000	\$ 4,404,000	\$ 4,627,344	\$ 223,344
Consumers' utility taxes	720,000	720,000	733,044	13,044
Electric consumption taxes	130,000	130,000	136,564	6,564
Business license taxes	1,692,614	1,692,614	1,729,800	37,186
Bank stock taxes	300,000	300,000	334,475	34,475
Taxes on recordation and wills	440,000	440,000	524,125	84,125
Hotel and motel room taxes	208,366	208,366	204,599	(3,767)
Restaurant food taxes	2,280,000	2,280,000	2,274,619	(5,381)
Total other local taxes	<u>\$ 10,174,980</u>	<u>\$ 10,174,980</u>	<u>\$ 10,564,570</u>	<u>\$ 389,590</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 29,000	\$ 29,000	\$ 31,594	\$ 2,594
Permits and other licenses	366,680	366,680	407,074	40,394
Total permits, privilege fees, and regulatory licenses	<u>\$ 395,680</u>	<u>\$ 395,680</u>	<u>\$ 438,668</u>	<u>\$ 42,988</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 85,000	\$ 85,000	\$ 118,738	\$ 33,738
Parking fines	150	150	140	(10)
Total fines and forfeitures	<u>\$ 85,150</u>	<u>\$ 85,150</u>	<u>\$ 118,878</u>	<u>\$ 33,728</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 26,050	\$ 26,050	\$ 221,172	\$ 195,122
Revenue from use of property	119,700	119,700	133,283	13,583
Total revenue from use of money and property	<u>\$ 145,750</u>	<u>\$ 145,750</u>	<u>\$ 354,455</u>	<u>\$ 208,705</u>

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)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 42,000	\$ 42,000	\$ 46,762	\$ 4,762
Charges for courthouse maintenance	14,000	14,000	13,267	(733)
Circuit court judge fees	35,000	35,000	41,990	6,990
Charges for courthouse security	60,000	60,000	49,951	(10,049)
Charges for probation	12,000	12,000	11,644	(356)
Charges for Commonwealth's Attorney	4,000	4,000	3,909	(91)
Charges for animal shelter fees	10,000	10,000	8,033	(1,967)
Charges for library	48,000	48,000	37,567	(10,433)
Charges for sanitation and waste removal	478,740	478,740	551,396	72,656
Charges for parks and recreation	257,715	257,715	255,439	(2,276)
Charges for community education	-	-	80	80
Charges for sale of tourism items	4,000	4,000	5,474	1,474
Charges for sale of publications and commemorative material	5,200	5,200	5,664	464
Charges for daffodil festival	72,720	72,720	59,073	(13,647)
Charges for sale of historical material	300	300	104	(196)
Total charges for services	<u>\$ 1,043,675</u>	<u>\$ 1,043,675</u>	<u>\$ 1,090,353</u>	<u>\$ 46,678</u>
Miscellaneous:				
Miscellaneous	\$ 128,930	\$ 130,930	\$ 284,790	\$ 153,860
Total miscellaneous	<u>\$ 128,930</u>	<u>\$ 130,930</u>	<u>\$ 284,790</u>	<u>\$ 153,860</u>
Recovered costs:				
Recovered costs sheriff	\$ 240,000	\$ 240,000	\$ 282,377	\$ 42,377
Recovered costs jail	10,000	10,000	17,856	7,856
Treasurer recovered costs	75,000	75,000	96,511	21,511
Probation & pretrial recovered costs	35,700	40,200	35,700	(4,500)
Demolition recovered costs	6,000	6,000	2,220	(3,780)
Total recovered costs	<u>\$ 366,700</u>	<u>\$ 371,200</u>	<u>\$ 434,664</u>	<u>\$ 63,464</u>
Total revenue from local sources	<u>\$ 51,722,316</u>	<u>\$ 51,988,816</u>	<u>\$ 53,715,891</u>	<u>\$ 1,727,075</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ 2,655	\$ 655
Mobile home titling tax	45,000	45,000	31,610	(13,390)
Motor vehicle rental tax	74,000	74,000	78,480	4,480
State recordation tax	130,000	130,000	134,950	4,950
Communication tax	1,498,000	1,498,000	1,397,367	(100,633)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	<u>\$ 4,527,640</u>	<u>\$ 4,527,640</u>	<u>\$ 4,423,702</u>	<u>\$ (103,938)</u>

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 Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 426,387	\$ 426,387	\$ 426,064	\$ (323)
Sheriff	2,452,478	2,452,478	2,465,191	12,713
Jail	80,000	80,000	64,444	(15,556)
Asset forfeiture	-	-	800	800
Commissioner of revenue	134,313	134,313	135,486	1,173
Treasurer	139,070	139,070	136,308	(2,762)
Registrar/electoral board	56,500	56,500	42,321	(14,179)
Clerk of the Circuit Court	280,602	280,602	301,418	20,816
Total shared expenses	<u>\$ 3,569,350</u>	<u>\$ 3,569,350</u>	<u>\$ 3,572,032</u>	<u>\$ 2,682</u>
Other categorical aid:				
Emergency medical services	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Litter control grant	10,000	10,000	10,102	102
E911 wireless grant	44,000	44,000	44,209	209
Library grant	149,479	149,479	149,552	73
Virginia telecommunication initiative grant	193,094	193,094	193,094	-
Other state grants	215,623	408,717	398,980	(9,737)
Victim-witness grant	25,711	25,711	25,040	(671)
Fire programs	110,000	110,000	123,222	13,222
Total other categorical aid	<u>\$ 787,907</u>	<u>\$ 981,001</u>	<u>\$ 944,199</u>	<u>\$ (36,802)</u>
Total categorical aid	<u>\$ 4,357,257</u>	<u>\$ 4,550,351</u>	<u>\$ 4,516,231</u>	<u>\$ (34,120)</u>
Total revenue from the Commonwealth	<u>\$ 8,884,897</u>	<u>\$ 9,077,991</u>	<u>\$ 8,939,933</u>	<u>\$ (138,058)</u>
Revenue from the federal government:				
Payments in lieu of taxes	\$ -	\$ -	\$ 16,773	\$ 16,773
Categorical aid:				
V-stop prosecutor grant	\$ 23,981	\$ 23,981	\$ 24,328	\$ 347
Public assistance and welfare administration	100,000	100,000	116,587	16,587
Highway safety grant	20,000	20,000	23,513	3,513
Victim witness grant	77,000	86,130	75,119	(11,011)
Emergency management grant	20,000	33,644	27,288	(6,356)
Other federal grants	20,227	23,727	33,894	10,167
Asset forfeiture	-	-	3,562	3,562
Total categorical aid	<u>\$ 261,208</u>	<u>\$ 287,482</u>	<u>\$ 304,291</u>	<u>\$ 16,809</u>
Total revenue from the federal government	<u>\$ 261,208</u>	<u>\$ 287,482</u>	<u>\$ 321,064</u>	<u>\$ 33,582</u>
Total General Fund	<u>\$ 60,868,421</u>	<u>\$ 61,354,289</u>	<u>\$ 62,976,888</u>	<u>\$ 1,622,599</u>

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)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 3,962	\$ 3,962
Total revenue from local sources	\$ -	\$ -	\$ 3,962	\$ 3,962
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,411,912	\$ 1,411,912	\$ 1,194,969	\$ (216,943)
Total categorical aid	\$ 1,411,912	\$ 1,411,912	\$ 1,194,969	\$ (216,943)
Total revenue from the Commonwealth	\$ 1,411,912	\$ 1,411,912	\$ 1,194,969	\$ (216,943)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,517,776	\$ 1,517,776	\$ 1,679,685	\$ 161,909
Total categorical aid	\$ 1,517,776	\$ 1,517,776	\$ 1,679,685	\$ 161,909
Total revenue from the federal government	\$ 1,517,776	\$ 1,517,776	\$ 1,679,685	\$ 161,909
Total Virginia Public Assistance Fund	<u>\$ 2,929,688</u>	<u>\$ 2,929,688</u>	<u>\$ 2,878,616</u>	<u>\$ (51,072)</u>
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 13,039	\$ 9,319
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 13,039	\$ 9,319
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 823,000	\$ 823,000	\$ 506,352	\$ (316,648)
Public assistance and welfare administration	2,280	2,280	1,778	(502)
Total categorical aid	\$ 825,280	\$ 825,280	\$ 508,130	\$ (317,150)
Total revenue from the Commonwealth	\$ 825,280	\$ 825,280	\$ 508,130	\$ (317,150)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 30,332	\$ 12,332
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 30,332	\$ 12,332
Total Comprehensive Services Act Fund	<u>\$ 847,000</u>	<u>\$ 847,000</u>	<u>\$ 551,501</u>	<u>\$ (295,499)</u>

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)
Debt Service Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 233,268	\$ 233,268	\$ 236,708	\$ 3,440
Total Debt Service Fund	\$ 233,268	\$ 233,268	\$ 236,708	\$ 3,440
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,795	\$ 1,795
Total revenue from use of money and property	\$ -	\$ -	\$ 1,795	\$ 1,795
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 9,600	\$ 9,600
Donations or other miscellaneous	-	-	10,483	\$ 10,483
Total miscellaneous	\$ -	\$ -	\$ 20,083	\$ 20,083
Total revenue from local sources	\$ -	\$ -	\$ 21,878	\$ 21,878
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Acquisition/elevation grant	\$ 400,000	\$ 233,735	\$ 138,043	\$ (95,692)
Total categorical aid	\$ 400,000	\$ 233,735	\$ 138,043	\$ (95,692)
Total revenue from the Commonwealth	\$ 400,000	\$ 233,735	\$ 138,043	\$ (95,692)
Revenue from the federal government:				
Categorical aid:				
Other federal grants	\$ 300,000	\$ 1,195,283	\$ 1,011,596	\$ (183,687)
Total categorical aid	\$ 300,000	\$ 1,195,283	\$ 1,011,596	\$ (183,687)
Total revenue from the federal government	\$ 300,000	\$ 1,195,283	\$ 1,011,596	\$ (183,687)
Total County Capital Improvements Fund	\$ 700,000	\$ 1,429,018	\$ 1,171,517	\$ (257,501)
Total Primary Government	\$ 65,578,377	\$ 66,793,263	\$ 67,815,230	\$ 1,021,967

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 71,350	\$ 71,350	\$ 37,549	\$ (33,801)
Miscellaneous:				
Other miscellaneous	\$ 94,247	\$ 94,247	\$ 78,584	\$ (15,663)
Recovered costs:				
Medicaid reimbursements	\$ 255,000	\$ 255,000	\$ 242,946	\$ (12,054)
Other recovered costs	194,370	194,370	183,096	(11,274)
Total recovered costs	\$ 449,370	\$ 449,370	\$ 426,042	\$ (23,328)
Total revenue from local sources	\$ 617,467	\$ 617,467	\$ 544,675	\$ (72,792)
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 24,379,022	\$ 24,272,917	\$ 24,194,147	\$ (78,770)
Total revenue from local governments	\$ 24,379,022	\$ 24,272,917	\$ 24,194,147	\$ (78,770)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,855,328	\$ 5,855,328	\$ 5,544,994	\$ (310,334)
Basic school aid	14,764,685	14,764,685	14,835,800	71,115
ISAEF	15,717	15,717	16,587	870
Remedial summer education	95,180	95,180	102,405	7,225
Remedial education	391,345	391,345	393,244	1,899
Special education	1,713,368	1,713,368	1,721,682	8,314
Regular foster care	11,881	11,881	3,532	(8,349)
Gifted and talented	157,854	157,854	158,619	765
English as a second language	46,842	46,842	44,890	(1,952)
Textbook payment	361,024	361,024	362,776	1,752
Vocational standards of quality payments	157,854	157,854	158,619	765

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Social security fringe benefits	\$ 874,772	\$ 874,772	\$ 879,016	\$ 4,244
Retirement fringe benefits	2,009,344	2,009,344	2,019,094	9,750
Group life insurance fringe benefits	59,195	59,195	59,482	287
State lottery payments	901,475	901,475	906,675	5,200
Early reading intervention	61,418	61,418	67,560	6,142
Project graduation	12,033	12,033	12,033	-
Homebound education	23,666	23,666	25,013	1,347
Salary supplements	142,995	142,995	143,613	618
Regional program tuition	550,816	550,816	698,251	147,435
Vocational educational equipment	11,115	11,115	17,792	6,677
Special education - foster children	-	-	9,382	9,382
At risk payments	245,060	245,060	251,028	5,968
National Board Certification TC	35,000	35,000	27,500	(7,500)
Industry credential student	10,500	10,500	8,711	(1,789)
Primary class size	460,291	460,291	470,058	9,767
VA Preschool	207,380	207,380	172,817	(34,563)
Miscellaneous	-	-	51,297	51,297
Race to GED	-	-	3,000	3,000
Mentor teacher program	4,212	4,212	2,275	(1,937)
VPSA technology	449,600	449,600	463,600	14,000
Algebra Readiness	51,707	51,707	51,929	222
Other state funds	-	-	11,498	11,498
Total categorical aid	<u>\$ 29,681,657</u>	<u>\$ 29,681,657</u>	<u>\$ 29,694,772</u>	<u>\$ 13,115</u>
 Total revenue from the Commonwealth	 <u>\$ 29,681,657</u>	 <u>\$ 29,681,657</u>	 <u>\$ 29,694,772</u>	 <u>\$ 13,115</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 722,155	\$ 722,155	\$ 677,156	\$ (44,999)
Title VI-B, special education	1,169,024	1,169,024	1,184,758	15,734
Vocational education	71,006	71,006	72,976	1,970
Title II	201,920	201,920	224,409	22,489
Impact aid	55,000	55,000	54,281	(719)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 96,436	\$ 96,436	\$ 100,648	\$ 4,212
Other federal funds	150,000	150,000	-	(150,000)
Total categorical aid	<u>\$ 2,465,541</u>	<u>\$ 2,465,541</u>	<u>\$ 2,314,228</u>	<u>\$ (151,313)</u>
Total revenue from the federal government	<u>\$ 2,465,541</u>	<u>\$ 2,465,541</u>	<u>\$ 2,314,228</u>	<u>\$ (151,313)</u>
Total School Operating Fund	<u>\$ 57,143,687</u>	<u>\$ 57,037,582</u>	<u>\$ 56,747,822</u>	<u>\$ (289,760)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 2,500	\$ 2,500	\$ 11,063	\$ 8,563
Total revenue from use of money and property	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 11,063</u>	<u>\$ 8,563</u>
Charges for services:				
Cafeteria sales	\$ 1,334,700	\$ 1,334,700	\$ 1,028,741	\$ (305,959)
Other charges for services	10,000	10,000	14,645	4,645
Total charges for services	<u>\$ 1,344,700</u>	<u>\$ 1,344,700</u>	<u>\$ 1,043,386</u>	<u>\$ (301,314)</u>
Miscellaneous:				
Other miscellaneous	\$ 70,300	\$ 70,300	\$ 74,063	\$ 3,763
Total miscellaneous	<u>\$ 70,300</u>	<u>\$ 70,300</u>	<u>\$ 74,063</u>	<u>\$ 3,763</u>
Total revenue from local sources	<u>\$ 1,417,500</u>	<u>\$ 1,417,500</u>	<u>\$ 1,128,512</u>	<u>\$ (288,988)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,169	\$ 40,169	\$ 37,814	\$ (2,355)
Total categorical aid	<u>\$ 40,169</u>	<u>\$ 40,169</u>	<u>\$ 37,814</u>	<u>\$ (2,355)</u>
Total revenue from the Commonwealth	<u>\$ 40,169</u>	<u>\$ 40,169</u>	<u>\$ 37,814</u>	<u>\$ (2,355)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,208,342	\$ 1,208,342	\$ 1,177,859	\$ (30,483)
USDA commodities	-	-	166,434	166,434
Total categorical aid	<u>\$ 1,208,342</u>	<u>\$ 1,208,342</u>	<u>\$ 1,344,293</u>	<u>\$ 135,951</u>
Total revenue from the federal government	<u>\$ 1,208,342</u>	<u>\$ 1,208,342</u>	<u>\$ 1,344,293</u>	<u>\$ 135,951</u>
Total School Cafeteria Fund	<u>\$ 2,666,011</u>	<u>\$ 2,666,011</u>	<u>\$ 2,510,619</u>	<u>\$ (155,392)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,809,698</u>	<u>\$ 59,703,593</u>	<u>\$ 59,258,441</u>	<u>\$ (445,152)</u>

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	\$ 155,869	\$ 155,869	\$ 153,988	\$ 1,881
General and financial administration:				
County administrator	\$ 541,994	\$ 530,910	\$ 531,724	\$ (814)
Human resources	424,807	449,167	453,661	(4,494)
County attorney	275,029	284,151	286,559	(2,408)
Commissioner of revenue	497,051	519,712	495,949	23,763
County assessor	442,627	462,531	448,222	14,309
Treasurer	724,093	703,115	661,140	41,975
Finance	460,610	475,263	486,796	(11,533)
Department of information technology	1,338,189	1,471,861	1,407,167	64,694
GIS	323,454	325,197	314,806	10,391
Purchasing	273,200	296,724	282,514	14,210
Other general and financial administration	261,683	234,683	233,979	704
Total general and financial administration	<u>\$ 5,562,737</u>	<u>\$ 5,753,314</u>	<u>\$ 5,602,517</u>	<u>\$ 150,797</u>
Board of elections:				
Electoral board and officials	\$ 216,491	\$ 221,320	\$ 206,539	\$ 14,781
Total board of elections	<u>\$ 216,491</u>	<u>\$ 221,320</u>	<u>\$ 206,539</u>	<u>\$ 14,781</u>
Total general government administration	<u>\$ 5,935,097</u>	<u>\$ 6,130,503</u>	<u>\$ 5,963,044</u>	<u>\$ 167,459</u>
Judicial administration:				
Courts:				
Circuit court	\$ 75,176	\$ 84,627	\$ 83,242	\$ 1,385
General district court	12,550	12,550	8,686	3,864
Commissioner of accounts	600	600	877	(277)
Magistrate	900	900	607	293
Juvenile and domestic relations district court	10,775	10,775	10,243	532
Clerk of the circuit court	482,265	503,738	467,077	36,661
Victim and witness assistance	119,023	129,852	128,070	1,782
Court services unit	224,930	213,694	213,758	(64)
Group home commission	205,738	205,738	205,901	(163)
Total courts	<u>\$ 1,131,957</u>	<u>\$ 1,162,474</u>	<u>\$ 1,118,461</u>	<u>\$ 44,013</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 735,572	\$ 762,418	\$ 745,956	\$ 16,462
Total commonwealth's attorney	<u>\$ 735,572</u>	<u>\$ 762,418</u>	<u>\$ 745,956</u>	<u>\$ 16,462</u>
Total judicial administration	<u>\$ 1,867,529</u>	<u>\$ 1,924,892</u>	<u>\$ 1,864,417</u>	<u>\$ 60,475</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,276,914	\$ 5,656,125	\$ 5,567,272	\$ 88,853
Total law enforcement and traffic control	<u>\$ 5,276,914</u>	<u>\$ 5,656,125</u>	<u>\$ 5,567,272</u>	<u>\$ 88,853</u>

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 2,590,508	\$ 2,590,508	\$ 2,563,730	\$ 26,778
Radio system	556,129	556,129	548,315	7,814
State forestry service	7,500	7,500	7,427	73
Office of emergency services	267,392	267,514	266,449	1,065
Total fire and rescue services	<u>\$ 3,421,529</u>	<u>\$ 3,421,651</u>	<u>\$ 3,385,921</u>	<u>\$ 35,730</u>
Correction and detention:				
County operated institutions	\$ 3,069,333	\$ 3,124,296	\$ 3,091,185	\$ 33,111
Probation and pretrial	443,275	466,102	461,380	4,722
Total correction and detention	<u>\$ 3,512,608</u>	<u>\$ 3,590,398</u>	<u>\$ 3,552,565</u>	<u>\$ 37,833</u>
Inspections:				
Building	\$ 501,934	\$ 506,643	\$ 500,785	\$ 5,858
Total inspections	<u>\$ 501,934</u>	<u>\$ 506,643</u>	<u>\$ 500,785</u>	<u>\$ 5,858</u>
Other protection:				
Environmental programs	\$ 354,702	\$ 269,367	\$ 262,682	\$ 6,685
Animal control	402,221	458,111	444,793	13,318
Medical examiner	300	300	1,500	(1,200)
Total other protection	<u>\$ 757,223</u>	<u>\$ 727,778</u>	<u>\$ 708,975</u>	<u>\$ 18,803</u>
Total public safety	<u>\$ 13,470,208</u>	<u>\$ 13,902,595</u>	<u>\$ 13,715,518</u>	<u>\$ 187,077</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 307,886	\$ 183,217	\$ 152,133	\$ 31,084
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 307,886</u>	<u>\$ 183,217</u>	<u>\$ 152,133</u>	<u>\$ 31,084</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 15,100	\$ 15,100	\$ 19,481	\$ (4,381)
Total sanitation and waste removal	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 19,481</u>	<u>\$ (4,381)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,900,337	\$ 2,000,864	\$ 1,985,591	\$ 15,273
Total maintenance of general buildings and grounds	<u>\$ 1,900,337</u>	<u>\$ 2,000,864</u>	<u>\$ 1,985,591</u>	<u>\$ 15,273</u>
Total public works	<u>\$ 2,223,323</u>	<u>\$ 2,199,181</u>	<u>\$ 2,157,205</u>	<u>\$ 41,976</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 560,766	\$ 560,766	\$ 560,388	\$ 378
Mosquito control	126,103	126,103	98,422	27,681
Total health	<u>\$ 686,869</u>	<u>\$ 686,869</u>	<u>\$ 658,810</u>	<u>\$ 28,059</u>

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 138,849	\$ 138,849	\$ 138,849	\$ -
Total mental health and mental retardation	<u>\$ 138,849</u>	<u>\$ 138,849</u>	<u>\$ 138,849</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 825,718</u>	<u>\$ 825,718</u>	<u>\$ 797,659</u>	<u>\$ 28,059</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 13,224	\$ 13,224	\$ 13,224	\$ -
Contribution to community engagement	576,791	591,430	583,430	8,000
Cable services	64,075	64,075	59,299	4,776
Contribution to County School Board	24,379,022	24,272,917	24,194,147	78,770
Total education	<u>\$ 25,033,112</u>	<u>\$ 24,941,646</u>	<u>\$ 24,850,100</u>	<u>\$ 91,546</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 656,491	\$ 710,549	\$ 634,288	\$ 76,261
Park operations	477,566	584,346	573,137	11,209
Total parks and recreation	<u>\$ 1,134,057</u>	<u>\$ 1,294,895</u>	<u>\$ 1,207,425</u>	<u>\$ 87,470</u>
Cultural enrichment:				
Daffodil festival	\$ 72,673	\$ 72,929	\$ 64,604	\$ 8,325
Total cultural enrichment	<u>\$ 72,673</u>	<u>\$ 72,929</u>	<u>\$ 64,604</u>	<u>\$ 8,325</u>
Library:				
Contribution to county library	\$ 1,034,369	\$ 1,054,056	\$ 1,051,519	\$ 2,537
Total library	<u>\$ 1,034,369</u>	<u>\$ 1,054,056</u>	<u>\$ 1,051,519</u>	<u>\$ 2,537</u>
Total parks, recreation, and cultural	<u>\$ 2,241,099</u>	<u>\$ 2,421,880</u>	<u>\$ 2,323,548</u>	<u>\$ 98,332</u>
Community development:				
Planning and community development:				
Community development	\$ 498,983	\$ 520,808	\$ 524,466	\$ (3,658)
Tourism	223,366	228,427	182,779	45,648
Economic development	257,155	337,401	314,077	23,324
Total planning and community development	<u>\$ 979,504</u>	<u>\$ 1,086,636</u>	<u>\$ 1,021,322</u>	<u>\$ 65,314</u>
Environmental management:				
Clean community program	\$ 20,802	\$ 20,838	\$ 20,560	\$ 278
Total environmental management	<u>\$ 20,802</u>	<u>\$ 20,838</u>	<u>\$ 20,560</u>	<u>\$ 278</u>
Cooperative extension program:				
Extension office	\$ 98,891	\$ 92,978	\$ 92,285	\$ 693
Total cooperative extension program	<u>\$ 98,891</u>	<u>\$ 92,978</u>	<u>\$ 92,285</u>	<u>\$ 693</u>
Total community development	<u>\$ 1,099,197</u>	<u>\$ 1,200,452</u>	<u>\$ 1,134,167</u>	<u>\$ 66,285</u>

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 300,585	\$ 285,585	\$ 285,585	\$ -
Contingency	547,660	649,986	-	649,986
Total nondepartmental	<u>\$ 848,245</u>	<u>\$ 935,571</u>	<u>\$ 285,585</u>	<u>\$ 649,986</u>
Total General Fund	<u>\$ 53,543,528</u>	<u>\$ 54,482,438</u>	<u>\$ 53,091,243</u>	<u>\$ 1,391,195</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,943,901	\$ 2,943,901	\$ 2,684,910	\$ 258,991
Public assistance	1,220,400	1,217,400	1,089,712	127,688
Purchased services	83,000	85,500	57,487	28,013
Grants	5,500	6,000	4,158	1,842
Board of public welfare	4,070	4,070	4,067	3
Total welfare and social services	<u>\$ 4,256,871</u>	<u>\$ 4,256,871</u>	<u>\$ 3,840,334</u>	<u>\$ 416,537</u>
Total health and welfare	<u>\$ 4,256,871</u>	<u>\$ 4,256,871</u>	<u>\$ 3,840,334</u>	<u>\$ 416,537</u>
Total Virginia Public Assistance Fund	<u>\$ 4,256,871</u>	<u>\$ 4,256,871</u>	<u>\$ 3,840,334</u>	<u>\$ 416,537</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,486,000	\$ 1,486,000	\$ 903,123	\$ 582,877
Total Comprehensive Services Act Fund	<u>\$ 1,486,000</u>	<u>\$ 1,486,000</u>	<u>\$ 903,123</u>	<u>\$ 582,877</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 4,097,070	\$ 4,097,070	\$ 4,097,070	\$ -
Interest and other fiscal charges	1,612,305	1,586,995	1,581,253	5,742
Total Debt Service Fund	<u>\$ 5,709,375</u>	<u>\$ 5,684,065</u>	<u>\$ 5,678,323</u>	<u>\$ 5,742</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 1,350,000	\$ 1,965,257	\$ 1,689,095	\$ 276,162
Equipment and vehicles	-	186,702	186,702	-
School capital assets	2,418,408	2,403,824	806,823	1,597,001
Total capital projects expenditures	<u>\$ 3,768,408</u>	<u>\$ 4,555,783</u>	<u>\$ 2,682,620</u>	<u>\$ 1,873,163</u>
Total County Capital Improvements Fund	<u>\$ 3,768,408</u>	<u>\$ 4,555,783</u>	<u>\$ 2,682,620</u>	<u>\$ 1,873,163</u>
Total Primary Government	<u>\$ 68,764,182</u>	<u>\$ 70,465,157</u>	<u>\$ 66,195,643</u>	<u>\$ 4,269,514</u>

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 41,873,682	\$ 41,688,623	\$ 41,510,743	\$ 177,880
Total instruction costs	<u>\$ 41,873,682</u>	<u>\$ 41,688,623</u>	<u>\$ 41,510,743</u>	<u>\$ 177,880</u>
Administration, Attendance and Health:				
School board	\$ 116,095	\$ 109,961	\$ 111,435	\$ (1,474)
Other administration	2,153,379	2,159,513	2,157,127	2,386
Total administration, attendance and health	<u>\$ 2,269,474</u>	<u>\$ 2,269,474</u>	<u>\$ 2,268,562</u>	<u>\$ 912</u>
Pupil transportation:				
Pupil transportation	\$ 3,931,272	\$ 3,931,272	\$ 3,816,252	\$ 115,020
Total pupil transportation	<u>\$ 3,931,272</u>	<u>\$ 3,931,272</u>	<u>\$ 3,816,252</u>	<u>\$ 115,020</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 6,261,136	\$ 6,204,181	\$ 6,218,670	\$ (14,489)
Total operating and maintenance costs	<u>\$ 6,261,136</u>	<u>\$ 6,204,181</u>	<u>\$ 6,218,670</u>	<u>\$ (14,489)</u>
Technology:				
Technology	\$ 2,808,123	\$ 2,944,032	\$ 2,933,595	\$ 10,437
Total technology	<u>\$ 2,808,123</u>	<u>\$ 2,944,032</u>	<u>\$ 2,933,595</u>	<u>\$ 10,437</u>
Total education	<u>\$ 57,143,687</u>	<u>\$ 57,037,582</u>	<u>\$ 56,747,822</u>	<u>\$ 289,760</u>
Total School Operating Fund	<u><u>\$ 57,143,687</u></u>	<u><u>\$ 57,037,582</u></u>	<u><u>\$ 56,747,822</u></u>	<u><u>\$ 289,760</u></u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,701,011	\$ 2,723,616	\$ 2,301,625	\$ 421,991
USDA commodities	-	-	166,434	(166,434)
Total school food services	<u>\$ 2,701,011</u>	<u>\$ 2,723,616</u>	<u>\$ 2,468,059</u>	<u>\$ 255,557</u>
Total education	<u>\$ 2,701,011</u>	<u>\$ 2,723,616</u>	<u>\$ 2,468,059</u>	<u>\$ 255,557</u>
Total School Cafeteria Fund	<u><u>\$ 2,701,011</u></u>	<u><u>\$ 2,723,616</u></u>	<u><u>\$ 2,468,059</u></u>	<u><u>\$ 255,557</u></u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 59,844,698</u></u>	<u><u>\$ 59,761,198</u></u>	<u><u>\$ 59,215,881</u></u>	<u><u>\$ 545,317</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and wellbeing have changed over time. 1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future. 9-11

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. 12-13

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs. 14-17

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

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 18,431,064	\$ 18,280,127	\$ 17,543,250	\$ 20,771,917
Unrestricted	15,040,469	16,925,823	15,676,394	16,806,802
Total governmental activities net position	<u>\$ 33,471,533</u>	<u>\$ 35,205,950</u>	<u>\$ 33,219,644</u>	<u>\$ 37,578,719</u>
Business-type activities				
Net investment in capital assets	\$ 17,703,636	\$ 15,069,296	\$ 13,266,968	\$ 12,233,762
Restricted	1,834,232	1,866,455	1,866,690	1,869,579
Unrestricted	2,948,373	3,247,483	3,041,421	2,221,268
Total business-type activities net position	<u>\$ 22,486,241</u>	<u>\$ 20,183,234</u>	<u>\$ 18,175,079</u>	<u>\$ 16,324,609</u>
Primary government				
Net investment in capital assets	\$ 36,134,700	\$ 33,349,423	\$ 30,810,218	\$ 33,005,679
Restricted	1,834,232	1,866,455	1,866,690	1,869,579
Unrestricted	17,988,842	20,173,306	18,717,815	19,028,070
Total primary government net position	<u>\$ 55,957,774</u>	<u>\$ 55,389,184</u>	<u>\$ 51,394,723</u>	<u>\$ 53,903,328</u>

Note: The County early implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in FY11. With the implementation of this Statement, the financial descriptions have changed from "net assets" to "net position".

Table 1

	2014	2013	2012	2011	2010	2009
\$	22,330,023	\$ 13,292,660	\$ 15,463,123	\$ 13,656,652	\$ 12,177,861	\$ 9,990,778
	23,927,330	31,083,034	26,438,615	20,720,020	16,694,480	15,820,860
\$	<u>46,257,353</u>	<u>\$ 44,375,694</u>	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>
\$	11,267,065	\$ 4,461,919	\$ 6,470,887	\$ 9,328,625	\$ 7,299,353	\$ 6,653,014
	1,869,878	4,720,154	2,036,544	2,031,743	2,025,385	2,015,652
	2,328,518	4,956,253	4,654,757	1,733,605	2,177,368	2,575,848
\$	<u>15,465,461</u>	<u>\$ 14,138,326</u>	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>
\$	33,597,088	\$ 17,754,579	\$ 21,934,010	\$ 22,985,277	\$ 19,477,214	\$ 16,643,792
	1,869,878	4,720,154	2,036,544	2,031,743	2,025,385	2,015,652
	26,255,848	36,039,287	31,093,372	22,453,625	18,871,848	18,396,708
\$	<u>61,722,814</u>	<u>\$ 58,514,020</u>	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government administration	\$ 6,273,889	\$ 5,985,400	\$ 5,213,213	\$ 5,402,313
Judicial administration	2,022,836	1,747,820	1,832,619	1,830,328
Public safety	15,005,085	14,420,083	13,746,855	12,838,684
Public works	2,147,005	2,118,053	2,168,694	2,140,168
Health and welfare	5,515,673	5,514,819	5,018,243	5,441,279
Education	27,761,018	27,272,736	33,924,847	29,991,304
Parks, recreation, culture	2,437,963	2,359,727	2,316,509	2,198,664
Community development	2,569,352	2,670,768	1,850,500	3,330,733
Interest on long-term debt	1,375,212	1,564,983	1,903,921	2,019,045
Total governmental activities expenses	<u>65,108,033</u>	<u>63,654,389</u>	<u>67,975,401</u>	<u>65,192,518</u>
Business-type activities:				
Public utilities	3,542,913	3,669,366	3,828,006	3,873,419
Total business-type activities expenses	<u>3,542,913</u>	<u>3,669,366</u>	<u>3,828,006</u>	<u>3,873,419</u>
Total Primary government expenses	<u>\$ 68,650,946</u>	<u>\$ 67,323,755</u>	<u>\$ 71,803,407</u>	<u>\$ 69,065,937</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	239,638	209,190	225,492	172,895
Public safety	493,463	640,084	416,526	422,313
Public works	551,396	497,981	411,479	315,626
Health and welfare	-	-	44,851	40,620
Education	80	258	-	-
Parks, recreation, culture	363,322	369,051	264,424	240,605
Community development	-	9,300	74,260	74,798
Operating grants and contributions	8,487,119	8,238,150	8,431,639	8,064,461
Capital grants and contributions	1,149,639	1,232,247	581,781	2,099,005
Total governmental activities program revenues	<u>\$ 11,284,657</u>	<u>\$ 11,196,261</u>	<u>\$ 10,450,452</u>	<u>\$ 11,430,323</u>
Business-type activities:				
Charges for services	\$ 4,568,243	\$ 4,966,010	\$ 4,161,870	\$ 4,135,611
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	713,180	277,732
Total business-type activities program revenues	<u>4,568,243</u>	<u>4,966,010</u>	<u>4,875,050</u>	<u>4,413,343</u>
Total primary government program revenue	<u>\$ 15,852,900</u>	<u>\$ 16,162,271</u>	<u>\$ 15,325,502</u>	<u>\$ 15,843,666</u>
Net(Expense)/Revenue				
Governmental activities	\$ (53,823,376)	\$ (52,458,128)	\$ (57,524,949)	\$ (53,762,195)
Business-type activities	1,025,330	1,296,644	1,047,044	539,924
Total primary government net expense	<u>\$ (52,798,046)</u>	<u>\$ (51,161,484)</u>	<u>\$ (56,477,905)</u>	<u>\$ (53,222,271)</u>

Table 2
Page 1 of 2

	2014	2013	2012	2011	2010	2009
\$	5,575,520	\$ 5,465,093	\$ 4,420,563	\$ 4,526,232	\$ 4,654,227	\$ 4,868,825
	1,978,698	1,802,483	1,784,911	1,685,971	1,629,116	1,784,423
	13,224,115	12,943,310	12,376,310	10,660,881	10,652,290	10,900,401
	2,487,293	2,218,227	2,496,814	2,097,050	1,929,966	1,955,625
	5,223,039	5,052,386	4,446,775	4,531,487	4,533,563	4,429,077
	27,169,073	25,586,345	24,339,028	24,091,981	22,357,066	27,072,029
	2,375,530	2,166,475	2,111,087	1,922,593	1,824,076	2,170,357
	2,604,102	1,254,998	1,170,407	1,599,847	2,299,482	2,255,957
	1,912,060	1,598,864	1,624,212	1,751,068	2,057,826	2,726,734
	<u>62,549,430</u>	<u>58,088,181</u>	<u>54,770,107</u>	<u>52,867,110</u>	<u>51,937,612</u>	<u>58,163,428</u>
	<u>4,164,968</u>	<u>4,561,013</u>	<u>4,765,426</u>	<u>4,264,717</u>	<u>4,572,653</u>	<u>4,459,194</u>
	<u>4,164,968</u>	<u>4,561,013</u>	<u>4,765,426</u>	<u>4,264,717</u>	<u>4,572,653</u>	<u>4,459,194</u>
\$	<u>66,714,398</u>	<u>62,649,194</u>	<u>59,535,533</u>	<u>57,131,827</u>	<u>56,510,265</u>	<u>62,622,622</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	214,556	237,742	239,615	248,950	257,806	246,684
	399,325	364,823	356,342	297,524	332,743	476,364
	219,143	197,204	134,654	149,214	256,838	387,726
	-	-	-	-	-	-
	-	-	290	311	555	152
	286,509	293,796	310,646	351,840	341,498	355,746
	67,428	59,655	57,913	18,895	33,309	28,013
	8,018,257	7,634,001	7,417,709	7,130,907	7,275,332	8,963,448
	3,882,214	1,108,506	5,391,436	4,703,030	1,382,366	978,111
\$	<u>13,087,432</u>	<u>9,895,727</u>	<u>13,908,605</u>	<u>12,900,671</u>	<u>9,880,447</u>	<u>11,436,244</u>
\$	4,193,272	\$ 4,375,188	\$ 4,216,540	\$ 4,212,115	\$ 3,984,395	\$ 3,155,016
	-	-	-	-	188,300	407,040
	499,050	537,710	-	1,007,300	-	1,548,183
	<u>4,692,322</u>	<u>4,912,898</u>	<u>4,216,540</u>	<u>5,219,415</u>	<u>4,172,695</u>	<u>5,110,239</u>
\$	<u>17,779,754</u>	<u>14,808,625</u>	<u>18,125,145</u>	<u>18,120,086</u>	<u>14,053,142</u>	<u>16,546,483</u>
\$	(49,461,998)	\$ (48,192,454)	\$ (40,861,502)	\$ (39,966,439)	\$ (42,057,165)	\$ (46,727,184)
	527,354	351,885	(548,886)	954,698	(399,958)	651,045
\$	<u>(48,934,644)</u>	<u>(47,840,569)</u>	<u>(41,410,388)</u>	<u>(39,011,741)</u>	<u>(42,457,123)</u>	<u>(46,076,139)</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2018	2017	2016	2015
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 40,204,898	\$ 39,729,693	\$ 38,881,635	\$ 37,735,100
Local sales and use tax	4,627,344	4,363,168	4,132,108	3,993,673
Communication sales tax (1)	-	-	-	-
Consumer utility tax	733,044	725,381	716,300	711,867
Business license taxes	1,729,800	1,682,846	1,552,245	1,547,404
Restaurant food taxes	2,274,619	2,194,698	2,116,520	1,896,892
Other local taxes	1,199,763	1,202,114	1,109,601	989,921
Unrestricted revenues from use of money and property	356,250	202,694	154,286	174,416
Miscellaneous	321,874	432,749	670,380	438,304
Grants and contributions not restricted to specific programs	4,423,702	4,486,617	4,505,799	4,500,206
Transfers	(430,524)	(575,526)	(673,000)	(673,758)
Total governmental activities	\$ 55,440,770	\$ 54,444,434	\$ 53,165,874	\$ 51,314,025
Business-type activities:				
General property taxes	\$ 39,849	\$ 38,722	\$ 39,235	\$ 39,471
Unrestricted revenues from use of money and property	77,735	97,263	91,191	86,723
Grants and contributions not restricted to specific programs	779,370	-	-	-
Transfers	430,524	575,526	673,000	673,758
Total business-type activities	\$ 1,327,478	\$ 711,511	\$ 803,426	\$ 799,952
Total primary government	\$ 56,768,248	\$ 55,155,945	\$ 53,969,300	\$ 52,113,977
Change in Net Position				
Governmental activities	\$ 1,617,394	\$ 1,986,306	\$ (4,359,075)	\$ (2,448,170)
Business-type activities	2,352,808	2,008,155	1,850,470	1,339,876
Total primary government	\$ 3,970,202	\$ 3,994,461	\$ (2,508,605)	\$ (1,108,294)

(1) Beginning in FY10, the County began receiving communication sales tax from the Commonwealth of Virginia and reporting funds under grants and contributions not restricted to specific programs.

	2014	2013	2012	2011	2010	2009
\$	37,840,631	\$ 37,352,864	\$ 34,983,672	\$ 32,588,654	\$ 32,195,182	\$ 31,934,077
	3,811,874	3,777,448	3,729,207	3,537,751	3,547,316	3,622,137
	-	-	-	-	1,258,546	1,267,909
	707,280	702,582	699,428	700,959	698,238	695,930
	1,560,493	1,504,047	1,516,103	1,446,819	1,384,024	1,436,852
	1,857,472	1,857,427	1,789,149	1,669,468	1,632,857	1,616,050
	938,370	947,651	779,100	833,117	1,206,722	1,229,135
	182,207	177,210	154,387	159,151	203,980	273,362
	579,009	664,749	672,476	516,200	477,007	543,271
	4,540,079	4,559,150	4,543,046	4,518,651	3,013,996	3,019,751
	(673,758)	(673,758)	(480,000)	(500,000)	(500,000)	(680,000)
\$	<u>51,343,657</u>	<u>\$ 50,869,370</u>	<u>\$ 48,386,568</u>	<u>\$ 45,470,770</u>	<u>\$ 45,117,868</u>	<u>\$ 44,958,474</u>
\$	39,533	\$ 39,313	\$ 38,705	\$ 38,638	\$ 37,470	\$ 36,179
	86,490	112,266	98,396	98,531	120,080	183,614
	-	-	-	-	-	-
	673,758	673,758	480,000	500,000	500,000	680,000
\$	<u>799,781</u>	<u>\$ 825,337</u>	<u>\$ 617,101</u>	<u>\$ 637,169</u>	<u>\$ 657,550</u>	<u>\$ 899,793</u>
\$	<u>52,143,438</u>	<u>\$ 51,694,707</u>	<u>\$ 49,003,669</u>	<u>\$ 46,107,939</u>	<u>\$ 45,775,418</u>	<u>\$ 45,858,267</u>
\$	1,881,659	\$ 2,676,916	\$ 7,525,066	\$ 5,504,331	\$ 3,060,703	\$ (1,768,710)
	1,327,135	1,177,222	68,215	1,591,867	257,592	1,550,838
\$	<u>3,208,794</u>	<u>\$ 3,854,138</u>	<u>\$ 7,593,281</u>	<u>\$ 7,096,198</u>	<u>\$ 3,318,295</u>	<u>\$ (217,872)</u>

COUNTY OF GLOUCESTER, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	390,393	400,064	48,681	65,035
Restricted	79,268	82,362	77,013	133,004
Committed	1,983,468	1,672,041	1,310,127	1,118,337
Assigned	260,000	-	-	-
Unassigned	21,141,510	20,524,588	20,009,317	17,523,379
Total General Fund	<u>\$ 23,854,639</u>	<u>\$ 22,679,055</u>	<u>\$ 21,445,138</u>	<u>\$ 18,839,755</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable	190,015	-	-	-
Restricted	125,000	115,400	97,400	54,400
Committed	700,298	696,419	692,639	4,986,303
Assigned	-	-	-	-
Unassigned	(190,015)	-	-	-
Total all other governmental funds	<u>\$ 825,298</u>	<u>\$ 811,819</u>	<u>\$ 790,039</u>	<u>\$ 5,040,703</u>

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY11. Restatement of prior year balance is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 3

2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ 149,442	\$ 238,285
-	-	-	-	14,334,402	12,622,904
52,694	51,122	52,204	50,598	-	-
141,770	141,989	128,885	132,450	-	-
1,015,138	1,024,155	921,746	799,389	-	-
-	-	-	-	-	-
18,249,344	16,960,462	15,321,565	14,967,748	-	-
<u>\$ 19,458,946</u>	<u>\$ 18,177,728</u>	<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,000	\$ 19,000
-	-	-	-	-	808
-	-	-	-	2,810,371	3,678,708
-	-	-	-	-	-
31,400	19,000	19,000	19,000	-	-
22,701,947	13,398,162	9,840,182	5,225,558	-	-
257,062	244,485	239,297	-	-	-
-	-	-	-	-	-
<u>\$ 22,990,409</u>	<u>\$ 13,661,647</u>	<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2018	2017	2016
REVENUES			
General property taxes	\$ 40,429,513	\$ 39,605,567	\$ 38,899,618
Other local taxes	10,564,570	10,168,207	9,626,774
Permits, privilege fees, and regulatory licenses	438,668	591,346	361,437
Fines and forfeitures	118,878	85,667	94,470
Revenue from the use of money and property	356,250	202,694	154,286
Charges for services	1,090,353	1,048,851	981,125
Miscellaneous	321,874	432,749	670,380
Recovered costs	434,664	413,302	362,494
Intergovernmental revenues:			
Commonwealth	10,781,075	10,822,673	11,074,903
Federal	3,279,385	3,134,341	2,444,316
Total revenues	<u>\$ 67,815,230</u>	<u>\$ 66,505,397</u>	<u>\$ 64,669,803</u>
EXPENDITURES			
Current:			
General government administration	\$ 5,963,044	\$ 5,725,817	\$ 5,559,742
Judicial administration	1,864,417	1,659,363	1,776,474
Public safety	13,715,518	13,267,144	12,431,841
Public works	2,157,205	2,066,222	2,203,795
Health and welfare	5,541,116	5,465,381	5,064,135
Education	24,850,100	24,202,067	22,873,774
Parks, recreation, and cultural	2,323,548	2,342,983	2,180,280
Community development	1,134,167	1,034,146	1,040,427
Nondepartmental	285,585	300,585	300,585
Capital projects	2,682,620	3,693,480	6,548,321
Debt service:			
Principal retirement	4,097,070	4,186,313	10,276,799
Interest and other fiscal charges	1,581,253	1,751,399	2,110,911
Principal retirement-School leases	-	-	-
Interest and other fiscal charges-School	-	-	-
Total expenditures	<u>\$ 66,195,643</u>	<u>\$ 65,694,900</u>	<u>\$ 72,367,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,619,587</u>	<u>\$ 810,497</u>	<u>\$ (7,697,281)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 8,279,537	\$ 8,369,496	\$ 7,729,031
Transfers out	(8,710,061)	(8,945,022)	(8,402,031)
Issuance of general obligation bonds	-	-	-
Bond premium issuance	-	-	-
Issuance of capital leases	-	1,020,726	-
Insurance recovery	-	-	-
Refunding of lease revenue bonds	-	-	6,725,000
Total other financing sources (uses)	<u>\$ (430,524)</u>	<u>\$ 445,200</u>	<u>\$ 6,052,000</u>
Net change in fund balances	\$ 1,189,063	\$ 1,255,697	\$ (1,645,281)
Fund balances - beginning	23,490,874	22,235,177	23,880,458
Fund balances - ending	<u>\$ 24,679,937</u>	<u>\$ 23,490,874</u>	<u>\$ 22,235,177</u>
Debt Service as a percentage of noncapital expenditures	<u>8.78%</u>	<u>9.30%</u>	<u>18.66%</u>

Table 4

	2015	2014	2013	2012	2011	2010	2009
\$	37,944,859	\$ 37,996,998	\$ 37,534,509	\$ 34,600,348	\$ 32,277,667	\$ 31,916,749	\$ 32,090,454
	9,139,757	8,875,489	8,789,155	8,512,987	8,188,114	9,727,703	9,868,013
	379,645	352,330	307,747	318,074	262,490	285,060	421,907
	68,265	80,625	108,507	114,403	87,571	120,804	94,148
	174,416	182,207	177,210	154,387	159,151	203,980	273,362
	818,947	754,006	736,966	666,983	716,673	816,885	978,630
	438,304	579,009	664,749	672,476	516,200	477,007	543,271
	378,821	409,810	337,904	312,995	306,934	360,700	413,418
	11,800,473	11,034,381	10,781,890	10,422,899	10,517,539	9,033,241	9,927,995
	2,863,199	2,681,235	2,385,926	2,242,337	2,041,209	2,638,453	2,940,280
\$	<u>64,006,686</u>	<u>\$ 62,946,090</u>	<u>\$ 61,824,563</u>	<u>\$ 58,017,889</u>	<u>\$ 55,073,548</u>	<u>\$ 55,580,582</u>	<u>\$ 57,551,478</u>
\$	5,506,522	\$ 5,418,618	\$ 5,027,276	\$ 4,580,732	\$ 4,391,984	\$ 4,796,836	\$ 4,766,294
	1,720,444	1,812,592	1,634,575	1,644,976	1,511,513	1,473,565	1,619,429
	12,260,636	11,609,450	11,388,578	10,548,498	10,237,522	10,430,536	10,622,469
	2,156,828	2,172,118	2,119,356	2,021,420	1,879,012	1,866,165	1,873,556
	5,427,503	5,197,208	5,000,044	4,424,273	4,487,974	4,482,064	4,348,208
	23,055,992	22,839,193	22,777,077	20,419,880	20,969,964	20,323,168	21,703,289
	2,139,478	2,117,069	2,067,452	1,959,087	1,834,819	1,857,339	1,970,594
	972,068	1,034,876	901,444	746,246	731,327	728,581	776,991
	353,497	365,585	312,185	325,145	263,170	272,035	272,035
	22,500,605	14,208,476	5,825,679	5,540,772	2,925,484	2,698,567	19,493,940
	3,437,958	2,886,672	3,141,033	3,201,337	3,394,093	3,385,644	3,055,466
	2,293,936	1,653,660	1,695,351	1,702,835	1,858,998	2,012,572	2,547,578
	72,317	69,529	65,736	263,189	-	-	-
	4,041	8,255	12,048	18,318	-	-	-
\$	<u>81,901,825</u>	<u>\$ 71,393,301</u>	<u>\$ 61,967,834</u>	<u>\$ 57,396,708</u>	<u>\$ 54,485,860</u>	<u>\$ 54,327,072</u>	<u>\$ 73,049,849</u>
\$	<u>(17,895,139)</u>	<u>\$ (8,447,211)</u>	<u>\$ (143,271)</u>	<u>\$ 621,181</u>	<u>\$ 587,688</u>	<u>\$ 1,253,510</u>	<u>\$ (15,498,371)</u>
\$	9,188,198	\$ 8,000,299	\$ 7,758,145	\$ 10,042,633	\$ 6,671,343	\$ 6,578,300	\$ 7,891,873
	(9,861,956)	(8,674,057)	(8,431,903)	(10,522,633)	(7,171,343)	(7,078,300)	(8,571,873)
	-	15,845,000	5,999,684	500,000	-	-	-
	-	1,161,015	-	-	-	-	-
	-	-	-	-	-	-	11,245,000
	-	2,724,934	133,841	4,686,955	3,793,840	-	-
	-	-	-	-	-	-	-
\$	<u>(673,758)</u>	<u>\$ 19,057,191</u>	<u>\$ 5,459,767</u>	<u>\$ 4,706,955</u>	<u>\$ 3,293,840</u>	<u>\$ (500,000)</u>	<u>\$ 10,565,000</u>
\$	(18,568,897)	\$ 10,609,980	\$ 5,316,496	\$ 5,328,136	\$ 3,881,528	\$ 753,510	\$ (4,933,371)
	42,449,355	31,839,375	26,522,879	21,194,743	17,313,215	16,559,705	21,493,076
\$	<u>23,880,458</u>	<u>\$ 42,449,355</u>	<u>\$ 31,839,375</u>	<u>\$ 26,522,879</u>	<u>\$ 21,194,743</u>	<u>\$ 17,313,215</u>	<u>\$ 16,559,705</u>
	<u>9.20%</u>	<u>7.94%</u>	<u>8.57%</u>	<u>9.53%</u>	<u>9.84%</u>	<u>10.26%</u>	<u>9.88%</u>

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2018		2009	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 25,289,110	0.58 %	\$ 21,953,900	0.55 %
York River Crossing Shopping Center LLC	13,653,670	0.31	13,549,700	0.34
Wal-Mart Real Estate Business Trust	13,293,940	0.31	12,653,600	0.32
Walter Reed Memorial Hospital Inc	9,983,410	0.23		
Lowe's Home Centers Inc	9,415,010	0.22	7,387,400	0.18
The Conservation Fund	9,167,870	0.21		
Horn Harbor Nursing Home Inc	8,928,470	0.21	7,146,400	0.18
Thousand Trails Inc	8,554,860	0.20	5,545,700	0.14
Gloucester Medical Arts I LLC	8,143,030	0.19		
Aggregate Industries Land Company Inc	7,258,850	0.17		
Affordable Homes LLC			8,137,700	0.20
Branch Bank and Trust Company			7,452,500	0.19
Dunwood Holdings LLC			6,609,300	0.17
E. Clairborne Robins, Jr.			5,415,820	0.14
	<u>\$ 113,688,220</u>	<u>2.63 %</u>	<u>\$ 95,852,020</u>	<u>2.41 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date	
				Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy
2009	\$ 23,972,690	\$ 29,664	\$ 24,002,354	\$ 23,326,961	97.31%	\$ 670,740	\$ 23,997,701	99.98%
2010	24,014,793	13,119	24,027,912	23,210,366	96.65%	809,255	24,019,621	99.97%
2011	23,809,339	21,823	23,831,162	23,008,680	96.64%	812,908	23,821,588	99.96%
2012	25,336,144	25,647	25,361,791	24,405,721	96.33%	945,434	25,351,155	99.96%
2013	26,903,346	5,391	26,908,737	26,076,913	96.93%	818,785	26,895,698	99.95%
2014	27,043,283	(16,870)	27,026,413	26,277,315	97.17%	733,036	27,010,351	99.94%
2015	27,615,708	(3,466)	27,612,242	26,880,696	97.34%	700,170	27,580,866	99.89%
2016	28,574,808	(3,251)	28,571,557	27,850,881	97.47%	634,107	28,484,989	99.70%
2017	29,192,667	(4,392)	29,188,275	28,438,565	97.42%	501,948	28,940,513	99.15%
2018	29,569,340	-	29,569,340	28,880,722	97.67%	-	28,880,722	97.67%

Source: Gloucester County Treasurer's Department

Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
(in thousands of dollars)

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2009	\$ 3,607,036	\$ 388,516	\$ 271,530	\$ 3,995,552	0.61	\$ 4,597,873
2010	3,713,586	443,021	305,263	4,156,607	0.58	4,156,607
2011	3,722,124	438,534	309,207	4,160,658	0.58	4,160,658
2012	3,752,701	439,874	306,387	4,192,575	0.65	4,192,575
2013	3,771,667	439,721	321,037	4,211,388	0.65	4,211,388
2014	3,799,377	437,932	322,225	4,237,310	0.65	4,237,310
2015	3,765,494	444,104	373,475	4,209,598	0.68	4,209,598
2016	3,797,973	443,944	358,584	4,241,916	0.695	4,241,916
2017	3,832,436	450,593	379,400	4,283,030	0.695	4,283,030
2018	3,788,637	559,903	385,986	4,348,540	0.695	4,348,540

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Ten Calendar Years

Calendar Year Ended	Personal Property (1)	Machinery & Tools (1)	Boats (1)	Public Service (2)	Total
2009	\$ 355,192,059	\$ 7,573,930	\$ 33,365,200	\$ 75,965,554	\$ 472,096,743
2010	391,285,273	8,608,825	32,179,200	80,613,575	512,686,873
2011	385,778,693	7,811,202	35,990,400	87,981,942	517,562,237
2012	386,217,977	8,305,399	34,894,358	104,938,440	534,356,174
2013	400,536,792	8,218,191	43,702,556	155,642,943	608,100,482
2014	385,658,488	10,197,427	43,689,419	155,392,600	594,937,934
2015	385,720,050	10,298,798	41,513,977	158,444,423	595,977,248
2016	399,860,453	8,258,417	42,504,814	137,719,792	588,343,476
2017	401,812,412	8,221,958	43,339,570	139,424,060	592,798,000
2018	416,210,705	9,127,041	49,670,200	141,956,353	616,964,299

(1) Source: Commissioner of Revenue, BOS eliminated the Boat Tax effective calendar year 2015

(2) Property assessments performed by the State Corporation Commission and includes real estate

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita(a)
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds			
2009	\$ 21,742,912	\$ 3,603,520	\$ 19,777,296	\$ 53,636	\$ 23,480,592	\$ 68,657,956	4.64%	\$ 1,866.92
2010	20,343,490	3,063,520	18,297,844	10,465	21,974,346	63,689,665	4.34%	1,727.97
2011	18,965,853	2,523,520	16,788,573	-	20,414,345	58,692,291	3.84%	1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.65%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.83%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.46%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	3.91%	1,774.80
2016	34,798,831	720,324	9,444,609	-	15,060,214	60,023,978	3.51%	1,623.02
2017	32,755,003	470,324	8,467,388	-	12,625,476	54,318,191	N/A*	1,461.38
2018	30,741,581	220,324	6,528,278	-	10,065,738	47,555,921	N/A*	1,279.45

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

(a) Italicized amounts are estimates.

*Information not available at the time of completion.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds			Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business-type Activities	Total		
2009	\$ 21,742,912	\$ 53,636	\$ 21,796,548	\$ 592.68	0.47%
2010	20,343,490	10,465	20,353,955	552.23	0.49%
2011	18,965,853	-	18,965,853	512.77	0.46%
2012	18,089,833	-	18,089,833	489.23	0.43%
2013	22,804,937	-	22,804,937	612.51	0.54%
2014	38,548,607	-	38,548,607	1,035.56	0.91%
2015	36,773,293	-	36,773,293	991.94	0.87%
2016	34,798,831	-	34,798,831	940.94	0.82%
2017	32,755,003	-	32,755,003	881.25	0.76%
2018	30,741,581	-	30,741,581	<i>827.08</i>	0.71%

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

(a) Population data can be found in Table 12

(b) See Table 7 for property value data

(c) Italicized amounts are estimates.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 3,155,016	\$ 2,334,014	\$ 821,002	\$ 1,508,273	\$ 1,199,560	0.30
2010	3,983,717	2,512,351	1,471,366	1,549,417	1,116,472	0.55
2011	3,992,815	2,262,613	1,730,202	1,553,840	1,045,582	0.67
2012	3,893,650	2,780,595	1,113,055	1,790,872	1,063,304	0.39
2013	3,845,738	2,609,469	1,236,269	1,106,435	990,618	0.59
2014	4,193,272	2,550,179	1,643,093	1,987,000	793,760	0.59
2015	4,135,611	2,324,954	1,810,657	2,043,000	729,787	0.65
2016	4,161,870	2,318,445	1,843,425	1,980,000	766,538	0.67
2017	4,310,610	2,381,453	1,929,157	2,257,000	431,533	0.72
2018	4,179,603	2,289,258	1,890,345	2,382,000	309,767	0.70

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses above exclude interest, depreciation and amortization of loan costs.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
2008	36,438	\$ 1,472,784	\$ 40,198	% 3.5	5,910
2009	36,776	1,479,918	40,239	6.1	5,925
2010	36,858	1,468,467	39,754	6.4	5,860
2011	36,987	1,526,573	41,366	5.2	5,925
2012	36,976	1,581,022	42,836	5.5	5,650
2013	37,232	1,561,586	42,427	5.1	5,469
2014	37,225	1,605,939	43,263	4.9	5,413
2015	37,072	1,683,496	45,429	4.1	5,316
2016	36,983	1,708,973	45,923	3.7	5,320
2017	37,169	N/A*	N/A*	3.4	5,245

*Information not available at the time of completion.

Sources:

- (1) Weldon Cooper Center for Public Service at the University of Virginia
- (2) Bureau of Economic Analysis (Revised Estimates at November 16, 2017)
- (3) Virginia Employment Commission
- (4) Gloucester County Schools (Budget Document)

Principal Employers
Current Year and Nine Years Ago

Employer	2018		2009	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County Schools	500 - 999	5.4 - 10.7	1000+	10+
Riverside Regional Medical Center	500 - 999	5.4 - 10.7	250 - 499	2.7 - 5.4
Wal-Mart	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
County of Gloucester	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
Virginia Institute of Marine Science	250 - 499	2.7 - 5.4	250 - 499	2.7 - 5.4
Rappahannock Community College	100 - 249	1.1 - 2.7	100 - 249	1.1 - 2.7
Lowes' Home Centers Inc	100 - 249	1.1 - 2.7	100 - 249	1.1 - 2.7
York Convalescent Center	100 - 249	1.1 - 2.7		
Food Lion	100 - 249	1.1 - 2.7		
The Home Depot	100 - 249	1.1 - 2.7	50 - 99	Less than 1.1
JL Jkm Enterprises Lc	50 - 99	Less than 1.1		
Farm Fresh	50 - 99	Less than 1.1		
Industrial Resource Technology	50 - 99	Less than 1.1	250 - 499	2.7 - 5.4
Dominion Virginia Power			50 - 99	Less than 1.1
Whitley's Peanuts			50 - 99	Less than 1.1
Rappahannock Concrete			50 - 99	Less than 1.1
York River Yacht Haven			50 - 99	Less than 1.1
Verizon			50 - 99	Less than 1.1
Peace Frogs			50 - 99	Less than 1.1

Sources:
Virginia Employment Commission

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

	Full-time Equivalent Employees as of June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government Administration										
Board of Supervisors	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Administration	5.0	4.5	5.0	7.0	6.0	4.5	4.5	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Human Resources	5.0	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5	8.5	9.5
County Assessor	5.0	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.0	6.0
Treasurer	8.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.5
Finance	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Information Technology	8.5	9.0	9.0	8.0	9.0	9.0	9.0	12.5	13.0	13.0
GIS (included with IT until 2012)	2.5	2.5	2.5	3.5	3.5	3.5	3.5			
Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0
VA Housing Dev. Authority			-	-	-	-	-	-	2.0	2.0
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Judicial Administration										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Victim Witness	2.5	2.5	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.0
Commonwealth Attorney	8.0	7.5	7.5	7.5	7.5	7.5	7.5	8.0	8.5	8.5
Public Safety										
Sheriff	65.0	65.0	64.0	64.0	61.5	50.0	50.0	48.0	49.0	53.0
E-911 (Combined w/Sheriff 2014)			-	-	-	11.5	11.5	11.5	11.5	12.0
Jail (included w/Sheriff until 2006)	33.5	33.0	36.5	38.5	37.5	37.0	35.0	35.5	38.0	38.0
Probation/Pretrial	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.5	7.5	7.5
Codes			-	-	-	14.0	13.0	13.0	14.0	16.0
Building Inspections	7.5	8.0	8.0	7.0	6.0					
Environmental Programs	4.0	4.5	4.0	4.0	4.0					
Animal Control	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	3.0	3.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	2.5
Public Works										
Engineering	3.0	3.5	4.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0
Buildings & Grounds	26.0	27.0	28.0	28.0	28.5	28.5	28.5	28.0	28.0	29.0
Education										
Community Education	8.0	8.0	8.0	7.5	7.5	7.5	7.5	8.0	8.0	8.0
Cable Services	-	-	-	-	-	0.5	0.5	-	0.5	0.5
Parks, Recreation & Cultural										
Parks & Recreation	5.5	5.5	5.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Park Operations (formerly Beaverdam)	6.5	6.5	6.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0
Historical	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12.0	12.0	12.0	12.5	12.5	12.5	12.5	12.0	12.0	12.0
Community Development										
Planning	7.0	7.0	6.0	7.0	7.0	5.0	5.0	5.0	5.0	5.0
Economic Development	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utilities	24.5	23.5	24.5	26.0	26.0	26.0	26.0	25.0	25.5	27.5
TOTAL	302	303	307	312	308	306	303	299	312	325

Source: Gloucester County Human Resources Department
Work as Required employees are not included.

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sheriff's Department (1)				
Reports taken	N/A	48,601	45,020	43,584
Civil processed record workload	N/A	33,240	31,737	30,530
Circuit court days	N/A	172	210	207
General district court days	N/A	107	104	109
Juvenile and domestic court days	N/A	250	252	234
Inmate average daily population	N/A	31	43	45
Parks, Recreation & Tourism (2)				
Number of Participants	5,008	4,567	4,772	4,489
Library (3)				
Material circulated	140,825	197,281	183,566	172,769
Library patrons	36,706	35,089	37,185	35,396
Water system (4)				
Number of customers	4,890	4,835	4,728	4,629
Average daily consumption	869,742	863,441	834,800	838,400
Annual consumption in gallons	317,456,000	315,156,000	304,700,000	306,030,000

Sources:

- (1) Gloucester County Sheriff's Department (Information compiled each calendar year)
- (2) Gloucester County Parks, Recreation & Tourism Department
- (3) Gloucester County Library
- (4) Gloucester County Public Utilities

N/A - This information is not available.

Table 15

2014	2013	2012	2011	2010	2009
39,350	38,808	38,414	37,076	36,219	31,434
30,757	42,873	35,242	38,266	30,255	25,923
196	175	164	168	180	213
113	116	114	115	113	110
240	237	208	145	162	180
79	86	84	74	77	82
3,957	3,920	4,019	4,170	4,393	4,670
169,016	179,320	216,787	229,986	241,379	227,053
33,256	29,295	31,769	32,786	36,284	33,132
4,629	4,588	4,565	4,523	4,499	4,470
827,000	809,000	835,478	884,471	886,783	900,923
301,865,000	295,456,000	305,785,000	322,832,000	323,676,000	328,837,000

THIS PAGE LEFT BLANK INTENTIONALLY

High Volume Users of Water System
Current Year and Nine Years Ago

Customer name	2018		2009	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
V.I.M.S. -SRL	387,000	12,900	267,000	8,900
V.I.M.S. -MRL	378,000	12,600	360,000	12,000
Walter Reed Convalescent Center	302,000	10,067	439,000	14,633
John A. Franklin (Wicomico Trailer Park)	282,000	9,400		
Colonial Point Apartments	274,000	9,133		
York River Yacht Haven	202,000	6,733		
VIMS Chesapeake Bay Hall	177,000	5,900	431,000	14,367
RAI Care Centers of VA	169,000	5,633		
Riverside Wellness Center	145,000	4,833		
U-Do-It Laundry	145,000	4,833	196,000	6,533
Riverside Walter Reed Hospital/Dialysis			425,000	14,167
Water Wizard Car Wash			236,000	7,867
Gloucester County Jail			175,000	5,833
Thalhimer			236,000	7,867
Super Wal-Mart			182,000	6,067

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	32	32	31	33
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	7	8	8	8
Park acreage owned by the County	220	221	221	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

- (1) Gloucester County Sheriff's Office
- (2) Gloucester County Department of Emergency Services
- (3) Gloucester County Department of Parks, Recreation & Tourism
- (4) Gloucester County Library
- (5) Gloucester County Public Utilities

Table 17

2014	2013	2012	2011	2010	2009
1	1	1	1	1	1
33	33	33	34	27	27
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
221	221	221	185	185	185
44	44	44	40	40	40
2	2	2	2	2	2
1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Gloucester
Gloucester, 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 County of Gloucester, 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 Gloucester, Virginia's basic financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Gloucester, 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, Farner, Cox Associates

Richmond, Virginia
October 26, 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 Gloucester
Gloucester, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, 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 Gloucester, Virginia's major federal programs for the year ended June 30, 2018. County of Gloucester, 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 Gloucester, 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 Gloucester, 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 Gloucester, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Gloucester, 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 Gloucester, 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 Gloucester, 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 Gloucester, 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

Richmond, Virginia
October 26, 2018

COUNTY OF GLOUCESTER, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 15,104
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	338
Low-Income Home Energy Assistance	93.568	0600409/0600410	32,221
Temporary Assistance for Needy Families	93.558	0400109/0400110	223,047
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	37,487
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	790
Foster Care - Title IV-E	93.658	1100109/1100110	244,138
Adoption Assistance	93.659	1120109/1120110	211,113
Social Services Block Grant	93.667	1000109/1000110	182,885
Chafee Foster Care Independence Program	93.674	9150108-9150110	3,740
Children's Health Insurance Program	93.767	0540109/0540110	16,624
Medical Assistance Program	93.778	1200109/1200110	432,686
Total Department of Health and Human Services			<u>\$ 1,400,173</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 272,257
Department of Agriculture:			
Food Distribution--School	10.555	not available	166,434
Department of Education:			
National School Lunch Program	10.555	1790100-40623	905,310
			<u>Total 10.555 \$ 1,071,744</u>
Total Child Nutrition Cluster			<u>\$ 1,344,001</u>
Department of Education:			
State Administrative Expenses for Child Nutrition	10.560	201717N253341	<u>292</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110	<u>\$ 426,431</u>
Total Department of Agriculture			<u>\$ 1,770,724</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 3,274
Pass Through Payments:			
Commonwealth of Virginia, Office of the Attorney General			
Equitable Sharing Program	16.922	not available	6,872
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	39001-10220	75,118
Violence Against Women Formula Grants	16.588	3900100-46500	51,637
Total Department of Justice			<u>\$ 136,901</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	7750100-52749	\$ 27,288
Homeland Security:			
Hazard Mitigation Grant	97.039	7760200-111,132	517,661
Total Department of Homeland Security			<u>\$ 544,949</u>
Department of Transportation:			
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction	20.205	603002-103579	\$ 483,135
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	6050700-53454	9,030
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	6050700-53351	14,483
		Higyway Safety Cluster	<u>\$ 23,513</u>
Total Department of Transportation			<u>\$ 506,648</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 100,648
Total Department of Defense			<u>\$ 100,648</u>
Department of the Interior:			
Direct Payments:			
Chesapeake Bay Gateways and Trails Grant	15.930	N/A	\$ 10,800
Total Department of the Interior			<u>\$ 10,800</u>
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 54,281
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	677,156
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,151,279
Special Education - Preschool Grants	84.173	1790100-82521	33,480
		Total Special Education Cluster	<u>\$ 1,184,759</u>
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	72,976
Supporting Effective Instruction State Grant	84.367	1790100-61480	205,317
Student Support and Academic Enrichment Program	84.424	S424A170048	19,093
Total Department of Education			<u>\$ 2,213,582</u>
Total Expenditures of Federal Awards			<u>\$ 6,684,425</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 321,064
Debt Service Fund	236,708
Special Revenue Funds:	
Virginia Public Assistance Fund	1,679,685
CSA Fund	30,332
Capital Projects Funds:	
County Capital Projects Fund	1,011,596
Total primary government	\$ 3,279,385
Component Unit School Board:	
School Operating Fund	\$ 2,314,228
School Cafeteria Fund	1,344,293
Total component unit School Board	\$ 3,658,521
Less: BABs federal interest rate subsidy	(236,708)
Less: Payment in lieu of taxes	(16,773)
Total federal expenditures per basic financial statements	\$ 6,684,425
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 6,684,425

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.