



COUNTY OF RAPPAHANNOCK, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF RAPPAHANNOCK, VIRGINIA

Board of Supervisors

Roger A. Welch, Chair

I. Christopher Parrish, Vice-Chair
John D. Lesinki

Ronald L. Frazier
Christine Smith

County School Board

John Wesley Mills, Chair

Larry Grove, Vice-Chair
Lucy (Pud) Mayer

Rachel Bynum
Chris Ubben

County Social Services

Deborah Fluornoy

Patricia Metcalfe

Susan Laing

County Library Board

John Head, Chair

Stephen Slade
Fran Krebsler
Janet Davis
Marcie Brandriff

Ruth Stolk
Nancy Ely Raphael
Debra Knick
Victoria Fortuna

Other Officials

Judge of the Circuit Court Jeffrey Parker
Clerk of the Circuit Court Margaret R. Ralph
Judge of the General District Court Gregory Ashwell
Judge of Juvenile & Domestic Relations District Court..... Melissa Cupp
County Attorney Arthur L. Goff
Commonwealth's Attorney..... Arthur L. Goff
Commissioner of the Revenue Sharon Dodson
Treasurer..... Debra Knick
Sheriff Connie S. Compton
Superintendent of Schools Shannon Grimsley
Director of Department of Social Services..... Jennifer Parker
Librarian Dave Shaffer
County Administrator Garrey W. Curry, Jr.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of
the Board of Supervisors
County of Rappahannock, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Restatement of Beginning Balances

As described in Note 24 to the financial statements, in 2018, the County of Rappahannock, Virginia restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is no modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 90-96 and 97-112 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2018, on our consideration of the County of Rappahannock, 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 Rappahannock, 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 Rappahannock, Virginia's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia
November 23, 2018

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Basic Financial Statements

Government-Wide Financial Statements

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Statement of Net Position
At June 30, 2018

	Primary Government		
	Governmental Activities	School Board	Recreational Facilities Authority
Assets:			
Cash and cash equivalents	\$ 4,907,750	\$ 1,165,520	\$ 60,088
Investments	1,726,270	-	-
Receivables, net			
Due within one year	1,267,581	-	-
Prepaid items	-	33,946	-
Inventory	-	11,745	-
Due from component unit School Board	18,980	-	-
Due from other governments	498,087	245,701	-
Capital assets:			
Land and construction in progress	2,188,507	-	20,000
Other capital assets, net of accumulated depreciation	3,951,081	7,522,814	38,848
Capital assets, net	\$ 6,139,588	\$ 7,522,814	\$ 58,848
Total assets	\$ 14,558,256	\$ 8,979,726	\$ 118,936
Deferred Outflows of Resources:			
Pension related items	\$ 429,125	\$ 1,073,195	\$ -
OPEB related items	46,113	102,481	-
Total deferred outflows of resources	\$ 475,238	\$ 1,175,676	\$ -
Liabilities:			
Accounts payable and accrued liabilities	\$ 706,873	\$ 1,406,164	\$ -
Accrued interest	43,877	-	-
Due to primary government	-	18,980	-
Long-term liabilities:			
Due within one year	507,424	100,357	-
Due in more than one year	7,473,457	11,635,276	-
Total liabilities	\$ 8,731,631	\$ 13,160,777	\$ -
Deferred Inflows of Resources:			
Deferred revenue-property taxes	\$ 291,159	\$ -	\$ -
Pension related items	397,767	1,398,568	-
OPEB related items	107,790	96,075	-
Total deferred inflows of resources	\$ 796,716	\$ 1,494,643	\$ -
Net Position:			
Net investment in capital assets	\$ 4,070,679	\$ 7,446,722	\$ 58,848
Unrestricted (deficit)	1,434,468	(11,946,740)	60,088
Total net position	\$ 5,505,147	\$ (4,500,018)	\$ 118,936

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Statement of Activities
 Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,431,541	\$ 13,332	\$ 179,358	\$ -
Judicial administration	624,859	37,090	344,630	-
Public safety	3,703,645	101,913	675,949	-
Public works	992,812	102,080	1,039	-
Health and welfare	2,756,189	-	1,477,049	-
Education	9,097,245	-	-	-
Parks, recreation and cultural	335,211	-	43,339	-
Community development	305,337	-	39,315	-
Interest on long-term debt	70,645	-	-	-
Total Primary Government	\$ 19,317,484	\$ 254,415	\$ 2,760,679	\$ -
Component Units				
Rappahannock County Public Schools	\$ 12,394,513	\$ 180,886	\$ 3,560,374	\$ -
Rappahannock County Recreational Facilities Authority	14,442	42,129	-	-
Total Component Units	\$ 12,408,955	\$ 223,015	\$ 3,560,374	\$ -

General Revenues

Taxes:

General property taxes, real and personal

Local sales and use taxes

Consumers' utility taxes

Taxes on recordation of wills

Meals and lodging taxes

Motor vehicle license

Other

Payment from County of Rappahannock -- Education

Grants and contributions not restricted to specific programs

Unrestricted revenues from use of money and property

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Component Units		
Total Primary Government	School Board	Recreational Facilities Authority
\$ (1,238,851)	\$ -	\$ -
(243,139)	-	-
(2,925,783)	-	-
(889,693)	-	-
(1,279,140)	-	-
(9,097,245)	-	-
(291,872)	-	-
(266,022)	-	-
(70,645)	-	-
<u>\$ (16,302,390)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,653,253)	\$ -
<u>-</u>	<u>-</u>	<u>27,687</u>
<u>\$ -</u>	<u>\$ (8,653,253)</u>	<u>\$ 27,687</u>
\$ 13,634,230	\$ -	\$ -
515,220	-	-
182,433	-	-
108,869	-	-
273,673	-	-
205,040	-	-
152,366	-	-
-	9,090,769	-
1,349,431	-	-
192,816	-	61
1,262,464	440,512	-
<u>\$ 17,876,542</u>	<u>\$ 9,531,281</u>	<u>\$ 61</u>
\$ 1,574,152	\$ 878,028	\$ 27,748
<u>3,930,995</u>	<u>(5,378,046)</u>	<u>91,188</u>
<u>\$ 5,505,147</u>	<u>\$ (4,500,018)</u>	<u>\$ 118,936</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2018

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 4,873,574	\$ 12,061	\$ 22,115	\$ 4,907,750
Investments	-	1,726,270	-	1,726,270
Property taxes receivable, net	1,145,881	-	-	1,145,881
Accounts receivable	121,700	-	-	121,700
Due from other funds	37,302	-	87	37,389
Due from component unit	18,980	-	-	18,980
Due from other governments	498,087	-	-	498,087
Total assets	\$ 6,695,524	\$ 1,738,331	\$ 22,202	\$ 8,456,057
Liabilities:				
Accounts payable and accrued liabilities	\$ 697,807	\$ 8,613	\$ 453	\$ 706,873
Due to other funds	87	37,302	-	37,389
Total liabilities	\$ 697,894	\$ 45,915	\$ 453	\$ 744,262
Deferred Inflows of Resources:				
Unavailable revenues-property taxes	\$ 1,367,096	-	-	\$ 1,367,096
Fund Balances:				
Committed:				
Emergency medical transport	\$ -	\$ -	\$ 21,749	\$ 21,749
Library operations	-	1,692,416	-	1,692,416
Unassigned	4,630,534	-	-	4,630,534
Total fund balances	\$ 4,630,534	\$ 1,692,416	\$ 21,749	\$ 6,344,699
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,695,524	\$ 1,738,331	\$ 22,202	\$ 8,456,057

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2018

Total fund balances for governmental funds (Exhibit 3) \$ 6,344,699

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,705,907	
Construction in progress		482,600	
Buildings and improvements, net of depreciation		1,545,256	
Furniture, equipment, and vehicles net of depreciation		737,857	
School buildings, improvements and equipment, net of depreciation		<u>1,667,968</u>	6,139,588

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

Unavailable revenues - property taxes			1,075,937
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Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Deferred outflows - pension related items	\$	429,125	
Deferred outflows - OPEB related items		<u>46,113</u>	475,238

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

Accrued interest payable	\$	(43,877)	
General obligation bonds		(2,005,000)	
Premium on general obligation bonds		(63,909)	
Compensated absences		(201,251)	
Net pension liability		(1,798,055)	
Net OPEB liability		(858,408)	
Accrued landfill remediation costs		<u>(3,054,258)</u>	(8,024,758)

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

Deferred inflows - pension related items	\$	(397,767)	
Deferred inflows - OPEB related items		<u>(107,790)</u>	<u>(505,557)</u>

Total net position of governmental activities (Exhibits 1 and 2)			<u>\$ 5,505,147</u>
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The accompanying notes to financial statements are an integral part of this statement.

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

	General Fund	Library Fund	Nonmajor Emergency Medical Transport Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 13,641,994	\$ -	\$ -	\$ 13,641,994
Other local taxes	1,437,601	-	-	1,437,601
Permits, privilege fees and regulatory licenses	116,410	-	-	116,410
Fines and forfeitures	82,619	1,152	-	83,771
Use of money and property	63,191	129,625	-	192,816
Charges for services	54,234	-	-	54,234
Miscellaneous	157,577	1,024,793	80,094	1,262,464
Recovered costs	140,281	-	-	140,281
Intergovernmental:				
Revenue from the Commonwealth	3,326,330	43,339	-	3,369,669
Revenue from the Federal Government	740,441	-	-	740,441
Total revenues	\$ 19,760,678	\$ 1,198,909	\$ 80,094	\$ 21,039,681
Expenditures:				
Current:				
General government administration	\$ 1,436,785	\$ -	\$ -	\$ 1,436,785
Judicial administration	643,327	-	-	643,327
Public safety	3,743,912	-	75,401	3,819,313
Public works	1,072,549	-	-	1,072,549
Health and welfare	2,789,119	-	-	2,789,119
Education - local community college	6,476	-	-	6,476
Education - public school system	8,617,496	-	-	8,617,496
Parks, recreation and cultural	9,000	282,388	-	291,388
Community development	308,481	-	-	308,481
Nondepartmental	33,917	-	-	33,917
Debt service:				
Principal payments	460,000	-	-	460,000
Interest and fiscal charges	108,680	-	-	108,680
Total expenditures	\$ 19,229,742	\$ 282,388	\$ 75,401	\$ 19,587,531
Excess (deficiency) of revenues over expenditures	\$ 530,936	\$ 916,521	\$ 4,693	\$ 1,452,150
Other financing sources (uses):				
Transfers in	\$ -	\$ 157,462	\$ -	\$ 157,462
Transfers out	(157,462)	-	-	(157,462)
Total other financing sources (uses)	\$ (157,462)	\$ 157,462	\$ -	\$ -
Net change in fund balance	\$ 373,474	\$ 1,073,983	\$ 4,693	\$ 1,452,150
Fund balance, beginning of year	4,257,060	618,433	17,056	4,892,549
Fund balance, end of year	\$ 4,630,534	\$ 1,692,416	\$ 21,749	\$ 6,344,699

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

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,452,150

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

Capital outlays	\$	256,872	
Depreciation		(242,407)	
Change in joint assets related to school board		<u>(473,273)</u>	(458,808)

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

Property taxes			(7,764)
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The issuance of long-term debt 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 net effect of these differences in the treatment of long-term debt and related items.

Debt incurred:			
Accrued Landfill remediation costs	\$	(54,005)	
Repayments:			
General obligation school bonds		460,000	
Amortization of bond premium		<u>27,311</u>	433,306

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. This adjustment combines the net changes of the following:

Compensated absences	\$	(17,713)	
Pension expense		160,251	
OPEB expense		2,006	
Accrued interest on bonds and loans		<u>10,724</u>	<u>155,268</u>
Change in net position of governmental activities (Exhibit 2)			<u>\$ 1,574,152</u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2018

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>40,827</u>
Total assets	\$ <u><u>40,827</u></u>
Liabilities:	
Amounts held for others	\$ <u>40,827</u>
Total liabilities	\$ <u><u>40,827</u></u>

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Rappahannock (the County), located in northwest Virginia and bordered by the counties of Fauquier, Culpeper, Madison, Page and Warren, was founded in 1833. The County has a population of 7,388 and land area of 267 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Rappahannock County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

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

A. Financial Reporting Entity

The accompanying financial statements present the primary government and its discretely presented component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize they are legally separate from the primary government.

Discretely Presented Component Units

The Rappahannock County School Board is responsible for elementary and secondary education within the County. School Board members are elected by the County voters. The School Board is fiscally dependent upon the County because the County's Board of Supervisors approves the School Board budget, provides substantial funding for operations and must approve any debt issuance. The Rappahannock County School Board does not prepare separate financial statements.

Rappahannock County Recreational Facilities Authority administers and maintains the Rappahannock County Recreation Center. The County's Board of Supervisors appoints the members of the Recreational Facilities Authority, and the County Administrator manages its operations. Because the County effectively controls the Authority, it has been presented as a component unit of the County. Recreational Facilities Authority does not prepare separate financial statements.

Recreational Facilities Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting.

Related Organization - The County's Board of Supervisors appoints the board members of the Rappahannock County Water and Sewer Authority; however, the County's accountability for the organization does not extend beyond making board appointments. The Water and Sewer Authority operates the Sperryville area water and sewer systems.

The Water and Sewer Authority is not included in the reporting entity. A copy of its financial statements can be obtained from the County Administrator's office.

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

B. 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, effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

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

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide financial statements. The County does not report any private purpose trust funds.

The following is a brief description of the specific funds used by the County in fiscal year 2018.

1. Governmental Funds: The County has the following major funds for financial reporting purposes.
 - a. General Fund: The General Fund is the general operating fund for the County. This fund accounts for and reports all revenues and expenditures of the County which are not accounted for and reported in the other funds. The General Fund also includes the activities for E-911, the law library and landfill operations. The General Fund is considered a major fund for reporting purposes.

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

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

- b. Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service. Special revenue funds consist of the Library Fund, which is considered a major fund, and the Emergency Medical Transport Fund, which is considered a nonmajor fund.

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Agency Funds consist of the Special Welfare Fund and the Sheriff Fund.

The County has no Trust Funds.

3. Component Units:

- a. Rappahannock County School Board: Rappahannock County School Board has the following major funds for financial reporting purposes:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Rappahannock and State and Federal grants.

School Cafeteria Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

- b. Rappahannock Recreational Facilities Authority: Rappahannock Recreational Facilities Authority consists of only one fund, which is an enterprise fund.

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

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

D. Budgets and Budgetary Accounting (Continued)

The budgets are integrated into the accounting system and the budgetary data, as presented in the financial statements for all major funds with annual budgets, comparing the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. Public hearings are required to amend the budget if amendments exceed 1% of the original adopted budget or \$500,000 whichever is less.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The component unit School Board funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2018, as adopted, appropriated and legally amended.
9. The expenditures budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. If budget amendments exceed 1% of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

E. Cash and Cash Equivalents

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

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. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$227,721 at June 30, 2018 and is comprised solely of property taxes.

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists of expendable items held for consumption and is recorded as an expenditure when used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. Capital assets of the Rappahannock County Recreational Facilities Authority are reported as assets in the Authority's Statement of Net Position and in the government-wide financial statements, to the extent the Authority's threshold of \$5,000 is met. The County and component unit School Board do not have any infrastructure in their capital assets since roads, streets, bridges and similar assets within their boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture, equipment and vehicles	5 to 10 years

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

H. Capital Assets: (Continued)

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are recorded at acquisition value at the date of donation. Maintenance, repairs, and minor equipment purchases are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. 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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

J. Compensated Absences

The County and component unit School Board incur liabilities related to compensated absences (annual and sick leave benefits) when vested. Amounts of vested or accumulated 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.

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

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld, from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

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

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

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

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

M. Fund Equity: (Continued)

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses.

N. 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.

O. Net Position Flow Assumption

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

P. Pensions

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

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

Q. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

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

NOTE 2—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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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).

The County has no formal investment policy addressing the various risks related to investments.

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AA-	Unrated
Taxable Municipal Bonds	\$ 132,533	\$ -
Closed End Mutual Fund	-	17,265
Open End Mutual Fund	-	1,522,934
Fixed Income Securities	-	25,531
Total	\$ 132,533	\$ 1,565,730

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements: (Continued)

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

<u>Investment Type</u>	<u>Fair Value Measurement Using</u>	
	<u>Balance June 30, 2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Taxable Municipal Bonds	\$ 132,533	\$ 132,533
Closed End Mutual Fund	17,265	17,265
Open End Mutual Fund	1,522,934	1,522,934
Fixed Income Securities	25,531	25,531
Total	<u>\$ 1,698,263</u>	<u>\$ 1,698,263</u>

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2018, there is no portion of the County's portfolio, that exceed 5% of the total portfolio. At present the County does not have a policy related to custodial credit risk.

Interest Rate Risk

The County does not have a policy related to interest rate risk.

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>1-5 Years</u>
Taxable Municipal Bonds	\$ 132,533	\$ 132,533
Closed End Mutual Fund	17,265	17,265
Open End Mutual Fund	1,522,934	1,522,934
Fixed Income Securities	25,531	25,531
Total	<u>\$ 1,698,263</u>	<u>\$ 1,698,263</u>

NOTE 3—PROPERTY TAXES:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 4—RECEIVABLES:

Receivables at June 30, 2018 consist of the following:

	<u>Primary Government General Fund</u>
Property taxes	\$ 1,373,602
Utility taxes	14,503
Clerk of the circuit court	23,656
Meals taxes	72,838
Other	10,703
Subtotal	\$ 1,495,302
Allowance for uncollectibles	(227,721)
Total receivables	<u>\$ 1,267,581</u>
Reconciliation to Exhibit 1:	
Receivables, net due within one year	\$ 1,267,581
Total receivables	<u>\$ 1,267,581</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Governmental Activities</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>School Board</u>
Rappahannock Water and Sewer Authority	\$ 10,648	\$ -
Commonwealth of Virginia:		
Local sales tax	96,680	125,964
Communications sales and use tax	50,928	-
Comprehensive services act	128,143	-
Public assistance	30,185	-
Shared expenses and grants	88,181	-
Other	38,004	-
Federal government:		
Public assistance	55,318	-
Federal pass-through school funds	-	119,737
	<u>\$ 498,087</u>	<u>\$ 245,701</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 6—INTERFUND ACTIVITY:

Primary Government:

Transfers To/From Other Funds:

Transfer to the Library Fund to support operations \$ 157,462

Component Unit - School Board:

Transfers To/From Other Funds:

Transfer to the School Cafeteria Fund for food service \$ 45,000

NOTE 7—CAPITAL ASSETS:

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

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 1,705,907	\$ -	\$ -	\$ 1,705,907
Construction in progress	380,000	102,600	-	482,600
Total capital assets not being depreciated	<u>\$ 2,085,907</u>	<u>\$ 102,600</u>	<u>\$ -</u>	<u>\$ 2,188,507</u>
Other capital assets:				
Buildings and improvements	\$ 3,632,859	\$ 20,250	\$ -	\$ 3,653,109
School buildings, improvements and equipment *	2,465,000	-	(460,000)	2,005,000
Furniture, equipment and vehicles	2,222,850	134,022	-	2,356,872
Total other capital assets	<u>\$ 8,320,709</u>	<u>\$ 154,272</u>	<u>\$ (460,000)</u>	<u>\$ 8,014,981</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,998,452	\$ 109,401	\$ -	\$ 2,107,853
School buildings, improvements and equipment *	323,759	138,625	(125,352)	337,032
Furniture, equipment and vehicles	1,486,009	133,006	-	1,619,015
Total accumulated depreciation	<u>\$ 3,808,220</u>	<u>\$ 381,032</u>	<u>\$ (125,352)</u>	<u>\$ 4,063,900</u>
Other capital assets, net	<u>\$ 4,512,489</u>	<u>\$ (226,760)</u>	<u>\$ (334,648)</u>	<u>\$ 3,951,081</u>
Net capital assets	<u>\$ 6,598,396</u>	<u>\$ (124,160)</u>	<u>\$ (334,648)</u>	<u>\$ 6,139,588</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 74,408		
Judicial administration		4,748		
Public safety		99,477		
Public works		12,838		
Education		138,625		
Parks, recreation and cultural		50,936		
Total depreciation expense		<u>\$ 381,032</u>		

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 217,753	\$ (217,753)	\$ -
Other capital assets:				
Buildings and improvements	\$ 14,555,611	\$ 217,753	\$ -	\$ 14,773,364
School buildings, improvements and equipment allocated to County *	(2,465,000)	460,000	-	(2,005,000)
Furniture, equipment and vehicles	2,552,055	242,775	-	2,794,830
Total other capital assets	\$ 14,642,666	\$ 920,528	\$ -	\$ 15,563,194
Accumulated depreciation:				
Buildings and improvements	\$ 6,397,728	\$ 368,032	\$ -	\$ 6,765,760
School buildings, improvements and equipment allocated to County *	(323,759)	125,352	(138,625)	(337,032)
Furniture, equipment and vehicles	1,408,062	203,590	-	1,611,652
Total accumulated depreciation	\$ 7,482,031	\$ 696,974	\$ (138,625)	\$ 8,040,380
Other capital assets, net	\$ 7,160,635	\$ 223,554	\$ 138,625	\$ 7,522,814
Net capital assets	\$ 7,160,635	\$ 441,307	\$ (79,128)	\$ 7,522,814
Depreciation expense allocated to education		\$ 696,974		

*School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Reconciliation of primary government net investment in capital assets:

Net capital assets	\$ 6,139,588
Long-term debt applicable to capital assets at June 30, 2018	(2,068,909)
Net investment in capital assets	\$ 4,070,679

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit Recreational Services Authority

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Other capital assets:				
Building and improvements	\$ 156,815	\$ -	\$ -	\$ 156,815
Equipment	11,533	-	-	11,533
Total other capital assets	\$ 168,348	\$ -	\$ -	\$ 168,348
Accumulated depreciation:				
Building and improvements	\$ 117,337	\$ 3,864	\$ -	\$ 121,201
Equipment	7,547	752	-	8,299
Total accumulated depreciation	\$ 124,884	\$ 4,616	\$ -	\$ 129,500
Other capital assets, net	\$ 43,464	\$ (4,616)	\$ -	\$ 38,848
Net capital assets	\$ 63,464	\$ (4,616)	\$ -	\$ 58,848

NOTE 8—LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government

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

	Balance as restated July 1, 2017	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018	Current Portion
General obligation bonds	\$ 2,465,000	\$ -	\$ (460,000)	\$ 2,005,000	\$ 465,000
Unamortized bond premiums	91,220	-	(27,311)	63,909	22,299
Compensated absences	183,539	17,712	-	201,251	20,125
Net pension liability	2,425,616	1,491,081	(2,118,642)	1,798,055	-
Net OPEB liability	967,091	60,804	(169,487)	858,408	-
Accrued landfill remediation costs	3,000,253	54,005	-	3,054,258	-
 Total	 <u>\$ 9,132,719</u>	 <u>\$ 1,623,602</u>	 <u>\$ (2,775,440)</u>	 <u>\$ 7,980,881</u>	 <u>\$ 507,424</u>

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

Year Ending June 30,	Principal	Interest
2019	\$ 465,000	\$ 83,906
2020	320,000	63,955
2021	330,000	48,375
2022	335,000	33,226
2023	185,000	21,275
2024	185,000	12,765
2025	185,000	4,255
 Total	 <u>\$ 2,005,000</u>	 <u>\$ 267,757</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>		
\$1,215,000, Series 2011B, issued November 9, 2011, Virginia Public School Authority Bonds, due in annual installments ranging from \$90,000 to \$150,000 through July 2021, interest rates ranging from 2.05% to 5.05%	\$ 560,000	\$ 130,000
\$3,720,000, Series 2004, issued November 10, 2004, Virginia Public School Authority Bonds, due in annual installments ranging from \$185,000 to \$190,000 through July 2025, interest rates ranging from 4.10% to 5.60%	1,295,000	185,000
\$3,000,000, Series 1998B, issued November 19, 1998, Virginia Public School Authority Bonds, due in annual installments of \$150,000 through July 2019, interest at rates from 3.60% to 5.10%	150,000	150,000
Unamortized bond premiums	<u>63,909</u>	<u>22,299</u>
Total general obligation bonds	<u>\$ 2,068,909</u>	<u>\$ 487,299</u>
Net pension liability	<u>\$ 1,798,055</u>	<u>\$ -</u>
Net OPEB liability	<u>\$ 858,408</u>	<u>\$ -</u>
Accrued landfill remediation costs	<u>\$ 3,054,258</u>	<u>\$ -</u>
Compensated Absences	<u>\$ 201,251</u>	<u>\$ 20,125</u>
Total long-term obligations	<u><u>\$ 7,980,881</u></u>	<u><u>\$ 507,424</u></u>

Federal Arbitrage Regulations

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

COUNTY OF RAPPAHANNOCK, 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 obligations for the year ended June 30, 2018:

	Balance as restated July 1, 2017	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2018	Current Portion
Compensated absences	\$ 204,333	\$ 38,317	\$ -	\$ 242,650	\$ 24,265
Capital lease	150,912	-	(74,820)	76,092	76,092
Net pension liability	10,698,123	1,571,293	(3,187,814)	9,081,602	-
Net OPEB liability	2,399,952	153,279	(217,942)	2,335,289	-
Total	<u>\$ 13,453,320</u>	<u>\$ 1,762,889</u>	<u>\$ (3,480,576)</u>	<u>\$ 11,735,633</u>	<u>\$ 100,357</u>

NOTE 9—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the County and its component unit School Board have accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay accrued vacation and compensatory time upon termination. In general, any compensatory and vacation time earned is limited to a maximum of 30 days. School Board and Social Services employees are also paid accrued vacation upon termination, although the amount able to be earned is not capped. Social Services employees are also paid unused sick leave upon termination; such pay is limited to the lesser of 25% of the unused balance or \$2,500.

Because the timing of the settlement of the liability for compensated absences is not estimable, the amount of vacation and sick pay not currently payable by the governmental funds is recorded as a current liability in the government-wide financial statements.

The balances at June 30, 2018 are:

	Beginning Balance	Increase (Decrease)	Ending Balance
Primary Government:			
Governmental activities	\$ 183,539	\$ 17,712	\$ 201,251
Component Unit School Board	\$ 204,333	\$ 38,317	\$ 242,650

NOTE 10—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. • 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>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>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>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>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. <p>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>

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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</p>

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service (Cont.)</p>	<p>Creditable Service (Cont.)</p>	<p>Creditable Service (Cont.) <u>Defined Benefit Component:</u> <u>(Cont.)</u> 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>
<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 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 <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>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement 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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	34	23
Inactive members:		
Vested inactive members	7	6
Non-vested inactive members	11	9
Inactive members active elsewhere in VRS	39	3
Total inactive members	57	18
Active members	53	32
Total covered employees	144	73

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 11.72% 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 \$332,438 and \$310,480 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 8.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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 \$50,266 and \$53,039 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at 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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees 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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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%.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (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 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.

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	\$ 14,342,276	\$ 11,916,660	\$ 2,425,616
Changes for the year:			
Service cost	\$ 354,156	\$ -	\$ 354,156
Interest	976,714	-	976,714
Changes of assumptions	(229,279)	-	(229,279)
Differences between expected and actual experience	150,402	-	150,402
Contributions - employer	-	310,711	(310,711)
Contributions - employee	-	132,741	(132,741)
Net investment income	-	1,445,911	(1,445,911)
Benefit payments, including refunds of employee contributions	(778,449)	(778,449)	-
Administrative expenses	-	(8,537)	8,537
Other changes	-	(1,272)	1,272
Net changes	\$ 473,544	\$ 1,101,105	\$ (627,561)
Balances at June 30, 2017	\$ 14,815,820	\$ 13,017,765	\$ 1,798,055

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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	\$ 2,628,412	\$ 2,278,289	\$ 350,123
Changes for the year:			
Service cost	\$ 60,047	\$ -	\$ 60,047
Interest	178,386	-	178,386
Changes of assumptions	(27,742)	-	(27,742)
Differences between expected and actual experience	(82,570)	-	(82,570)
Contributions - employer	-	51,623	(51,623)
Contributions - employee	-	31,684	(31,684)
Net investment income	-	273,195	(273,195)
Benefit payments, including refunds of employee contributions	(160,067)	(160,067)	-
Administrative expenses	-	(1,618)	1,618
Other changes	-	(242)	242
Net changes	\$ (31,946)	\$ 194,575	\$ (226,521)
Balances at June 30, 2017	\$ 2,596,466	\$ 2,472,864	\$ 123,602

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

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability 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	\$ 3,693,623	\$ 1,798,055	\$ 217,897
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 386,946	\$ 123,602	\$ (102,410)

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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 \$172,417 and (\$86,589), 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	\$ 96,687	\$ 55,109	-	\$ 47,564
Change in assumptions	-	147,394	-	14,718
Net difference between projected and actual earnings on pension plan investments	-	195,264	-	34,292
Employer contributions subsequent to the measurement date	332,438	-	50,266	-
Total	\$ 429,125	\$ 397,767	\$ 50,266	\$ 96,574

\$332,438 and \$50,266 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (204,353)	\$ (78,797)
2020	29,653	4,975
2021	(1,618)	543
2022	(124,761)	(23,295)
2023	-	-
Thereafter	-	-

NOTE 10—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 options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required 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 Board were \$891,929 and \$820,730 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 \$8,958,000 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 .07284% as compared to .07384% at June 30, 2016.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$534,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 635,000
Net difference between projected and actual earnings on pension plan investments	-	325,000
Change of assumptions	131,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	342,000
Employer contributions subsequent to the measurement date	<u>891,929</u>	<u>-</u>
Total	<u>\$ 1,022,929</u>	<u>\$ 1,302,000</u>

\$891,929 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 ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (479,000)
2020	(135,000)
2021	(177,000)
2022	(336,000)
2023	(44,000)
Thereafter	-

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates: (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	Lowered rates
Salary Scale	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employer's Net Pension Liability (Asset)		8,958,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—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:

<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 one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 10—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	\$ 13,377,000	\$ 8,958,000	\$ 5,303,000

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.retire.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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 11—UNAVAILABLE/DEFERRED/UNEARNED REVENUE:

Deferred Revenue/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Unavailable/deferred revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,075,937
Prepaid property taxes representing collections received for property taxes that are applicable to the subsequent budget year.	<u>291,159</u>	<u>291,159</u>
Total unavailable/deferred revenue	<u>\$ 291,159</u>	<u>\$ 1,367,096</u>

NOTE 12—COMMITMENTS AND CONTINGENCIES:

Primary Government and Component Unit School Board:

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Lease Commitments:

The County leases office space from various lessors. The future minimum amounts due for operating leases with terms exceeding one year are as follows:

	<u>Fiscal Year</u>	
2019	\$	34,271
2020		30,000
2021		30,000
2022		<u>5,000</u>
Total	\$	<u><u>99,271</u></u>

Rent expenditures totaled \$37,608 for fiscal year 2018.

NOTE 13—LITIGATION:

At June 30, 2018, there are matters of litigation pending against the County. Counsel is of the opinion that no claim for damages will be awarded.

NOTE 14—SURETY BONDS:

Virginia Department of Risk Management & Surety:		
Margaret R. Ralph, Clerk of the Circuit Court	\$	365,000
Debra Knick, Treasurer		300,000
Sharon Dodson, Commissioner of the Revenue		3,000
Connie S. Compton, Sheriff		30,000
Above constitutional officers' employees - blanket bond		50,000
Amy Rogers, Clerk of the School Board		10,000
Shannon Grimsley, Superintendent		10,000
United States Fidelity and Guaranty Company - Surety:		
All Department of Social Services Employees - blanket bond		100,000
Art Goff - Surety:		
Garrey W. Curry, County Administrator		1,000
Peter H. Luke - Surety:		
John D. Lesinki, Supervisor		1,000
Roger A. Welch, Supervisor		1,000
Cathy W. Frazier - Surety:		
Ronald L. Frazier, Supervisor		1,000
Lisa Welsted - Surety:		
Christine Smith, Supervisor		1,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 15—RISK MANAGEMENT:

The primary government and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims and natural disasters.

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide for insurance coverages for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$3,000,000.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values and liability coverages are \$20,000,000 and \$2,000,000, respectively.

Unemployment Insurance:

The County and School Board are responsible for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance:

The County and School Board have contracted with a private carrier for health insurance coverages.

Other:

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years.

NOTE 16—ACCRUED LANDFILL REMEDIATION COST:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,054,258 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill was closed in December 2007.

The County has demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 17—INTERGOVERNMENTAL AGREEMENTS:

In July 2007, the County entered into a Solid Waste Service Agreement with the County of Culpeper ("Culpeper") that permits the County to use Culpeper's transfer station for refuse disposal at an established rate per ton. In fiscal year 2018, the County paid Culpeper \$20,183 in connection with the agreement.

In November 2008, the County entered into a Shared Use of Public-Safety System Facilities Agreement with Culpeper so that the County can share the use of public safety radio equipment and infrastructure located in Culpeper. As part of the agreement, the County was required to purchase certain equipment and modify the existing communication tower. In addition, the agreement stipulates that the County will annually reimburse Culpeper for 7% of costs for maintenance of the system.

In March 2009, the County entered into an Agreement for Shared Use of Public Safety Radio System with the County of Fauquier ("Fauquier"). The agreement permits the County to utilize Fauquier's 800 MHz radio system network, which is interconnected with similar facilities in Culpeper. The term of the agreement is five years with a renewal option for an additional five years. Under the terms of the agreement, the County is required to pay a stipulated fee for each radio owned by the County and connected to Fauquier's radio network.

In September 2016, the County entered into a Public Safety Radio System Upgrade Project together with Fauquier County and Culpeper County. The contract and associated Board actions share the overall cost of the regional project on a 50/40/10 basis among Fauquier/Culpeper/Rappahannock respectively. Rappahannock County's financial obligation for the project (10% of the total) is \$760,000.

NOTE 18—RELATED PARTY TRANSACTIONS:

The County pays the payroll for the Water and Sewer Authority, which then reimburses the County for the costs. The County recorded \$129,329 of such reimbursements in fiscal year 2018.

NOTE 19—LINE OF CREDIT:

The County has obtained a line of credit with Union First Market Bank. The line of credit is available up to \$2,000,000 with a variable interest rate, which is the prime rate. The balance of the line of credit as of June 30, 2018 is \$0.

NOTE 20—DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not subject to claims from the County's general creditors.

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 \$69,407 and \$63,555 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 \$920,000 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 .07255% as compared to .07384% 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 \$73,000. 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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	9,000
Change in proportion	-	14,000
Employer contributions subsequent to the measurement date	<u>69,407</u>	<u>-</u>
Total	<u>\$ 69,407</u>	<u>\$ 25,000</u>

\$69,407 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	\$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(3,000)
Thereafter	(6,000)

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,027,000	\$ 920,000	\$ 829,000

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.

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.

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description: (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<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>
<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>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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 entity were \$15,113 and \$14,229 for the years ended June 30, 2018 and June 30, 2017, respectively, for the County; \$3,501 and \$3,497 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (nonprofessional); \$29,573 and \$29,774 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (professional).

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 entity reported a liability of \$223,000 for the County; \$55,000 for the School Board (nonprofessional); and \$467,000 for the School Board (professional) for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .01483% as compared to .01591% at June 30, 2016 for the County. At June 30, 2017, the participating employer's proportion was .00365% as compared to .00371% at June 30, 2016 for the School Board (nonprofessional). At June 30, 2017, the participating employer's proportion was .03104% as compared to .03151% at June 30, 2016 for the School Board (professional).

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$0 (County), \$0 (School Board - nonprofessional), and \$4,000 (School Board - professional). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government		
Differences between expected and actual experience	\$ -	\$ 6,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000
Change in assumptions	-	11,000
Changes in proportion	-	16,000
Employer contributions subsequent to the measurement date	15,113	-
Total	<u>\$ 15,113</u>	<u>\$ 41,000</u>
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000
Change in assumptions	-	3,000
Employer contributions subsequent to the measurement date	3,501	-
Total	<u>\$ 3,501</u>	<u>\$ 6,000</u>
Component Unit School Board (professional)		
Differences between expected and actual experience	\$ -	\$ 10,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	18,000
Change in assumptions	-	24,000
Changes in proportion	-	7,000
Employer contributions subsequent to the measurement date	29,573	-
Total	<u>\$ 29,573</u>	<u>\$ 59,000</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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)

\$15,113 (County) \$3,501 (School Board nonprofessional), and \$29,573 (School Board professional) were reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (8,000)	\$ (1,000)	\$ (12,000)
2020	(8,000)	(1,000)	(12,000)
2021	(8,000)	(1,000)	(12,000)
2022	(8,000)	(1,000)	(12,000)
2023	(6,000)	(1,000)	(7,000)
Thereafter	(3,000)	(1,000)	(4,000)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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 RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 289,000	\$ 223,000	\$ 170,000
School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 72,000	\$ 55,000	\$ 42,000
School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 604,000	\$ 467,000	\$ 356,000

Group Life Insurance Program Fiduciary Net Position

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

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan):

County

Plan Description

In addition to the pension benefits described in Note 10, the County administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Life 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. In addition, the County provides a fixed basic death benefit for all retirees.

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$31,000.

Total OPEB Liability

The County'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	2.20% per year as of June 30, 2018
Salary Increases	3.15% per year for general employees and 2.55% for public safety employees salary inflations as of June 30, 2017
Discount Rate	3.58% for accounting and funding disclosures as of June 30, 2017

The mortality rates for post-retirement retirees was calculated using the RP2014 Blue Collar Fully Generational Combined Healthy Table projected with Scale MP2014.

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The final equivalent single discount rate used for this year's valuation is 3.58% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution.

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2017	\$	689,091
Changes for the year:		
Service cost		41,607
Interest		19,197
Changes in assumptions		(83,487)
Benefit payments		(31,000)
Net changes		<u>(53,683)</u>
Balances at June 30, 2018	\$	<u><u>635,408</u></u>

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

			<u>Rate</u>		
<u>1% Decrease (2.58%)</u>			<u>Current Discount Rate (3.58%)</u>		<u>1% Increase (4.58%)</u>
\$	753,876	\$	635,408	\$	542,470

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

County: (Continued)

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50% decreasing annually to an ultimate rate of 2.90%) or one percentage point higher (6.50% decreasing annually to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.50% decreasing to 2.90%)	Healthcare Cost Trend (5.50% decreasing to 3.90%)	1% Increase (6.50% decreasing to 4.90%)
\$ 528,078	\$ 635,408	\$ 777,301

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$44,107. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 66,790
Employer contributions subsequent to the measurement date	31,000	-
Total	\$ 31,000	\$ 66,790

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

Year Ended June 30	
2019	\$ (16,697)
2020	(16,697)
2021	(16,697)
2022	(16,699)
2023	-
Thereafter	-

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

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board

Plan Description

In addition to the pension benefits described in Note 10, the School Board administers a single-employer defined benefit healthcare 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 are provided to eligible retirees include Medical, Dental, and Life 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. In addition, the School Board provides a fixed basic death benefit for all retirees.

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$23,000.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20% per year as of July 1, 2017
Salary Increases	The salary increase rate used the VRS Teacher's salary increase assumption
Discount Rate	3.58% for accounting and funding disclosures as of July 1, 2017 3.62% for accounting and funding disclosures as of June 30, 2018

The VRS demographic assumptions for teachers; and assumed no disability and no preretirement mortality.

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20-year GO bond index as of October 1, 2018. The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Total OPEB Liability

		<u>Component Unit School Board Total OPEB Liability</u>
Balances at June 30, 2017	\$	846,952
Changes for the year:		
Service cost		46,431
Interest		29,848
Changes in experience		(3,395)
Changes in assumptions		(3,547)
Benefit payments		(23,000)
Net changes		<u>46,337</u>
Balances at June 30, 2018	\$	<u><u>893,289</u></u>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
\$ 985,597	\$ 893,289	\$ 808,578

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 21—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical, Dental, and Life Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.40% decreasing annually to an ultimate rate of 3.10%) or one percentage point higher (6.40% decreasing annually to an ultimate rate of 5.10%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.40% decreasing to 3.10%)	Healthcare Cost Trend (5.40% decreasing to 4.10%)	1% Increase (6.40% decreasing to 5.10%)
\$ 778,538	\$ 893,289	\$ 1,031,826

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$75,412. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,971
Changes in assumptions	-	3,104
Total	\$ -	\$ 6,075

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

Year Ended June 30	
2019	\$ (867)
2020	(867)
2021	(867)
2022	(867)
2023	(867)
Thereafter	(1,740)

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 22 - EXPENDITURES AND APPROPRIATIONS:

Expenditures exceeded appropriations in the following functions of the General Fund: Nondepartmental (\$33,917), and Debt Service (\$568,680).

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. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 24—ADOPTION OF ACCOUNTING POLICIES:

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit School Board</u>
Net Position as reported at June 30, 2017	\$ 4,306,086	\$ (3,649,094)
Implementation of GASB No. 75	(375,091)	(1,728,952)
Net Position as restated at June 30, 2017	<u>\$ 3,930,995</u>	<u>\$ (5,378,046)</u>

Required Supplementary Information

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Property taxes:				
Real property taxes	\$ 10,175,838	\$ 10,175,838	\$ 10,324,485	\$ 148,647
Real and personal public service corporation property taxes	378,000	378,000	381,212	3,212
Personal property taxes	1,822,851	1,822,851	1,822,650	(201)
Mobile home taxes	500	500	4,555	4,055
Fire real property taxes	939,697	940,187	898,204	(41,983)
Penalties	110,000	110,000	125,597	15,597
Interest	85,000	85,000	85,291	291
Total property taxes	\$ 13,511,886	\$ 13,512,376	\$ 13,641,994	\$ 129,618
Other local taxes:				
Local sales and use taxes	\$ 517,260	\$ 517,260	\$ 515,220	\$ (2,040)
Consumers' utility taxes	162,000	162,000	182,433	20,433
Gross receipts tax	25,000	25,000	31,330	6,330
Motor vehicle licenses	191,000	191,000	205,040	14,040
Bank franchise taxes	75,000	75,000	88,019	13,019
Taxes on recordation of wills	110,000	110,000	108,869	(1,131)
Additional tax on deeds	25,000	25,000	33,017	8,017
Meals and lodging taxes	226,000	226,000	273,673	47,673
E-911 telephone tax	50,000	50,000	-	(50,000)
Total other local taxes	\$ 1,381,260	\$ 1,381,260	\$ 1,437,601	\$ 56,341
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 10,025	\$ 2,025
Zoning fees	4,000	4,000	11,532	7,532
Land use application fees	1,500	1,500	2,112	612
Building and related permits	155,000	155,000	90,643	(64,357)
Transfer fees	275	275	298	23
Other permits and fees	12,500	12,898	1,800	(11,098)
Total permits, privilege fees and regulatory licenses	\$ 181,275	\$ 181,673	\$ 116,410	\$ (65,263)
Fines and forfeitures:				
Court fines and forfeitures	\$ 105,000	\$ 105,000	\$ 82,619	\$ (22,381)
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 55,426	\$ 30,426
Revenue from use of property	5,000	5,000	7,765	2,765
Total revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 63,191	\$ 33,191

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Revenue from local sources (continued):				
Charges for services:				
Sheriff fees	\$ 6,000	\$ 6,000	\$ 982	\$ (5,018)
Charges for Commonwealth's Attorney	625	625	554	(71)
Charges for concealed weapons fees	4,500	4,500	5,520	1,020
Charges for courthouse security fees	33,500	33,500	27,190	(6,310)
Charges for courthouse maintenance fees	7,600	7,600	9,346	1,746
Other sheriff charges	-	-	1,615	1,615
Charges for landfill fees	17,000	17,000	9,027	(7,973)
Total charges for services	\$ 69,225	\$ 69,225	\$ 54,234	\$ (14,991)
Miscellaneous:				
VPA refunds	\$ -	\$ -	\$ 42,865	\$ 42,865
Miscellaneous	44,475	44,475	114,712	70,237
Total miscellaneous	\$ 44,475	\$ 44,475	\$ 157,577	\$ 113,102
Recovered costs:				
EMS recoveries	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Water and sewer authority	127,026	132,026	140,281	8,255
Total recovered costs	\$ 227,026	\$ 232,026	\$ 140,281	\$ (91,745)
Total revenue from local sources	\$ 15,550,147	\$ 15,556,035	\$ 15,693,907	\$ 137,872
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 100	\$ 100	\$ -	\$ (100)
Communications sales and use tax	355,600	355,600	317,141	(38,459)
Motor vehicle carrier's tax	1,100	1,100	73	(1,027)
Personal property tax relief	945,168	945,168	945,168	-
Total noncategorical aid	\$ 1,301,968	\$ 1,301,968	\$ 1,262,382	\$ (39,586)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Intergovernmental (continued):				
Revenue from the Commonwealth (continued):				
Categorical aid:				
Shared Expenses:				
Commonwealth's attorney	\$ 164,839	\$ 164,839	\$ 164,577	\$ (262)
Sheriff	616,904	616,904	581,963	(34,941)
Commissioner of the Revenue	74,200	74,200	74,180	(20)
Treasurer	69,577	69,577	69,522	(55)
Registrar/electoral board	30,000	30,000	35,656	5,656
Clerk of the Circuit Court	165,229	165,229	180,053	14,824
Total shared expenses	\$ 1,120,749	\$ 1,120,749	\$ 1,105,951	\$ (14,798)
Welfare:				
Welfare administration and assistance	\$ 501,325	\$ 501,325	\$ 296,723	\$ (204,602)
Other categorical aid:				
Wireless grant	\$ 44,000	\$ 44,000	\$ 45,032	\$ 1,032
Litter control	4,500	4,500	1,039	(3,461)
Emergency preparedness grant	-	160,712	-	(160,712)
VCA Challenge grant	5,000	5,000	-	(5,000)
VJCCA grant	8,000	8,599	9,673	1,074
Recordation taxes	40,000	40,000	39,315	(685)
Comprehensive services	636,384	636,384	537,579	(98,805)
Fire programs	177,000	186,150	28,636	(157,514)
Total other categorical aid	\$ 914,884	\$ 1,085,345	\$ 661,274	\$ (424,071)
Total categorical aid	\$ 2,536,958	\$ 2,707,419	\$ 2,063,948	\$ (643,471)
Total revenue from the Commonwealth	\$ 3,838,926	\$ 4,009,387	\$ 3,326,330	\$ (683,057)
Revenue from the Federal Government:				
Payments in lieu of taxes	\$ 74,566	\$ 74,566	\$ 87,049	\$ 12,483
Categorical aid:				
Welfare:				
Administration and public assistance	\$ 674,565	\$ 674,565	\$ 642,747	\$ (31,818)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Intergovernmental (continued):				
Revenue from the Federal Government (continued):				
Other categorical aid:				
Law enforcement grants	\$ 10,000	\$ 10,000	\$ 10,645	\$ 645
Asset forfeiture	7,500	7,500	-	(7,500)
Total other categorical aid	\$ 17,500	\$ 17,500	\$ 10,645	\$ (6,855)
Total categorical aid	\$ 692,065	\$ 692,065	\$ 653,392	\$ (38,673)
Total revenue from the Federal Government	\$ 766,631	\$ 766,631	\$ 740,441	\$ (26,190)
Total revenues	\$ 20,155,704	\$ 20,332,053	\$ 19,760,678	\$ (571,375)
Expenditures:				
Current:				
General government administration:				
Board of supervisors	\$ 194,287	\$ 200,611	\$ 138,572	\$ 62,039
County administrator	348,404	510,312	423,775	86,537
Legal services	54,911	74,911	74,443	468
Other professional services	44,500	44,500	40,638	3,862
Commissioner of the Revenue	272,088	272,088	257,103	14,985
Treasurer	281,535	281,535	259,212	22,323
Land use administration	17,968	17,968	12,252	5,716
Electoral board and officials	46,926	46,926	30,885	16,041
Registrar	211,308	211,308	199,905	11,403
Total general government administration	\$ 1,471,927	\$ 1,660,159	\$ 1,436,785	\$ 223,374
Judicial administration:				
Circuit court	\$ 17,350	\$ 17,748	\$ 13,359	\$ 4,389
General district court	13,935	13,935	6,644	7,291
Commissioner of accounts	4,175	4,175	3,943	232
Juvenile probation service unit	82,574	89,821	77,864	11,957
Clerk of the circuit court	306,332	306,582	270,938	35,644
Commonwealth attorney	275,055	275,055	270,579	4,476
Total judicial administration	\$ 699,421	\$ 707,316	\$ 643,327	\$ 63,989

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Public safety:				
Sheriff	\$ 1,817,199	\$ 1,835,511	\$ 1,740,191	\$ 95,320
Contributions to fire departments and rescue squads	1,293,491	1,317,469	1,175,249	142,220
Fire department professional services	9,000	9,000	18,000	(9,000)
Forest fire extinction	8,708	8,708	8,707	1
Jail	431,634	431,634	413,714	17,920
Building inspector	152,518	180,553	152,770	27,783
Animal control	70,500	70,500	65,549	4,951
Medical examiner	900	900	60	840
Asset forfeiture	8,000	8,000	-	8,000
Emergency services	393,205	670,628	73,643	596,985
E-911	401,263	381,263	96,029	285,234
Total public safety	\$ 4,586,418	\$ 4,914,166	\$ 3,743,912	\$ 1,170,254
Public works:				
Landfill	\$ 706,980	\$ 832,230	\$ 812,086	\$ 20,144
General properties	357,820	301,934	255,074	46,860
Other property maintenance	182,950	182,950	5,389	177,561
Total public works	\$ 1,247,750	\$ 1,317,114	\$ 1,072,549	\$ 244,565
Health and welfare:				
Health department	\$ 157,443	\$ 157,443	\$ 138,293	\$ 19,150
Rappahannock-Rapidan Community Services Board	57,334	57,334	52,857	4,477
Public assistance and administration	1,571,070	1,571,070	1,254,986	316,084
Tax relief for the elderly	-	-	230,245	(230,245)
Comprehensive Services Act	1,097,213	1,097,213	1,112,738	(15,525)
Total health and welfare	\$ 2,883,060	\$ 2,883,060	\$ 2,789,119	\$ 93,941
Education:				
Community college	\$ 6,476	\$ 6,476	\$ 6,476	-
Appropriation to public school system	9,089,098	9,158,701	8,617,496	541,205
Total education	\$ 9,095,574	\$ 9,165,177	\$ 8,623,972	\$ 541,205
Parks, recreation and cultural:				
Park authority and others	\$ 11,500	\$ 16,500	\$ 9,000	\$ 7,500
Total parks, recreation and cultural	\$ 11,500	\$ 16,500	\$ 9,000	\$ 7,500

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Community development:				
Planning commission	\$ 34,119	\$ 34,119	\$ 14,234	\$ 19,885
Board of zoning appeals	7,450	11,126	7,361	3,765
Soil and water conservation district	20,183	20,183	20,183	-
VPI Extension Service	100,569	100,569	101,418	(849)
Public utility services	127,329	132,329	129,329	3,000
Farmland preservation program	8,000	8,000	-	8,000
Tourism promotion	47,800	69,300	35,956	33,344
Total community development	<u>\$ 345,450</u>	<u>\$ 375,626</u>	<u>\$ 308,481</u>	<u>\$ 67,145</u>
Nondepartmental:				
Refunds	\$ -	\$ -	\$ 33,917	\$ (33,917)
Debt service:				
Principal	\$ -	\$ -	\$ 460,000	\$ (460,000)
Interest and fiscal charges	-	-	108,680	(108,680)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,680</u>	<u>\$ (568,680)</u>
Total expenditures	<u>\$ 20,341,100</u>	<u>\$ 21,039,118</u>	<u>\$ 19,229,742</u>	<u>\$ 1,809,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (185,396)</u>	<u>\$ (707,065)</u>	<u>\$ 530,936</u>	<u>\$ 1,238,001</u>
Other financing sources (uses):				
Transfers out	<u>\$ (157,462)</u>	<u>\$ (157,462)</u>	<u>\$ (157,462)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (157,462)</u>	<u>\$ (157,462)</u>	<u>\$ (157,462)</u>	<u>\$ -</u>
Net change in fund balance	\$ (342,858)	\$ (864,527)	\$ 373,474	\$ 1,238,001
Fund balance, beginning of year	<u>342,858</u>	<u>864,527</u>	<u>4,257,060</u>	<u>3,392,533</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,630,534</u></u>	<u><u>\$ 4,630,534</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Budgetary Comparison Schedule
 Library Fund
 Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Fines and forfeitures	\$ 1,200	\$ 1,200	\$ 1,152	\$ (48)
Use of money and property	36,865	36,865	129,625	92,760
Miscellaneous	3,100	3,100	1,024,793	1,021,693
Intergovernmental:				
Revenue from the Commonwealth	46,318	46,318	43,339	(2,979)
Total revenues	<u>\$ 87,483</u>	<u>\$ 87,483</u>	<u>\$ 1,198,909</u>	<u>\$ 1,111,426</u>
Expenditures:				
Parks, Recreation and Cultural:				
Library administration	\$ 244,945	\$ 244,945	\$ 282,388	\$ (37,443)
Total expenditures	<u>\$ 244,945</u>	<u>\$ 244,945</u>	<u>\$ 282,388</u>	<u>\$ (37,443)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (157,462)</u>	<u>\$ (157,462)</u>	<u>\$ 916,521</u>	<u>\$ 1,073,983</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 157,462	\$ 157,462
Net change in fund balance	\$ (157,462)	\$ (157,462)	\$ 1,073,983	\$ 1,231,445
Fund balance, beginning of year	<u>157,462</u>	<u>157,462</u>	<u>618,433</u>	<u>460,971</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,692,416</u></u>	<u><u>\$ 1,692,416</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Changes in Net Pension Liability (Asset) 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	\$ 354,156	\$ 342,047	\$ 369,206	\$ 370,323
Interest	976,714	944,521	897,349	842,948
Changes of assumptions	(229,279)	-	-	-
Differences between expected and actual experience	150,402	(137,274)	(64,310)	-
Benefit payments, including refunds of employee contributions	(778,449)	(600,361)	(456,350)	(415,886)
Net change in total pension liability	\$ 473,544	\$ 548,933	\$ 745,895	\$ 797,385
Total pension liability - beginning	14,342,276	13,793,343	13,047,448	12,250,063
Total pension liability - ending (a)	\$ 14,815,820	\$ 14,342,276	\$ 13,793,343	\$ 13,047,448
Plan fiduciary net position				
Contributions - employer	\$ 310,711	\$ 348,637	\$ 347,257	\$ 285,405
Contributions - employee	132,741	139,934	139,498	152,309
Net investment income	1,445,911	208,058	521,580	1,547,322
Benefit payments, including refunds of employee contributions	(778,449)	(600,361)	(456,350)	(415,886)
Administrative expense	(8,537)	(7,347)	(7,005)	(8,229)
Other	(1,272)	(87)	(112)	82
Net change in plan fiduciary net position	\$ 1,101,105	\$ 88,834	\$ 544,868	\$ 1,561,003
Plan fiduciary net position - beginning	11,916,660	11,827,826	11,282,958	9,721,955
Plan fiduciary net position - ending (b)	\$ 13,017,765	\$ 11,916,660	\$ 11,827,826	\$ 11,282,958
County's net pension liability (asset) - ending (a) - (b)	\$ 1,798,055	\$ 2,425,616	\$ 1,965,517	\$ 1,764,490
Plan fiduciary net position as a percentage of the total pension liability	87.86%	83.09%	85.75%	86.48%
Covered payroll	\$ 2,736,390	\$ 2,858,674	\$ 2,810,867	\$ 3,006,863
County's net pension liability (asset) as a percentage of covered payroll	65.71%	84.85%	69.93%	58.68%

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	\$ 60,047	\$ 65,338	\$ 68,699	\$ 66,946
Interest	178,386	180,558	176,371	172,252
Changes of assumptions	(27,742)	-	-	-
Differences between expected and actual experience	(82,570)	(129,033)	(11,422)	-
Benefit payments, including refunds of employee contributions	(160,067)	(135,693)	(211,984)	(148,739)
Net change in total pension liability	\$ (31,946)	\$ (18,830)	\$ 21,664	\$ 90,459
Total pension liability - beginning	2,628,412	2,647,242	2,625,578	2,535,119
Total pension liability - ending (a)	\$ 2,596,466	\$ 2,628,412	\$ 2,647,242	\$ 2,625,578
Plan fiduciary net position				
Contributions - employer	\$ 51,623	\$ 68,526	\$ 60,727	\$ 74,895
Contributions - employee	31,684	32,238	31,235	34,236
Net investment income	273,195	38,857	100,673	314,954
Benefit payments, including refunds of employee contributions	(160,067)	(135,693)	(211,984)	(148,739)
Administrative expense	(1,618)	(1,409)	(1,479)	(1,718)
Other	(242)	(17)	(21)	17
Net change in plan fiduciary net position	\$ 194,575	\$ 2,502	\$ (20,849)	\$ 273,645
Plan fiduciary net position - beginning	2,278,289	2,275,787	2,296,636	2,022,991
Plan fiduciary net position - ending (b)	\$ 2,472,864	\$ 2,278,289	\$ 2,275,787	\$ 2,296,636
School Division's net pension liability (asset) - ending (a) - (b)	\$ 123,602	\$ 350,123	\$ 371,455	\$ 328,942
Plan fiduciary net position as a percentage of the total pension liability	95.24%	86.68%	85.97%	87.47%
Covered payroll	\$ 672,593	\$ 666,184	\$ 636,899	\$ 643,424
School Division's net pension liability (asset) as a percentage of covered payroll	18.38%	52.56%	58.32%	51.12%

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 (Asset) VRS Teacher Retirement Plan
 For the Years Ended June 30, 2015 through June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.07%	0.07%	0.07%	0.08%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,958,000	\$ 10,348,000	\$ 9,377,000	\$ 9,212,000
Employer's Covered Payroll	6,032,425	5,750,245	4,956,344	5,612,925
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	148.50%	179.96%	189.19%	164.12%
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 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	\$ 332,438	\$ 332,438	\$ -	\$ 2,883,532	11.53%
2017	310,480	310,480	-	2,736,390	11.35%
2016	354,761	354,761	-	2,858,674	12.41%
2015	348,829	348,829	-	2,810,867	12.41%
2014	365,635	285,652	79,983	3,006,863	9.50%
2013	352,701	275,548	77,153	2,900,503	9.50%
2012	248,184	248,184	-	2,612,465	9.50%
2011	242,704	242,704	-	2,554,783	9.50%
2010	227,922	227,922	-	2,558,049	8.91%
2009	231,301	231,301	-	2,595,968	8.91%
Component Unit School Board (nonprofessional)					
2018	\$ 50,266	\$ 50,266	\$ -	\$ 668,930	7.51%
2017	53,039	53,039	-	672,593	7.89%
2016	69,749	69,749	-	666,184	10.47%
2015	66,683	66,683	-	636,899	10.47%
2014	71,870	71,870	-	643,424	11.17%
2013	69,570	69,570	-	622,827	11.17%
2012	37,786	37,786	-	515,495	7.33%
2011	40,778	40,778	-	556,316	7.33%
2010	34,759	34,759	-	567,035	6.13%
2009	37,304	37,304	-	608,544	6.13%
Component Unit School Board (professional)					
2018	\$ 891,929	\$ 891,929	\$ -	\$ 5,760,851	15.48%
2017	820,730	820,730	-	6,032,425	13.61%
2016	793,976	793,976	-	5,750,245	13.81%
2015	803,179	803,179	-	4,956,344	16.21%
2014	654,467	654,467	-	5,612,925	11.66%
2013	573,183	573,183	-	4,915,806	11.66%
2012	330,898	330,898	-	5,227,457	6.33%
2011	202,956	202,956	-	5,164,275	3.93%
2010	384,271	384,271	-	4,361,759	8.81%
2009	465,578	465,578	-	5,284,654	8.81%

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

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

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Increased 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	0.07255% \$	920,000 \$	5,725,695	16.07%	7.04%

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

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

Date	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	\$ 69,407	\$ 69,407	\$ -	\$ 5,642,823	1.23%
2017	63,555	63,555	-	5,725,695	1.11%
2016	59,678	59,678	-	5,630,041	1.06%
2015	58,715	58,715	-	5,539,166	1.06%
2014	61,881	61,881	-	5,574,863	1.11%
2013	61,284	61,284	-	5,521,047	1.11%
2012	31,365	31,365	-	5,227,452	0.60%
2011	30,986	30,986	-	5,164,283	0.60%
2010	40,792	40,792	-	3,922,353	1.04%
2009	57,163	57,163	-	5,292,850	1.08%

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

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

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

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

Schedule of County and School Board'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	0.01483%	\$ 223,000	\$ 2,736,390	8.15%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.00365%	\$ 55,000	\$ 672,593	8.18%	48.86%
Component Unit School Board (professional)					
2017	0.03104%	\$ 467,000	\$ 5,725,695	8.16%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 15,113	\$ 15,113	\$ -	\$ 2,883,532	0.52%
2017	14,229	14,229	-	2,736,390	0.52%
2016	13,722	13,722	-	2,858,674	0.48%
2015	13,492	13,492	-	2,810,867	0.48%
2014	14,433	14,433	-	3,006,863	0.48%
2013	13,922	13,922	-	2,900,503	0.48%
2012	7,315	7,315	-	2,612,465	0.28%
2011	7,153	7,153	-	2,554,783	0.28%
2010	5,158	5,158	-	1,910,215	0.27%
2009	7,009	7,009	-	2,595,968	0.27%
Component Unit School Board (nonprofessional)					
2018	\$ 3,501	\$ 3,501	\$ -	\$ 668,930	0.52%
2017	3,497	3,497	-	672,593	0.52%
2016	3,198	3,198	-	666,184	0.48%
2015	3,057	3,057	-	636,899	0.48%
2014	3,088	3,088	-	643,424	0.48%
2013	2,990	2,990	-	622,827	0.48%
2012	1,443	1,443	-	515,495	0.28%
2011	1,558	1,558	-	556,316	0.28%
2010	1,148	1,148	-	425,030	0.27%
2009	1,643	1,643	-	608,544	0.27%
Component Unit School Board (professional)					
2018	\$ 29,573	\$ 29,573	\$ -	\$ 5,642,823	0.52%
2017	29,774	29,774	-	5,725,695	0.52%
2016	27,181	27,181	-	5,662,753	0.48%
2015	26,645	26,645	-	5,551,020	0.48%
2014	26,759	26,759	-	5,574,863	0.48%
2013	26,841	26,841	-	5,591,790	0.48%
2012	13,191	13,191	-	4,710,961	0.28%
2011	14,460	14,460	-	5,164,283	0.28%
2010	10,590	10,590	-	3,922,353	0.27%
2009	14,269	14,269	-	5,284,658	0.27%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 41,607
Interest	19,197
Changes in assumptions	(83,487)
Benefit payments	(31,000)
Net change in total OPEB liability	\$ (53,683)
Total OPEB liability - beginning	689,091
Total OPEB liability - ending	\$ 635,408
Covered payroll	N/A
County's total OPEB liability (asset) as a percentage of covered payroll	N/A

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

Notes to Required Supplementary Information - Primary Government 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	3.58% as of June 30, 2017
Inflation	2.20% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.50% in 2017 and gradually increases to 6.10% by the year 2030; and decreases to 5.20% by 2050
Salary Increase Rates	The salary increase rate starts at 3.15% (general employees) and 2.55% (public safety employees) salary increase for 1 year of service and gradually declines to 1.30% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for post-retirement retirees was calculated using the RP 2014 Blue Collar Fully Generational Combined Healthy Table projected with Scale MP 2014.

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	\$ 46,431
Interest	29,848
Changes in assumptions	(3,547)
Differences between expected and actual experience	(3,395)
Benefit payments	(23,000)
Net change in total OPEB liability	<u>\$ 46,337</u>
Total OPEB liability - beginning	<u>846,952</u>
Total OPEB liability - ending	<u><u>\$ 893,289</u></u>
Covered payroll	N/A
School Board's total OPEB liability (asset) as a percentage of covered payroll	N/A

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

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

Valuation Date: 7/1/2017
 Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.58% as of July 1, 2017; 3.62% as of June 30, 2018
Inflation	2.20% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.40% in 2017 and gradually declines to 4.10% by the year 2050
Salary Increase Rates	The salary increase rate used the VRS Teacher's salary increase assumption
Retirement Age	The average age at retirement is 62
Mortality Rates	The VRS demographic assumptions for teachers; and assumed no disability and no preretirement mortality.

Other Supplementary Information

Statement of Changes in Assets and Liabilities
 Agency Funds
 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	\$ 31,511	\$ 3,440	\$ 5,716	\$ 29,235
Liabilities:				
Amounts held for others	\$ 31,511	\$ 3,440	\$ 5,716	\$ 29,235
Sheriff Fund:				
Assets:				
Cash and cash equivalents	\$ 12,708	\$ 700	\$ 1,816	\$ 11,592
Liabilities:				
Amounts held for others	\$ 12,708	\$ 700	\$ 1,816	\$ 11,592
Totals -- All agency funds:				
Assets:				
Cash and cash equivalents	\$ 44,219	\$ 4,140	\$ 7,532	\$ 40,827
Total assets	\$ 44,219	\$ 4,140	\$ 7,532	\$ 40,827
Liabilities:				
Amounts held for others	\$ 44,219	\$ 4,140	\$ 7,532	\$ 40,827
Total liabilities	\$ 44,219	\$ 4,140	\$ 7,532	\$ 40,827

Discretely Presented Component Unit School Board
 Combining Balance Sheet
 At June 30, 2018

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,109,291	\$ 56,229	\$ 1,165,520
Prepaid items	33,946	-	33,946
Inventory	-	11,745	11,745
Due from other governments	245,701	-	245,701
Total assets	<u>\$ 1,388,938</u>	<u>\$ 67,974</u>	<u>\$ 1,456,912</u>
Liabilities:			
Accounts payable	\$ 260,717	\$ -	\$ 260,717
Accrued liabilities	1,109,241	36,206	1,145,447
Due to primary government	18,980	-	18,980
Total liabilities	<u>\$ 1,388,938</u>	<u>\$ 36,206</u>	<u>\$ 1,425,144</u>
Fund Balances:			
Nonspendable:			
Prepaid items	\$ 33,946	\$ -	\$ 33,946
Inventory	-	11,745	11,745
Assigned:			
School food operations	-	20,023	20,023
Unassigned	(33,946)	-	(33,946)
Total fund balances	<u>\$ -</u>	<u>\$ 31,768</u>	<u>\$ 31,768</u>
Total liabilities and fund balances	<u>\$ 1,388,938</u>	<u>\$ 67,974</u>	<u>\$ 1,456,912</u>

Discretely Presented Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2018

Total fund balances for governmental funds (Exhibit 26) \$ 31,768

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Buildings and improvements, net of depreciation	\$ 8,007,604	
Furniture, equipment and vehicles, net of depreciation	1,183,178	
School Board capital assets in primary government, net of depreciation	<u>(1,667,968)</u>	7,522,814

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

Pension related items	\$ 1,073,195	
OPEB related items	<u>102,481</u>	1,175,676

Liabilities applicable to the School Board's governmental activities which are not due and/or payable in the current period are not reported as fund liabilities. Balances of such liabilities affecting net position are as follows:

Compensated absences	\$ (242,650)	
Capital lease	(76,092)	
Net pension liability	(9,081,602)	
Net OPEB liability	<u>(2,335,289)</u>	(11,735,633)

Deferred inflows for the net difference between projected and actual earnings on pension plan investments

Pension related items	\$ (1,398,568)	
OPEB related items	<u>(96,075)</u>	<u>(1,494,643)</u>

Total net position of governmental activities (Exhibit 1) \$ (4,500,018)

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ -	\$ 180,886	\$ 180,886
Miscellaneous	418,259	22,253	440,512
Recovered costs	26,157	-	26,157
Intergovernmental:			
Contribution from primary government	8,617,496	-	8,617,496
Revenue from the Commonwealth	2,883,059	6,716	2,889,775
Revenue from the Federal Government	457,738	212,861	670,599
Total revenues	\$ 12,402,709	\$ 422,716	\$ 12,825,425
Expenditures:			
Current:			
Education:			
Instruction	\$ 8,520,307	\$ -	\$ 8,520,307
Administration, attendance and health	1,081,808	-	1,081,808
Transportation	1,062,315	-	1,062,315
Operation and maintenance	1,266,235	-	1,266,235
School food services	8,337	462,083	470,420
Technology	341,322	-	341,322
Debt Service:			
Principal	74,820	-	74,820
Interest	2,565	-	2,565
Total expenditures	\$ 12,357,709	\$ 462,083	\$ 12,819,792
Excess (deficiency) of revenues over (under) expenditures	\$ 45,000	\$ (39,367)	\$ 5,633
Other financing sources (uses):			
Transfers in	\$ -	\$ 45,000	\$ 45,000
Transfers out	(45,000)	-	(45,000)
Total other financing sources (uses)	\$ (45,000)	\$ 45,000	\$ -
Net change in fund balance	\$ -	\$ 5,633	\$ 5,633
Fund balance, beginning of year	-	26,135	26,135
Fund balance, end of year	\$ -	\$ 31,768	\$ 31,768

Discretely Presented Component Unit School Board
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2018

Net change in fund balances - total governmental funds (Exhibit 28)	\$	5,633
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		 (111,094)
 School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship decreased the transfers to the School Board.		 473,273
 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. Details supporting these changes are as follows:		
Compensated absences	\$	(38,317)
Capital lease		74,820
Pension expense		500,644
OPEB expense		(26,931)
		<u>510,216</u>
 Change in net position of governmental activities (Exhibit 2)	 \$	 <u>878,028</u>

Discretely Presented Component Unit School Board
 School Operating Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 29,301	\$ 178,301	\$ 418,259	\$ 239,958
Recovered costs	-	-	26,157	26,157
Intergovernmental:				
Appropriation from primary government	9,089,098	9,158,701	8,617,496	(541,205)
Revenue from the Commonwealth	2,966,066	2,966,066	2,883,059	(83,007)
Revenue from the Federal Government	543,145	1,106,660	457,738	(648,922)
Total revenues	\$ 12,627,610	\$ 13,409,728	\$ 12,402,709	\$ (1,007,019)
Expenditures:				
Current:				
Education:				
Instruction	\$ 12,456,894	\$ 13,239,012	\$ 8,520,307	\$ 4,718,705
Administration, attendance and health	-	-	1,081,808	(1,081,808)
Transportation	-	-	1,062,315	(1,062,315)
Operation and maintenance	-	-	1,266,235	(1,266,235)
School food services	-	-	8,337	(8,337)
Technology	-	-	341,322	(341,322)
Debt Service:				
Principal	-	-	74,820	(74,820)
Interest	-	-	2,565	(2,565)
Total expenditures	\$ 12,456,894	\$ 13,239,012	\$ 12,357,709	\$ 881,303
Excess (deficiency) of revenues over (under) expenditures	\$ 170,716	\$ 170,716	\$ 45,000	\$ (125,716)
Other financing sources (uses):				
Transfers out	\$ (170,716)	\$ (170,716)	\$ (45,000)	\$ 125,716
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Net Position
 June 30, 2018

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ <u>60,088</u>
Capital Assets:	
Land	\$ 20,000
Other capital assets, net of accumulated depreciation	38,848
Total capital assets, net	\$ <u>58,848</u>
Total assets	\$ <u>118,936</u>
Net Position:	
Investment in capital assets	\$ 58,848
Unrestricted	<u>60,088</u>
Total net position	\$ <u><u>118,936</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2018

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Operating Revenues:	
Fodderstack race fees	\$ 9,655
Fodderstack race donations	1,265
Path Foundation grant	22,490
Sponsorship	6,674
Pavilion fees	<u>2,045</u>
Total operating revenues	<u>\$ 42,129</u>
Operating Expenses:	
Advertising	\$ 330
Maintenance	2,810
Office	86
Postage	44
Race expense	5,168
Website	1,180
Utilities	208
Depreciation	<u>4,616</u>
Total operating expenses	<u>\$ 14,442</u>
Operating income (loss)	<u>\$ 27,687</u>
Nonoperating Revenues:	
Interest income	<u>\$ 61</u>
Change in net position	\$ 27,748
Net position, beginning of year	<u>91,188</u>
Net position, end of year	<u><u>\$ 118,936</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority
 Proprietary Fund
 Statement of Cash Flows
 Year Ended June 30, 2018

	<u>Proprietary Fund</u>
	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 42,129
Payments for services	<u>(9,826)</u>
Net cash provided by (used for) operating activities	<u>\$ 32,303</u>
Cash flows from investing activities:	
Interest income	<u>\$ 61</u>
Net Increase (decrease) in cash and cash equivalents	<u>\$ 32,364</u>
Cash and cash equivalents at beginning of year	<u>27,724</u>
Cash and cash equivalents at end of year	<u><u>\$ 60,088</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 27,687
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	<u>4,616</u>
Net cash provided by (used for) operating activities	<u><u>\$ 32,303</u></u>

Statistical Information

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2009	\$ 1,033,528	\$ 613,997	\$ 3,020,094	\$ 995,784	\$ 1,742,545
2010	1,210,317	547,850	2,946,938	1,036,017	1,784,898
2011	1,132,198	532,309	2,953,428	877,034	1,854,208
2012	1,235,264	558,072	2,950,804	1,115,716	2,344,788
2013	1,361,240	601,707	3,088,825	1,031,817	2,279,247
2014	1,381,064	586,282	3,411,317	1,135,337	2,547,019
2015	1,505,816	527,648	3,390,514	871,474	2,659,547
2016	1,547,808	586,007	3,387,732	915,508	2,652,016
2017	1,433,621	618,077	3,398,518	1,651,603	2,786,542
2018	1,431,541	624,859	3,703,645	992,812	2,756,189

Table 1

<u>Education</u>	<u>Parks, Recreation, and Culture</u>	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Total</u>
\$ 8,391,601	\$ 241,583	\$ 639,789	\$ 203,690	\$ 16,882,611
8,071,433	244,550	325,359	197,662	16,365,024
8,343,786	246,421	378,414	181,458	16,499,256
8,361,271	245,355	350,201	175,717	17,337,188
8,736,409	197,208	355,186	189,180	17,840,819
8,784,501	279,077	292,962	147,749	18,565,308
8,863,794	282,060	299,357	128,509	18,528,719
9,167,980	310,419	303,058	107,623	18,978,151
8,937,902	305,993	304,866	89,161	19,526,283
9,097,245	335,211	305,337	70,645	19,317,484

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2009	\$ 284,187	\$ 2,599,023	\$ 904,871
2010	358,573	2,471,657	-
2011	305,254	2,530,340	-
2012	254,420	2,718,381	-
2013	310,947	2,321,513	-
2014	327,003	2,719,264	-
2015	288,083	2,646,930	-
2016	408,221	2,664,419	-
2017	245,506	2,897,075	-
2018	254,415	2,760,679	-

Table 2

General Revenues						
General Property Taxes	Other Local Taxes	Non- Categorical Aid	Revenues from the Use of Money & Property	Miscel- laneous	Gain on Sale of Capital Assets	Total
\$ 11,710,846	\$ 1,464,226	\$ 945,020	\$ 34,864	\$ 101,921	-	\$ 18,044,958
11,161,961	1,060,099	1,329,829	138,021	236,906	-	16,757,046
10,480,557	1,164,317	1,302,957	143,521	169,700	-	16,096,646
10,962,185	1,164,224	1,293,720	55,917	146,985	-	16,595,832
11,365,907	1,185,740	1,307,651	129,661	183,118	25,190	16,829,727
11,985,197	1,229,959	1,379,154	147,877	190,080	-	17,978,534
13,004,588	1,111,493	1,331,876	34,175	272,017	-	18,689,162
13,586,234	1,308,666	1,369,662	307,860	13,054	-	19,658,116
13,643,034	1,419,400	1,358,022	95,163	228,984	-	19,887,184
13,634,230	1,437,601	1,349,431	192,816	1,262,464	-	20,891,636

COUNTY OF RAPPAHANNOCK, VIRGINIA

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property
2009	\$ 11,515,100	\$ 1,464,226	\$ 74,647	\$ 110,551	\$ 34,864
2010	11,103,838	1,060,099	159,247	96,766	138,021
2011	10,648,993	1,164,317	87,254	81,982	143,521
2012	10,723,645	1,164,224	78,126	77,856	55,917
2013	11,278,834	1,185,740	87,645	118,542	258,099
2014	11,886,764	1,229,959	82,130	127,152	147,877
2015	13,027,716	1,111,493	104,253	102,833	34,175
2016	13,482,799	1,308,666	272,759	70,448	307,860
2017	13,664,079	1,419,400	103,425	82,175	97,853
2018	13,641,994	1,437,601	116,410	83,771	192,816

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

Table 3

Charges for Services	Miscel- laneous	Recovered Costs	Intergovern- mental	Total
\$ 396,767	\$ 656,165	\$ 197,281	\$ 7,076,660	\$ 21,526,261
382,811	346,560	201,817	6,682,045	20,171,204
392,672	342,929	106,596	7,147,330	20,115,594
323,158	308,735	101,570	7,339,176	20,172,407
320,617	258,406	125,811	6,991,120	20,624,814
330,884	221,010	92,475	7,508,393	21,626,644
305,735	365,010	139,263	7,321,609	22,512,087
270,471	439,155	120,586	7,572,068	23,844,812
247,890	444,599	120,605	7,964,157	24,144,183
235,120	1,702,976	166,438	7,670,484	25,247,610

COUNTY OF RAPPAHANNOCK, VIRGINIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	(2)(3) Education
2009	\$ 1,007,173	\$ 622,691	\$ 3,552,041	\$ 1,759,004	\$ 1,734,396	\$ 11,443,784
2010	1,191,617	545,066	3,046,524	1,149,842	1,701,457	11,069,818
2011	1,095,574	531,059	2,978,876	1,136,225	1,853,253	11,663,497
2012	1,356,389	588,490	2,973,839	1,186,956	2,337,480	11,749,102
2013	1,639,923	598,833	3,100,556	1,058,449	2,242,118	11,809,224
2014	1,349,020	583,408	3,377,540	1,130,404	2,515,634	12,026,150
2015	1,419,351	606,898	3,351,453	999,438	2,655,545	12,186,095
2016	1,527,735	602,513	3,387,465	998,299	2,674,751	12,676,152
2017	1,387,114	616,822	3,707,220	928,363	2,811,941	12,550,172
2018	1,436,785	643,327	3,819,313	1,072,549	2,789,119	12,748,883

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes capital projects

(3) Excludes appropriation to School Board from General Fund

Table 4

(2) Recreation and Cultural	Community Development	Capital Projects	Nondeparmental	Debt Service	Total
\$ 612,863	\$ 639,789	\$ 590,991	\$ -	\$ 709,557	\$ 22,672,289
194,747	325,359	3,912	-	628,064	19,856,406
196,618	378,414	19,989	-	599,059	20,452,564
195,551	344,492	1,173,103	-	798,665	22,704,067
211,161	344,465	220,656	-	664,849	21,890,234
223,917	288,441	4,521	-	1,961,913	23,460,948
233,291	291,714	7,827	-	621,646	22,373,258
265,019	295,316	9,277	-	599,844	23,036,371
247,740	299,262	5,954	-	664,336	23,218,924
291,388	308,481	-	33,917	646,065	23,789,827

Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	Total
				Real Estate	
2009	\$ 1,586,404,700	\$ 66,839,796	\$ 139,820	\$ 19,199,054	\$ 1,672,583,370
2010	1,603,162,900	56,473,495	86,120	21,541,208	1,681,263,723
2011	1,507,518,500	58,442,724	122,470	22,594,963	1,588,678,657
2012	1,517,846,600	58,770,324	122,470	29,025,579	1,605,764,973
2013	1,528,986,700	59,148,765	122,170	51,441,940	1,639,699,575
2014	1,536,218,200	58,909,294	122,470	51,478,437	1,646,728,401
2015	1,550,225,900	59,047,835	122,470	52,611,509	1,662,007,714
2016	1,564,616,400	61,911,080	112,620	54,113,898	1,680,753,998
2017	1,556,589,600	65,129,847	107,736	53,894,064	1,675,721,247
2018	1,569,222,700	66,425,294	111,236	54,458,837	1,690,218,067

(1) 100% fair market value

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy	(1) (2) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2009	\$ 12,483,174	\$ 11,980,903	96%	\$ 366,179	\$ 12,347,082	97%	\$ 422,348	3%
2010	11,643,333	11,253,240	97%	254,208	11,507,448	95%	558,233	5%
2011	11,154,802	10,779,847	97%	230,705	11,010,552	94%	702,483	6%
2012	11,229,476	10,878,984	97%	162,481	11,041,465	93%	946,618	8%
2013	11,754,808	11,377,307	97%	-	11,377,307	90%	992,752	8%
2014	11,796,833	11,332,726	96%	554,038	11,886,764	93%	1,058,154	9%
2015	12,679,789	12,285,035	97%	742,681	13,027,716	95%	1,063,316	8%
2016	13,064,300	12,708,790	97%	535,745	13,244,535	94%	1,162,174	9%
2017	13,157,364	12,890,598	98%	478,951	13,369,549	93%	1,128,080	9%
2018	13,311,194	12,977,555	97%	664,439	13,641,994	94%	1,145,881	9%

(1) Exclusive of penalties and interest.

(2) Includes personal property tax reimbursements from the Commonwealth

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Public Utility
2009	\$ 0.55	\$ 4.00	\$ 0.55	0.55
2010	0.53	4.00	0.53	0.53
2011	0.53	4.00	0.53	0.53
2012	0.53	4.00	0.53	0.53
2013	0.57	4.00	0.57	0.57
2014	0.61	4.25	0.61	0.61
2015	0.70	4.45	0.70	0.70
2016	0.70	4.45	0.70	0.70
2017	0.70	4.45	0.70	0.70
2018	0.70	4.45	0.70	0.70

(1) Per \$100 of assessed value, including fire levy

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

Fiscal Year	Population (1)	Assessed Value (2)	Bonded Debt (3)	Ratio of General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2009	7,203	\$ 1,672,583,370	\$ 4,570,000	0%	\$ 634
2010	7,035	1,681,263,723	4,195,000	0%	596
2011	7,373	1,588,678,657	3,830,000	0%	519
2012	7,373	1,605,764,973	4,690,000	0%	636
2013	7,373	1,639,699,575	4,255,000	0%	577
2014	7,373	1,646,728,401	3,805,000	0%	516
2015	7,373	1,662,007,714	3,365,000	0%	456
2016	7,373	1,680,753,998	2,920,000	0%	396
2017	7,388	1,675,721,247	2,465,000	0%	334
2018	7,388	1,690,218,067	2,005,000	0%	271

(1) US Census Bureau

(2) From Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.
Excludes compensated absences, revenue bonds and landfill obligations.

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (2)</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2009	\$ 471,000	\$ 238,557	\$ 709,557	\$ 22,672,289	3%
2010	400,623	227,441	628,064	19,856,406	3%
2011	389,439	209,620	599,059	20,452,564	3%
2012	599,938	198,727	798,665	22,704,067	4%
2013	487,992	198,727	686,719	21,890,234	3%
2014	494,521	196,270	690,791	23,460,948	3%
2015	444,102	177,544	621,646	22,373,258	3%
2016	445,000	154,844	599,844	23,036,371	3%
2017	455,000	131,951	586,951	23,218,924	3%
2018	460,000	108,680	568,680	23,789,827	2%

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes all general obligation debt. Does not include revenue bonds.

Compliance

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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*

**The Honorable Members of the Board of Supervisors
County of Rappahannock, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Rappahannock, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise County of Rappahannock, Virginia's basic financial statements, and have issued our report thereon dated November 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Rappahannock, 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 Rappahannock, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Rappahannock, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Rappahannock, Virginia's financial statements are free of 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, Fawcett, Cox Associates

Charlottesville, Virginia
November 23, 2018

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

The Honorable Members of the Board of Supervisors County of Rappahannock, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Rappahannock, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Rappahannock, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Rappahannock, 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, Fawcett, Cox Associates
Charlottesville, Virginia
November 23, 2018

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
 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 Agriculture:			
Pass - through payments:			
Child Nutrition Cluster:			
State Department of Agriculture:			
National School Lunch Proram - Food Distribution	10.555	2017IN109941	\$ 27,825
Department of Education:			
National School Lunch Program	10.555	2017IN109941	<u>127,811</u>
Total National School Lunch Program			\$ 155,636
School Breakfast Program	10.553	2017IN109941	<u>57,225</u>
Total Child Nutrition Cluster			\$ 212,861
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010116/0010117	<u>130,178</u>
Total Department of Agriculture			\$ <u>343,039</u>
Department of Health and Human Services:			
Pass - through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950116/0950117	\$ 11,226
Temporary Assistance for Needy Families (TANF)	93.558	0400116/0400117	65,978
Refugee and Entrant Assistance -- State Administered Programs	93.566	0500116/0500117	125
Low-Income Home Energy Assistance	93.568	0600416/0600417	8,426
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	10,879
Chafee Education and Training Vouchers Program (ETV)	93.599	9160117	1,507
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	192
Foster Care - Title IV-E	93.658	1100116/1100117	99,112
Adoption Assistance	93.659	1120116/1120117	114,558
Social Services Block Grant	93.667	1000116/1000117	60,462
Chafee Foster Care Independence Program	93.674	9150116/9150117	1,661
Children's Health Insurance Program	93.767	0540116/0540117	5,129
Medical Assistance Program	93.778	1200116/1200117	<u>133,314</u>
Total Department of Health and Human Services			\$ <u>512,569</u>
Department of Homeland Security:			
Pass - through payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	77501-52743	\$ <u>7,500</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
 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 Transportation: Pass - through payments: Department of Motor Vehicles: State and Community Highway Safety	20.600	60507-54184	\$ <u>3,145</u>
Department of Education: Pass - through payments: Department of Education: Career and Technical Education -- Basic Grants to States	84.048	V048A170046 V048A160046	\$ 9,075
Supporting Effective Instruction State Grant	84.367	S367A170044 S367A160044	26,750
Title I Grants to Local Educational Agencies	84.010	S010A170046 S010A160046	126,333
Student Support and Academic Enrichment Program	84.424	Not available	2,340
Special Education Cluster (IDEA): Special Education -- Grants to States	84.027	H027A170107 H027A160107 H027A150107	288,507
Special Education -- Preschool Grants	84.173	H173A170112 H173A160112	4,733
Total Special Education Cluster			\$ <u>293,240</u>
Total Department of Education			\$ <u>457,738</u>
Total expenditures of federal awards			\$ <u><u>1,323,991</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
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 Rappahannock, 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 for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the County of Rappahannock, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Rappahannock, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

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

Note 6 - Loan Balances

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

Note 7 - 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 \$ 740,441

Component Unit School Board:

School Operating Fund \$ 457,738

School Cafeteria Fund 212,861

Total Component Unit School Board \$ 670,599

Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards \$ (87,049)

Total federal expenditures per basic financial statements \$ 1,323,991

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards \$ 1,323,991

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2018

Significant deficiency:

2017:001

Condition:

In fiscal year 2017, the County did not record and approve Board minutes throughout the year.

Criteria:

The Code of Virginia, § 2.2-3707, requires the governing body to record minutes for all public meetings.

Effect:

The County did not record and approve minutes for all public meetings for the Board of Supervisors.

Recommendation:

We recommended the County establish procedures for recording minutes for all public meetings.

Response:

The County has established procedures to timely record minutes for all public meetings.

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