

COUNTY OF CLARKE, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

COUNTY OF CLARKE, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF CLARKE, VIRGINIA

Board of Supervisors

David Weiss, Chairman
Beverly B. McKay, Vice Chairman

Barbara J. Byrd

Mary L. C. Daniel

Terri T. Catlett

County School Board

Monica Singh-Smith, Chairman
Tom Parker, Vice-Chairman
Renée F. Weir, Clerk

Charles "Chip" Schutte

Jonathan Turkel

Chuyen Kochinsky

Board of Social Services

Gerald Dodson, Chairman
Alan Melusen, Vice-Chairman

Barbara Byrd

James Smith

Lynn Gray

Other Officials

Judge of the Circuit Court Clark Andrew Ritchie
Judge of the Circuit Court Ronald Lewis Napier
Judge of the Circuit Court Alexander R. Iden
Judge of the Circuit Court Thomas J. Wilson, IV
Judge of the Circuit Court Clifford Lynwood Athey, Jr.
Judge of the Circuit Court Dennis L. Hupp
Judge of the Circuit Court Bruce D. Albertson
Judge of the Circuit Court Neil Randolph Bryant
Clerk of the Circuit Court Helen Butts
Judge of the General District Court Amy Beth Tisinger
Judge of the General District Court William W. Eldridge, IV
Judge of the General District Court W. Dale Houff
Judge of the General District Court John Stanley Hart, Jr.
Judge of the General District Court Ian R.D. Williams
Judge of the Juvenile and Domestic Relations Court Kimberly Marion Athey
Commonwealth's Attorney Anne M. Williams
Commissioner of the Revenue Donna Peake
Treasurer Sharon Keeler
Sheriff Anthony W. Roper
Superintendent of Schools Dr. Chuck Bishop
County Administrator David L. Ash
Director of Joint Administrative Services Thomas J. Judge
Director of Department of Social Services Angie W. Jones

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	11
Exhibit 2 Statement of Activities	12-13
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	14
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	16
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 7 Statement of Fiduciary Net Position—Fiduciary Funds	18
Notes to Financial Statements	19-100
<u>Required Supplementary Information:</u>	
Exhibit 8 Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund	101
Exhibit 9 Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Virginia Public Assistance Special Revenue Fund	102
Exhibit 10 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Primary Government	103
Exhibit 11 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Component Unit School Board (nonprofessional)	104
Exhibit 12 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	105
Exhibit 13 Schedule of Employer Contributions	106
Exhibit 14 Notes to Required Supplementary Information	107

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

TABLE OF CONTENTS (CONTINUED)

		Page
<u>Required Supplementary Information: (Continued)</u>		
Exhibit 15	Schedule of County's Share of Net OPEB Liability - Group Life Insurance Program	108
Exhibit 16	Schedule of Employer Contributions - Group Life Insurance Program	109
Exhibit 17	Notes to Required Supplementary Information - Group Life Insurance Program	110-111
Exhibit 18	Schedule of School Board's Share of Net OPEB Liability - Teacher Health Insurance Credit Program (HIC)	112
Exhibit 19	Notes to Required Supplementary Information - Teacher Health Insurance Credit Program (HIC)	113
Exhibit 20	Schedule of Employer Contributions - Teacher Health Insurance Credit Program (HIC)	114
Exhibit 21	Notes to Required Supplementary Information - Teacher Health Insurance Credit Programs (HIC)	115
Exhibit 22	Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios - OPEB - Health Insurance Plan	116
Exhibit 23	Notes to Required Supplementary Information - OPEB - Health Insurance Plan	117
<u>Other Supplementary Information:</u>		
Exhibit 24	Combining Balance Sheet—Nonmajor Governmental Funds	118
Exhibit 25	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	119
Exhibit 26	Combining Balance Sheet—Nonmajor Special Revenue Funds	120
Exhibit 27	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Special Revenue Funds	121
Exhibit 28	Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Nonmajor Special Revenue Funds	122-123
Exhibit 29	Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Debt Service Funds	124
Exhibit 30	Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Nonmajor Debt Service Funds	125

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

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Other Supplementary Information: (Continued)</u>	
Exhibit 31 Combining Balance Sheet—Nonmajor Capital Projects Funds	126
Exhibit 32 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Capital Projects Funds	127
Exhibit 33 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Nonmajor Capital Projects Funds	128-129
Exhibit 34 Combining Statement of Changes of Fiduciary Net Position—Fiduciary Funds	130
Exhibit 35 Combining Statement of Changes in Assets and Liabilities—Agency Funds	131-132
Discretely Presented Component Unit—School Board:	
Exhibit 36 Combining Balance Sheet	133
Exhibit 37 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	134
Exhibit 38 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual	135-136
Exhibit 39 Balance Sheet—Nonmajor Capital Project Fund	137
Exhibit 40 Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Capital Project Fund	138
Exhibit 41 Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Nonmajor and Major Capital Projects Funds	139-140
Discretely Presented Component Unit—Sanitary Authority:	
Exhibit 42 Combining Statement of Net Position	141
Exhibit 43 Combining Statement of Revenues, Expenses and Changes in Net Position	142
Exhibit 44 Combining Statement of Cash Flows	143
Discretely Presented Component Unit—Industrial Development Authority:	
Exhibit 45 Statement of Net Position	144
Exhibit 46 Statement of Revenues, Expenses and Changes in Net Position	145
Exhibit 47 Statement of Cash Flows	146

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

TABLE OF CONTENTS (CONTINUED)

	Page
<u>Other Supplementary Information: (Continued)</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	147-155
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	156-162
<u>Other Statistical Information:</u>	
Table 1 Government-Wide Expenses by Function	163-164
Table 2 Government-Wide Revenues	165-166
Table 3 General Governmental Expenditures by Function	167-168
Table 4 General Governmental Revenues by Source	169-170
Table 5 Property Tax Levies and Collections	171
Table 6 Assessed Value of Taxable Property	172
Table 7 Property Tax Rates	173
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	174
Table 9 General Government Capital Projects Carryover Budget Allocations	175
Table 10 School Board Capital Projects Carryover Budget Allocations	176
<u>Compliance:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	177-178
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	179-180
Schedule of Expenditures of Federal Awards	181-182
Notes to Schedule of Expenditures of Federal Awards	183
Schedule of Findings and Questioned Costs	184

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 Clarke, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 101-102, and 103-117 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Other Matters: (Continued)

Supplementary and Other Information: (Continued)

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

The other 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the County of Clarke, 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 Clarke, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Clarke, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
April 25, 2019

This page intentionally left blank

County of Clarke, Virginia Management's Discussion and Analysis

As management of the County of Clarke (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the County (excluding component units) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36.0 million (*net position*). Of this amount, \$10.0 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased by \$0.6 million, of which the governmental activities accounted for 100% of the decrease.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$296,985. The Fiscal Policy of Clarke County requires that certain financial designations of General Fund balance be maintained. These financial designations are reported as assigned fund balance of \$11,051,568 and are comprised of the numerous designations. Liquidity and stabilization funds comprise \$4,398,535. Saving for pay-as-you-go capital expenditures comprises \$4,652,526. A total of \$1,700,507 is assigned for other requests. \$300,000 is assigned for compensated absences.
- The County's total long-term obligations decreased by \$3,180,086 (9%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the County's assets, liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

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

Overview of the Financial Statements (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. The County did not operate any business-type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board, a legally separate industrial development authority and a legally separate sanitary authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The County reports ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Virginia Public Assistance Fund and the School Debt Service Fund, all of which are considered to be major funds. Data from the other County funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Overview of the Financial Statements (Continued)

Fund financial statements: (Continued)

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 through 17 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 100 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and VPA special revenue fund. Required supplementary information can be found on pages 101 through 117 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 118 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$36.0 million at the close of the most recent fiscal year. A large portion of the County's net position (\$26.0 million, 72% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

Government-Wide Financial Analysis (Continued)

The following table provides a comparative summary of the County's Statement of Net Position:

**County of Clarke, Virginia
Summary of Net Position
As of June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 24,960,877	\$ 26,785,355
Capital assets	54,003,039	56,441,951
Total assets	<u>\$ 78,963,916</u>	<u>\$ 83,227,306</u>
Deferred outflows of resources	<u>\$ 426,443</u>	<u>\$ 838,498</u>
Long-term liabilities outstanding	\$ 30,896,985	\$ 33,296,996
Other liabilities	1,029,609	2,940,090
Total liabilities	<u>\$ 31,926,594</u>	<u>\$ 36,237,086</u>
Deferred inflows of resources	<u>\$ 11,461,225</u>	<u>\$ 10,837,859</u>
Net position:		
Net investment in capital assets	\$ 25,987,214	\$ 26,494,520
Restricted	6,510	6,510
Unrestricted	10,008,816	10,490,112
Total net position	<u>\$ 36,002,540</u>	<u>\$ 36,991,142</u>

An additional portion of the County's net position (\$6,510) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$10.0 million) may be used to meet the County's ongoing obligations to citizens and creditors.

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

As noted previously, the County's net position decreased by \$0.6 million during the current fiscal year. This is largely attributable to paying principal due on long-term debt obligations and transfer of a school construction project to the School Board.

Government-Wide Financial Analysis (Continued)

Governmental activities decreased the County's net position by \$0.6 million. The following table summarizes the County's Statement of Activities:

County of Clarke, Virginia Changes in Net Position Years Ended June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 1,653,241	\$ 1,747,773
Operating grants and contributions	2,727,440	2,795,014
Capital grants and contributions	241,152	1,088,052
General revenues:		
Property taxes	20,679,221	19,862,341
Other taxes	1,949,217	1,969,108
Unrestricted revenues from the use of money and property	95,578	125,089
Miscellaneous	199,057	254,982
Grants and contributions not restricted to specific programs	3,026,459	3,002,922
Total revenues	<u>\$ 30,571,365</u>	<u>\$ 30,845,281</u>
Expenses:		
General governmental administration	\$ 2,183,992	\$ 1,756,158
Judicial administration	756,574	691,496
Public safety	4,390,173	4,312,322
Public works	1,247,596	1,149,657
Health and welfare	2,553,964	2,859,737
Parks, recreation, and cultural	1,184,765	1,740,882
Community development	751,064	1,786,425
Interest on long-term debt	1,262,545	1,333,403
Education	16,807,648	14,283,237
Total expenses	<u>\$ 31,138,321</u>	<u>\$ 29,913,317</u>
Increase (decrease) in net position	\$ (566,956)	\$ 931,964
Net position - beginning of year, as restated	36,569,496	36,059,178
Net position - end of year	<u><u>\$ 36,002,540</u></u>	<u><u>\$ 36,991,142</u></u>

Generally, net asset changes are for the difference between revenues and expenses. Key elements of this net increase are as follows:

- Overall stabilization in operating expenses.
- Increase in capital grants.
- Increase in transfers out to School Board reported as education expense. These transfers represent a change in long-term assets and liability transferred between Component Unit School Board and the County, as well as unexpended local transfer at year end.

Financial Analysis of the County's Funds

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

Governmental funds: The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12.1 million, a decrease of 0.3 million in comparison with the prior year. Of this total amount, \$11.5 million or 95% constitutes *assigned and unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it has already been committed to a specific purpose.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$11.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 45% of total General Fund expenditures. This is a common measure for the strength of the County's equity and an overall indicator of a healthy financial condition.

Restricted fund balance of \$6,510 for the swim team and pool in the Parks Construction Fund is included in other governmental funds.

General Fund Budgetary Highlights

There was an increase of \$1,068,430 between the original budget and the final amended budgeted expenditures. The majority of this increase was for local transfer to the School Board.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$54.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and construction in progress. Major capital asset events during the current fiscal year included the following:

- Purchase of several Sheriff and administrative vehicles and radio equipment.
- Park and courts updates
- Spout Run Improvements
- Systems integration
- Citizens Convenience Center

Capital Asset and Debt Administration (Continued)

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

	Governmental Activities	
	2018	2017
Land	\$ 857,713	\$ 857,713
Buildings	43,737,543	43,849,522
Improvements	659,119	659,403
Machinery & Equipment	831,045	863,922
Construction in progress	7,917,619	10,211,391
Total	\$ 54,003,039	\$ 56,441,951

Additional information on the County's capital assets can be found in note 6 on pages 33 through 34 of this report.

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of \$30.9 million and details are summarized in the following table:

	Governmental Activities	
	2018	2017
Bonds payable:		
General obligation bonds	\$ 23,340,000	\$ 24,995,000
Premiums and discounts	183,308	207,475
Lease revenue bond	4,001,175	4,085,905
Net OPEB liabilities	751,683	780,075
Capital leases	491,342	659,051
Net pension liability	1,620,195	2,691,562
Compensated absences	509,282	658,003
Total	\$ 30,896,985	\$ 34,077,071

Additional information on the County's long-term debt can be found in Note 8.

Economic Factors and Next Year's Budgets and Rates

- Revenue from the Commonwealth and Federal Government will continue to be weak.
- Employee benefit costs will continue to rise.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Joint Administrative Services, County of Clarke, 317 W. Main Street, Suite B, Berryville, VA 22611.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities	Component Units		
		School Board	Clarke County Sanitary Authority	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 9,606,166	\$ 1,644,294	\$ 94,660	\$ 154,693
Receivables (net of allowance for uncollectibles):				
Taxes receivable	12,697,589	-	-	-
Accounts receivable	172,741	28,156	118,421	-
Notes receivable	3,370	-	-	-
Due from other funds	441,285	-	-	-
Due from primary government	-	61,998	-	-
Due from other governmental units	1,671,981	876,867	-	-
Inventories	20,625	-	-	-
Prepaid items	146,002	78,628	13,125	-
Restricted assets:				
Cash and cash equivalents	193,159	-	-	-
Notes receivable - net of current portion	7,959	-	-	-
Net pension asset	-	269,885	-	-
Capital assets (net of accumulated depreciation):				
Land	857,713	3,054,699	13,200	-
Buildings	43,737,543	5,921,460	-	-
Improvements other than buildings	659,119	512,117	-	-
Equipment	831,045	1,863,052	-	-
Utility plant in service	-	-	7,699,445	-
Construction in progress	7,917,619	-	1,342,190	-
Total assets	<u>\$ 78,963,916</u>	<u>\$ 14,311,156</u>	<u>\$ 9,281,041</u>	<u>\$ 154,693</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension related items	\$ 391,379	\$ 2,046,079	\$ 5,816	\$ -
OPEB related items	35,064	219,678	-	-
Total deferred outflows of resources	<u>\$ 426,443</u>	<u>\$ 2,265,757</u>	<u>\$ 5,816</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 150,014	\$ 583,516	\$ 73,869	\$ -
Accrued liabilities	26,197	2,089,739	-	-
Customers' deposits	-	-	5,750	-
Accrued interest payable	509,290	-	4,078	-
Due to other funds	344,108	-	-	-
Due to primary government	-	2,984	-	-
Long-term liabilities:				
Due within one year	2,036,807	54,146	330,865	-
Due in more than one year	28,860,178	23,150,777	3,576,726	-
Total liabilities	<u>\$ 31,926,594</u>	<u>\$ 25,881,162</u>	<u>\$ 3,991,288</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	\$ 10,932,861	\$ -	\$ -	\$ -
Pension related items	479,132	2,432,569	4,645	-
OPEB related items	49,232	170,558	-	-
Total deferred inflows of resources	<u>\$ 11,461,225</u>	<u>\$ 2,603,127</u>	<u>\$ 4,645</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 25,987,214	\$ 11,351,328	\$ 5,162,948	\$ -
Restricted				
Swim team	4,851	-	-	-
Pool	1,659	-	-	-
Unrestricted	10,008,816	(23,258,704)	127,976	154,693
Total net position	<u>\$ 36,002,540</u>	<u>\$ (11,907,376)</u>	<u>\$ 5,290,924</u>	<u>\$ 154,693</u>

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

COUNTY OF CLARKE, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,183,992	\$ 45,841	\$ 210,611	\$ -
Judicial administration	756,574	2,111	361,301	-
Public safety	4,390,173	881,747	1,025,482	87,009
Public works	1,247,596	317,956	-	-
Health and welfare	2,553,964	-	1,125,546	-
Education	16,807,648	-	-	116,328
Parks, recreation, and cultural	1,184,765	405,586	-	-
Community development	751,064	-	4,500	37,815
Interest on long-term debt	1,262,545	-	-	-
Total governmental activities	\$ 31,138,321	\$ 1,653,241	\$ 2,727,440	\$ 241,152
Total primary government	\$ 31,138,321	\$ 1,653,241	\$ 2,727,440	\$ 241,152
COMPONENT UNITS:				
School Board	\$ 22,309,518	\$ 686,605	\$ 10,048,100	\$ -
Clarke County Sanitary Authority	991,414	551,291	-	-
Clarke County Industrial Development Authority	10,405	62,995	-	-
Total component units	\$ 23,311,337	\$ 1,300,891	\$ 10,048,100	\$ -
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumer utility tax				
Taxes on recordation and wills				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Contribution from County of Clarke				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government	Component Units			
Governmental Activities	School Board	Clarke County Sanitary Authority	Industrial Development Authority	
\$ (1,927,540)	\$ -	\$ -	\$ -	-
(393,162)	-	-	-	-
(2,395,935)	-	-	-	-
(929,640)	-	-	-	-
(1,428,418)	-	-	-	-
(16,691,320)	-	-	-	-
(779,179)	-	-	-	-
(708,749)	-	-	-	-
(1,262,545)	-	-	-	-
<u>\$ (26,516,488)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (26,516,488)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (11,574,813)	\$ -	\$ -	-
-	-	(440,123)	-	-
-	-	-	52,590	-
<u>\$ -</u>	<u>\$ (11,574,813)</u>	<u>\$ (440,123)</u>	<u>\$ 52,590</u>	<u>-</u>
\$ 20,679,221	\$ -	\$ -	\$ -	-
899,776	-	-	-	-
352,974	-	-	-	-
265,103	-	-	-	-
355,923	-	-	-	-
75,441	-	-	-	-
95,578	63,352	1,328	876	-
199,057	90,772	137,584	-	-
3,026,459	-	-	-	-
-	15,003,941	207,000	-	-
<u>\$ 25,949,532</u>	<u>\$ 15,158,065</u>	<u>\$ 345,912</u>	<u>\$ 876</u>	<u>-</u>
(566,956)	3,583,252	(94,211)	53,466	-
<u>36,569,496</u>	<u>(15,490,628)</u>	<u>5,385,135</u>	<u>101,227</u>	<u>-</u>
<u>\$ 36,002,540</u>	<u>\$ (11,907,376)</u>	<u>\$ 5,290,924</u>	<u>\$ 154,693</u>	<u>-</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Balance Sheet
Governmental Funds
June 30, 2018

	General	Virginia Public Assistance	School Debt Service	Other Govern- mental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 9,019,885	\$ 62,675	\$ -	\$ 523,606	\$ 9,606,166
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,697,589	-	-	-	12,697,589
Accounts receivable	166,037	-	-	6,704	172,741
Due from other funds	441,285	-	-	-	441,285
Due from other governmental units	1,503,920	142,680	-	25,381	1,671,981
Inventories	20,625	-	-	-	20,625
Prepaid items	54,177	3,022	14,264	74,539	146,002
Restricted assets:					
Cash and cash equivalents	193,159	-	-	-	193,159
Total assets	<u>\$ 24,096,677</u>	<u>\$ 208,377</u>	<u>\$ 14,264</u>	<u>\$ 630,230</u>	<u>\$ 24,949,548</u>
LIABILITIES					
Accounts payable	\$ 98,913	\$ 12,640	\$ -	\$ 38,461	\$ 150,014
Accrued liabilities	18,652	7,545	-	-	26,197
Due to other funds	43,501	188,192	14,264	98,151	344,108
Total liabilities	<u>\$ 161,066</u>	<u>\$ 208,377</u>	<u>\$ 14,264</u>	<u>\$ 136,612</u>	<u>\$ 520,319</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	<u>\$ 12,319,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,319,097</u>
FUND BALANCES:					
Nonspendable:					
Prepaid items	\$ 54,177	\$ 3,022	\$ 14,264	\$ -	\$ 71,463
Inventory	20,625	-	-	-	20,625
Restricted:					
Swim team	-	-	-	4,851	4,851
Pool	-	-	-	1,659	1,659
Debt service	193,159	-	-	-	193,159
Committed:					
Community development	-	-	-	261,137	261,137
Public safety expenditures	-	-	-	90,656	90,656
Assigned:					
Capital projects	-	-	-	135,315	135,315
Other (Note 15)	11,051,568	-	-	-	11,051,568
Unassigned	296,985	(3,022)	(14,264)	-	279,699
Total fund balances	<u>\$ 11,616,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,618</u>	<u>\$ 12,110,132</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,096,677</u>	<u>\$ 208,377</u>	<u>\$ 14,264</u>	<u>\$ 630,230</u>	<u>\$ 24,949,548</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	12,110,132	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			54,003,039
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Unavailable property taxes			1,386,236
Long-term note receivable is not available to pay for current period expenditures and, therefore, is not reported in the funds.			11,329
Interest on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(509,290)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	391,379	
OPEB related items		<u>35,064</u>	426,443
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(479,132)	
OPEB related items		<u>(49,232)</u>	(528,364)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(30,896,985)</u>
Net position of governmental activities	\$		<u><u>36,002,540</u></u>

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

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

	General	Virginia Public Assistance	School Debt Service	Total Nonmajor Governmental Funds	Total
REVENUES					
General property taxes	\$ 20,762,324	\$ -	\$ -	\$ 11,709	\$ 20,774,033
Other local taxes	1,949,217	-	-	-	1,949,217
Permits, privilege fees, and regulatory licenses	328,391	-	-	-	328,391
Fines and forfeitures	357,254	-	-	-	357,254
Revenue from the use of money and property	93,658	-	-	1,920	95,578
Charges for services	962,641	-	-	4,955	967,596
Miscellaneous	46,756	-	104,232	51,348	202,336
Recovered costs	142,146	17,468	-	-	159,614
Intergovernmental:					
Commonwealth	4,472,632	288,377	-	272,299	5,033,308
Federal	147,786	692,344	116,328	5,285	961,743
Total revenues	<u>\$ 29,262,805</u>	<u>\$ 998,189</u>	<u>\$ 220,560</u>	<u>\$ 347,516</u>	<u>\$ 30,829,070</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,995,469	\$ -	\$ -	\$ -	\$ 1,995,469
Judicial administration	723,002	-	-	-	723,002
Public safety	4,463,374	-	-	42,580	4,505,954
Public works	1,112,695	-	-	-	1,112,695
Health and welfare	724,160	1,472,904	-	361,896	2,558,960
Education	14,624,854	-	-	-	14,624,854
Parks, recreation, and cultural	1,021,052	-	-	-	1,021,052
Community development	596,771	-	-	64,442	661,213
Nondepartmental	29,623	-	-	-	29,623
Capital projects	-	-	-	737,190	737,190
Debt service:					
Principal retirement	-	-	1,822,709	84,730	1,907,439
Interest and other fiscal charges	-	-	1,149,381	166,970	1,316,351
Total expenditures	<u>\$ 25,291,000</u>	<u>\$ 1,472,904</u>	<u>\$ 2,972,090</u>	<u>\$ 1,457,808</u>	<u>\$ 31,193,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,971,805</u>	<u>\$ (474,715)</u>	<u>\$ (2,751,530)</u>	<u>\$ (1,110,292)</u>	<u>\$ (364,732)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 474,715	\$ 2,751,530	\$ 1,118,234	\$ 4,344,479
Transfers out	<u>(4,344,479)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,344,479)</u>
Total other financing sources (uses)	<u>\$ (4,344,479)</u>	<u>\$ 474,715</u>	<u>\$ 2,751,530</u>	<u>\$ 1,118,234</u>	<u>\$ -</u>
Net change in fund balances	\$ (372,674)	\$ -	\$ -	\$ 7,942	\$ (364,732)
Fund balances - beginning, as restated	<u>11,989,188</u>	<u>-</u>	<u>-</u>	<u>485,676</u>	<u>12,474,864</u>
Fund balances - ending	<u>\$ 11,616,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,618</u>	<u>\$ 12,110,132</u>

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

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

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

Net change in fund balances - total governmental funds	\$	(364,732)
--	----	-----------

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 outlay	\$	(1,311,874)	
Depreciation expense		(763,357)	
Joint tenancy asset transfer		<u>(394,875)</u>	(2,470,106)

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

Property taxes	\$	(94,812)
----------------	----	----------

The issuance of notes receivable requires the use of current financial resources, while the receipt of payments on these notes provides current financial resources to governmental funds. However, these transactions have no effect on net position. This amount is the net effect of these differences in the treatment of long-term assets.

Principal payments received	(3,279)
-----------------------------	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retired	\$	1,907,439	
Bond discount amortization		(2,352)	
Bond premium amortization		<u>26,519</u>	1,931,606

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.

(Increase)/decrease in compensated absences	\$	148,721	
Pension expense		263,783	
OPEB expense		(7,776)	
(Increase)/decrease in accrued interest payable		<u>29,639</u>	<u>434,367</u>

Change in net position of governmental activities	\$	<u><u>(566,956)</u></u>
---	----	-------------------------

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 281,729
Due from other governments	<u>195,495</u>
Total assets	<u><u>\$ 477,224</u></u>
LIABILITIES	
Accounts payable	\$ 5,627
Amounts held for Town	133,902
Sales tax payable to other towns	39,304
Due to other funds	156,191
Amounts held for social services clients	53,689
Accrued liabilities	<u>88,511</u>
Total liabilities	<u><u>\$ 477,224</u></u>

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

This page intentionally left blank

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

The financial statements of the County of Clarke, Virginia 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.

Government-wide and Fund Financial Statements

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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.

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit: The Conservation Easement Authority is reported as a blended component unit.

Discretely Presented Component Units:

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

The Clarke County Sanitary Authority is responsible for water and sewer treatment for many citizens in Clarke County. The Sanitary Authority consists of five members appointed by the Board of Supervisors. The Board of Supervisors has the ability to impose its will on the Sanitary Authority and therefore it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Sanitary Authority does not issue a separate financial report.

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Clarke County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Authority does not issue a separate financial report.

C. Other Related Organizations

Included in the County's Financial Report

None

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as does the proprietary fund. The fiduciary fund financial statements have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures are either recognized when earned, at the time other specific expenditures are recognized 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.

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

a. General Fund

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

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

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

1. Governmental Funds: (Continued)

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Virginia Public Assistance Fund is considered a major fund. The CSA Fund, Drug Enforcement Fund, Animal Care Fund, Shenandoah Farms Sanitary District, and Conservation Easement Fund are considered nonmajor funds.

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The General Government Capital Projects Fund and Parks Construction Fund are considered nonmajor funds.

d. Debt Service Funds

The Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The School Debt Service Fund is considered a major fund. The Primary Government Debt Service Fund is considered a nonmajor fund.

1. 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. These funds include Agency Funds consisting of the Special Welfare Fund, Town of Berryville, Undistributed Local Sales Tax, Cafeteria Plan Withholding, and the Unemployment Compensation Benefits. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds utilize the accrual basis of accounting.

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

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

3. Component Unit:

The Clarke County School Board has the following funds:

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 Clarke and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Food Service 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. This fund is considered a major fund.

School Capital Projects Proffers Fund: Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. This fund is considered a nonmajor fund.

School Capital Projects Fund - This fund accounts for all financial resources used for the acquisition or construction of major capital needs. This fund is considered a major fund.

E. Cash and Cash Equivalents:

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

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

F. Investments

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

G. Receivables and Payables

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

G. Receivables and Payables: (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$284,776 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

The Component Unit, Clarke County Sanitary Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed.

The Component Unit, Industrial Development Authority of Clarke County, does not have any capital assets to report.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2018 was immaterial.

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

H. Capital Assets: (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Plant, equipment and system	20-45
Motor vehicles	5-10
Equipment	5-15
Infrastructure	25-50

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

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

M. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Prepaid Items

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

O. 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.

In accordance with GASB Statement 54, 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)

O. Fund Equity: (Continued)

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board 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).

P. 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 liabilities 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 multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. Pensions

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

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

R. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 15th, 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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

As of June 30, 2018 the County does not have a formal investment policy addressing the various types of risks related to investments.

Credit Risk of Debt Securities

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

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>113,907</u>
Total	\$ <u><u>113,907</u></u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Investment Type	Investment Maturity (in years)	
	Maturity	
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 113,907	\$ 113,907
Total	\$ 113,907	\$ 113,907

Note 4—Due from Other Governments:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit
		School Board
Commonwealth of Virginia:		
Virginia Public Assistance funds	\$ 47,883	\$ -
State sales tax	-	295,571
Constitutional officer reimbursements	112,892	-
PPTRA	1,212,896	-
Communication taxes	63,051	-
Comprehensive Services Act	25,381	-
School fund grants	-	246,789
Other general grants	60,533	-
Federal Government:		
Virginia Public Assistance funds	94,798	-
Other general grants	54,547	-
School fund grants	-	334,507
Total due from other governments	\$ 1,671,981	\$ 876,867

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 5—Interfund Obligations:

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General	\$ 441,285	\$ 43,501
Comprehensive Services Act	-	25,381
County Capital Projects Fund	-	72,770
Virginia Public Assistance	-	188,192
School Debt Service Fund	-	14,264
	<u> </u>	<u> </u>
Total Primary Government	\$ <u>441,285</u>	\$ <u>344,108</u>
Component Unit:		
School Fund	\$ -	\$ 2,984
School Capital Projects Fund	61,998	-
	<u> </u>	<u> </u>
Total Component Unit	\$ <u>61,998</u>	\$ <u>2,984</u>
Agency Funds:		
Undistributed Local Sales Tax Fund	\$ -	\$ 156,191
	<u> </u>	<u> </u>
Total Agency Funds	\$ <u>-</u>	\$ <u>156,191</u>
Grand Total	<u>503,283</u>	<u>503,283</u>

The above interfund obligations represent temporary advances between funds or amounts allocable to one fund and not yet transferred between the funds.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 6—Capital Assets:

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

	Balance July 1, 2017	2017 Restatement	Additions	Deletions	Joint Tenancy Transfer (Net)	Balance June 30, 2018
Primary Government:						
Capital assets not being depreciated:						
Land	\$ 857,713	\$ -	\$ -	\$ -	\$ -	\$ 857,713
Construction in Progress	10,211,391	-	2,239,081	4,532,853	-	7,917,619
Total capital assets not being depreciated	\$ 11,069,104	\$ -	\$ 2,239,081	\$ 4,532,853	\$ -	\$ 8,775,332
Capital assets being depreciated:						
Buildings	\$ 51,162,645	\$ 405,811	\$ 668,664	\$ -	\$ (405,000)	\$ 51,832,120
Improvements other than buildings	1,734,336	-	61,399	-	-	1,795,735
Equipment	3,722,962	-	251,835	43,703	-	3,931,094
Total capital assets being depreciated	\$ 56,619,943	\$ 405,811	\$ 981,898	\$ 43,703	\$ (405,000)	\$ 57,558,949
Accumulated depreciation:						
Buildings	\$ 7,313,123	\$ 374,617	\$ 416,962	\$ -	\$ (10,125)	\$ 8,094,577
Improvements other than buildings	1,074,933	-	61,683	-	-	1,136,616
Equipment	2,859,040	-	284,712	(43,703)	-	3,100,049
Total accumulated depreciation	\$ 11,247,096	\$ 374,617	\$ 763,357	\$ (43,703)	\$ (10,125)	\$ 12,331,242
Total capital assets being depreciated, net	\$ 45,372,847	\$ 31,194	\$ 218,541	\$ -	\$ (394,875)	\$ 45,227,707
Net capital assets governmental activities	\$ 56,441,951	\$ 31,194	\$ 2,457,622	\$ 4,532,853	\$ (394,875)	\$ 54,003,039
Component Unit-School Board:						
Capital assets not being depreciated:						
Land	\$ 3,054,699	\$ -	\$ -	\$ -	\$ -	\$ 3,054,699
Total capital assets not being depreciated	\$ 3,054,699	\$ -	\$ -	\$ -	\$ -	\$ 3,054,699
Capital assets being depreciated:						
Buildings	\$ 16,468,033	\$ -	\$ 3,916,510	\$ -	\$ 405,000	\$ 20,789,543
Improvements other than buildings	553,555	-	91,169	-	-	644,724
Equipment	5,631,211	-	341,715	426,265	-	5,546,661
Total capital assets being depreciated	\$ 22,652,799	\$ -	\$ 4,349,394	\$ 426,265	\$ 405,000	\$ 26,980,928
Accumulated depreciation:						
Buildings	\$ 13,490,452	\$ -	\$ 1,367,506	\$ -	\$ 10,125	\$ 14,868,083
Improvements other than buildings	108,626	-	23,981	-	-	132,607
Equipment	3,705,692	-	404,182	(426,265)	-	3,683,609
Total accumulated depreciation	\$ 17,304,770	\$ -	\$ 1,795,669	\$ (426,265)	\$ 10,125	\$ 18,684,299
Total capital assets being depreciated, net	\$ 5,348,029	\$ -	\$ 2,553,725	\$ -	\$ 394,875	\$ 8,296,629
Net capital assets component unit school board	\$ 8,402,728	\$ -	\$ 2,553,725	\$ -	\$ 394,875	\$ 11,351,328

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	224,381
Judicial administration		57,551
Public safety		233,776
Public works		123,611
Health and welfare		52,868
Parks, recreation and cultural		71,170
Total Governmental activities	\$	<u>763,357</u>
Component Unit School Board	\$	<u>1,795,669</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Clarke, Virginia for the year ended June 30, 2018 is that school financed assets in the amount of \$35,928,288 are reported in the Primary Government for financial reporting purposes. Unspent bond proceeds reported as restricted cash and proceeds from the issuance of long-term debt are reported in the School Capital Projects Fund of the Component Unit School Board in the fund financial statements and are reported within the Primary Government in the government-wide financial statements.

Component Unit-Sanitary Authority:

A summary of the component unit Sanitary Authority property, plant, and equipment at June 30, 2018 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 13,200	\$ -	\$ -	\$ 13,200
Construction in progress	1,289,842	52,348	-	1,342,190
Total capital assets not being depreciated	<u>\$ 1,303,042</u>	<u>\$ 52,348</u>	<u>\$ -</u>	<u>\$ 1,355,390</u>
Capital Assets being depreciated:				
Utility plant and equipment	\$ 12,085,222	\$ -	\$ -	\$ 12,085,222
Accumulated depreciation	(4,083,281)	(302,496)	-	(4,385,777)
Total capital assets being depreciated, net	<u>\$ 8,001,941</u>	<u>\$ (302,496)</u>	<u>\$ -</u>	<u>\$ 7,699,445</u>
Capital assets, net	<u>\$ 9,304,983</u>	<u>\$ (250,148)</u>	<u>\$ -</u>	<u>\$ 9,054,835</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 7—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 4,344,479
Conservation Easement Fund	15,000	-
Parks Construction Fund	600	-
School Debt Service	2,751,530	-
County Capital Improvements	638,818	-
Virginia Public Assistance	474,715	-
Comprehensive Services Act	217,071	-
General Debt Service	246,745	-
	<u>4,344,479</u>	<u>4,344,479</u>
Total	<u>\$ 4,344,479</u>	<u>\$ 4,344,479</u>

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

Note 8—Long-Term Obligations:

Primary Government:

A summary of long-term obligations is as follows:

	<u>Restated Balance July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 658,003	\$ -	\$ 148,721	\$ 509,282	\$ 50,928
Net pension liability	2,691,562	1,857,157	2,928,524	1,620,195	-
Net OPEB liabilities	780,075	52,077	80,469	751,683	-
Lease revenue bond	4,085,905	-	84,730	4,001,175	88,310
Total incurred by County	<u>\$ 8,215,545</u>	<u>\$ 1,909,234</u>	<u>\$ 3,242,444</u>	<u>\$ 6,882,335</u>	<u>\$ 139,238</u>
Incurred by School Board:					
General obligation bonds	\$ 24,995,000	-	\$ 1,655,000	\$ 23,340,000	\$ 1,700,000
Capital leases	659,051	-	167,709	491,342	174,579
Total Incurred by School Board	<u>\$ 25,654,051</u>	<u>\$ -</u>	<u>\$ 1,822,709</u>	<u>\$ 23,831,342</u>	<u>\$ 1,874,579</u>
Premiums on bonds issued	\$ 226,572	-	\$ 26,519	\$ 200,053	\$ 25,227
Discount on bonds issued	(19,097)	-	(2,352)	(16,745)	(2,237)
Total Governmental Activities Obligations	<u>\$ 34,077,071</u>	<u>\$ 1,909,234</u>	<u>\$ 5,089,320</u>	<u>\$ 30,896,985</u>	<u>\$ 2,036,807</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County		School Board			
	RDA Lease Revenue Bond		Bonds and Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 88,310	\$ 163,390	\$ 1,700,000	\$ 1,048,292	\$ 174,579	\$ 17,493
2020	92,022	159,678	1,345,000	980,535	181,751	10,323
2021	95,891	155,809	1,395,000	920,349	52,145	4,909
2022	99,922	151,778	1,450,000	856,051	54,402	2,652
2023	104,122	147,578	1,510,000	788,186	28,465	450
2024-2028	590,069	668,431	8,480,000	2,799,975	-	-
2029-2033	724,973	533,527	7,460,000	669,068	-	-
2034-2038	890,721	367,779	-	-	-	-
2039-2043	1,094,363	164,137	-	-	-	-
2044	220,782	4,468	-	-	-	-
Total	<u>\$ 4,001,175</u>	<u>2,516,575</u>	<u>\$ 23,340,000</u>	<u>\$ 8,062,456</u>	<u>\$ 491,342</u>	<u>\$ 35,827</u>

Details of long-term indebtedness:

Lease Revenue Bond:

\$4,822,000 lease revenue bond for capital projects issued May 16, 2007 due in monthly installments of \$20,975 commencing May 16, 2009 payable through May 16, 2044 including interest at 4.125%.

\$ 4,001,175

Virginia Public School Authority (VPSA) Bonds:

\$410,000 Series A issued November 10, 2004 due in annual principal installments of varying amounts through July 15, 2024, and interest payments between 4.6% and 5.6% due July 15 and January 15 of each year through July 15, 2024

\$ 140,000

\$29,200,000 plus a premium of \$635,208 Series 2006B issued November 9, 2006 due in annual principal installments varying from \$800,000 to \$1,565,000 through January 26, 2026; interest payable at rates between 4.225% to 5.1% due January 15 and July 15 each year through January 26, 2026

15,830,000

\$8,185,000 Series B bonds issued November 20, 1998, due in annual principal installments of varying amounts on July 15 of each year and interest payments between 4.10% and 5.10% due July 15 and January 15 of each year through July 15, 2018

405,000

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Virginia Public School Authority (VPSA) Bonds: (Continued)</u>	
\$7,395,000 less a discount of \$35,137 Series 2010 B Build America Bonds issued under the American Recovery and Reinvestment Act of 2009 on May 13, 2010. Interest only payments due semi-annually through January 15, 2017; principal and interest payments due semi-annually beginning July 15, 2017 through July 15, 2030. Interest rate varies between 3.854% to 5.562% and is offset by a 35% federal interest subsidy received semi-annually.	\$ 6,965,000
Total Virginia Public School Authority Bonds	\$ <u>23,340,000</u>
<u>Capital Leases:</u>	
\$1,525,605 School Energy Management Lease dated June 21, 2005 due in quarterly installments of principal and interest of \$33,755, interest at 3.95%	\$ 258,440
\$630,000 capital lease for elementary school gym, dated October 4, 2007 due in quarterly installments of principal and interest of \$14,264, interest at 4.26%	232,902
Total Capital Leases	\$ <u>491,342</u>
Compensated absences	\$ <u>509,282</u>
Net pension liability	\$ <u>1,620,195</u>
Net OPEB liabilities	\$ <u>751,683</u>
Premium on bonds issued	\$ <u>200,053</u>
Discount on bonds issued	\$ <u>(16,745)</u>
Total Primary Government	\$ <u><u>30,896,985</u></u>

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 284,380
Building improvements	2,155,605
Less: Accumulated depreciation	<u>(1,633,650)</u>
Total	\$ <u><u>806,335</u></u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

<u>Year ending June 30</u>	<u>Component Unit - School Board</u>	
2019	\$	192,073
2020		192,073
2021		57,054
2022		57,054
2023		28,915
Total minimum lease payments		<u>527,169</u>
Less: amount representing interest		<u>(35,827)</u>
Present value of minimum lease payments	\$	<u><u>491,342</u></u>

Component Unit—School Board:

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

	<u>Restated Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 499,261	\$ 42,199	\$ -	\$ 541,460	\$ 54,146
Net OPEB liabilities	4,225,630	273,522	438,689	4,060,463	-
Net pension liability	<u>21,436,000</u>	<u>2,438,000</u>	<u>5,271,000</u>	<u>18,603,000</u>	<u>-</u>
Total	<u>\$ 26,160,891</u>	<u>\$ 2,753,721</u>	<u>\$ 5,709,689</u>	<u>\$ 23,204,923</u>	<u>\$ 54,146</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Sanitary Authority:

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

Changes in Long-Term Obligations:

	<u>Balance July 1, 2017</u>		<u>Issuances/ Increases</u>		<u>Retirements/ Decreases</u>		<u>Balance June 30, 2018</u>
General Obligation Bond	\$ 497,098	\$	-	\$	33,140	\$	463,958
Net pension liability	26,090		18,000		28,386		15,704
Notes payable	3,724,405		-		296,476		3,427,929
Totals	<u>\$ 4,247,593</u>	\$	<u>18,000</u>	\$	<u>358,002</u>	\$	<u>3,907,591</u>

Details of long-term indebtedness:

Water Operating Fund:

General Obligation Bond:

\$997,000 water system revenue bonds issued August 21, 2001 due in semi-annual installments of \$16,570 beginning September 1, 2002 through August 1, 2031. No interest.

\$ 463,958	\$	33,140
------------	----	--------

Notes Payable:

Note payable to VRA for the grouting project. Due June 2032. \$940 payable semiannually. No interest.

27,261		1,880
--------	--	-------

Note payable to VRA for new Boyce to Millwood line. Due June 2032. \$3,125 payable semiannually. No interest.

93,750		6,250
--------	--	-------

\$600,000 note payable to Bank of Clarke County issued February 27, 2015, due in semiannual installments of \$27,647 - \$20,259 payable through February 27, 2030, including 2.57% interest

479,917		40,000
---------	--	--------

\$787,546 note payable to VRA issued September 2, 2005 due in semiannual installments of \$26,792 payable through July 1, 2026, including 3.00% interest

378,690		42,543
---------	--	--------

Net pension liability

<u>7,852</u>		<u>-</u>
--------------	--	----------

Total Water Fund

<u>\$ 1,451,428</u>	\$	<u>123,813</u>
---------------------	----	----------------

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Sanitary Authority: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Boyce Wastewater Facility		
<u>Notes Payable:</u>		
Note payable to VRA for the Millwood Sewer project. Due June 2032. \$9,602 payable semiannually. No interest.	\$ 288,066	\$ 19,205
\$3,761,429 note payable to VRA issued October 1, 2008 due in semi- annual installments of \$93,924 payable through November 1, 2029. No interest.	2,160,245	187,847
<u>Net pension liability</u>	<u>7,852</u>	<u>-</u>
Total Boyce Wastewater Facility	<u>\$ 2,456,163</u>	<u>\$ 207,052</u>
Total Clarke County Sanitary Authority	<u>\$ 3,907,591</u>	<u>\$ 330,865</u>

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

Year Ending June 30,	<u>General Obligation Bond</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 33,140	\$ -	\$ 297,725	\$ 23,118
2020	33,140	-	299,011	20,805
2021	33,140	-	300,335	18,453
2022	33,140	-	301,700	16,059
2023	33,140	-	303,106	13,625
2024-2028	165,700	-	1,428,550	32,518
2029-2033	132,558	-	497,502	2,566
Total	<u>\$ 463,958</u>	<u>\$ -</u>	<u>\$ 3,427,929</u>	<u>\$ 127,144</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 9—Unearned/Deferred/Unavailable Revenue:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2018:

	<u>Government- wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
General Fund:		
Deferred/unavailable property tax revenue:		
Deferred/unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,386,236
2nd half assessments due in December 2018	10,910,632	10,910,632
Prepaid property taxes due in December 2018, but paid in advance by the taxpayers	22,229	22,229
Total deferred/unavailable revenue	<u>\$ 10,932,861</u>	<u>\$ 12,319,097</u>

Note 10—Commitments and Contingencies:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget 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 disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County, Component Unit Clarke County Sanitary Authority, 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.

Note 11—Pension Plan:

Plan Description

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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</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. Employees are eligible for 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</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.

Note 11—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 11—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. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. 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. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</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>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service (Cont.)	Creditable Service (Cont.) Same as Plan 1.	Creditable Service (Cont.) <u>Defined Benefit Component:</u> <u>(Cont.)</u> credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Note 11—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 Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • 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>

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<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>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>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>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier (Cont.)</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 (Cont.)</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier (Cont.)</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <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>

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility (Cont.)</p>	<p>Earliest Unreduced Retirement Eligibility (Cont.)</p>	<p>Earliest Unreduced Retirement Eligibility (Cont.) <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: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</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>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 11—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage</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</p> <p>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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p><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. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—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	60	40
Inactive members:		
Vested inactive members	19	12
Non-vested inactive members	19	22
Inactive members active elsewhere in VRS	37	2
Total inactive members	75	36
Active members	86	43
Total covered employees	221	119

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 and Component Unit Clarke County Sanitary Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 8.49% 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 \$391,379 and \$388,862 and Component Unit Clarke County Sanitary Authority were \$5,816 and \$3,770 for the years ended June 30, 2018 and June 30, 2017.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 5.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—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 \$33,468 and \$35,810 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County, Component Unit Clarke County Sanitary Authority, 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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—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%

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County and Component Unit Clarke County Sanitary Authority'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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

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

Mortality rates: (Continued)

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.

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%

Note 11—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 19,889,281	\$ 17,197,719	\$ 2,691,562
Changes for the year:			
Service cost	\$ 476,066	\$ -	\$ 476,066
Interest	1,367,228	-	1,367,228
Differences between expected and actual experience	(162,685)	-	(162,685)
Assumption changes	(63,330)	-	(63,330)
Contributions - employer	-	379,396	(379,396)
Contributions - employee	-	223,948	(223,948)
Net investment income	-	2,099,165	(2,099,165)
Benefit payments, including refunds	(714,864)	(714,864)	-
Administrative expenses	-	(11,988)	11,988
Other changes	-	(1,874)	1,874
Net changes	\$ 902,415	\$ 1,973,783	\$ (1,071,368)
Balances at June 30, 2017	\$ 20,791,696	\$ 19,171,502	\$ 1,620,194

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Changes in Net Pension Liability

	Clarke County Sanitary Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 193,087	\$ 166,697	\$ 26,390
Changes for the year:			
Service cost	\$ 4,614	\$ -	\$ 4,614
Interest	12,953	-	12,953
Differences between expected and actual experience	(1,576)	-	(1,576)
Assumption changes	(614)	-	(614)
Contributions - employer	-	3,678	(3,678)
Contributions - employee	-	2,170	(2,170)
Net investment income	-	20,349	(20,349)
Benefit payments, including refunds	(6,930)	(6,930)	-
Administrative expenses	-	(116)	116
Other changes	-	(18)	18
Net changes	\$ 8,447	\$ 19,133	\$ (10,686)
Balances at June 30, 2017	\$ 201,534	\$ 185,830	\$ 15,704

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Changes in Net Pension Liability: (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 3,237,556	\$ 3,237,564	\$ (8)
Changes for the year:			
Service cost	\$ 64,599	\$ -	\$ 64,599
Interest	220,480	-	220,480
Differences between expected and actual experience	(57,419)	-	(57,419)
Assumption changes	(45,195)	-	(45,195)
Contributions - employer	-	33,848	(33,848)
Contributions - employee	-	32,641	(32,641)
Net investment income	-	388,498	(388,498)
Benefit payments, including refunds	(175,672)	(175,672)	-
Administrative expenses	-	(2,302)	2,302
Other changes	-	(343)	343
Net changes	\$ 6,793	\$ 276,670	\$ (269,877)
Balances at June 30, 2017	\$ 3,244,349	\$ 3,514,234	\$ (269,885)

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

The following presents the net pension liability of the Primary Government, Component Unit Clarke County Sanitary Authority, 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 of Clarke - Primary Government Net Pension Liability (Asset)	\$ 4,189,663	\$ 1,620,194	\$ (530,830)
Component Unit Clarke County Sanitary Authority Net Pension Liability (Asset)	40,611	15,705	(5,145)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	55,987	(269,885)	(548,420)

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—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 Primary Government, Component Unit Clarke County Sanitary Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$118,129, \$1,145 and \$(102,046), respectively. At June 30, 2018, the Primary Government, Component Unit Clarke County Sanitary Authority, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Primary Government</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 158,643
Change in assumptions	-	41,642
Net difference between projected and actual earnings on pension plan investments	-	278,847
Employer contributions subsequent to the measurement date	<u>391,379</u>	<u>-</u>
Total	<u>\$ 391,379</u>	<u>\$ 479,132</u>
<u>Component Unit Clarke County Sanitary Authority</u>		
Differences between expected and actual experience	\$ -	\$ 1,538
Change in assumptions	-	404
Net difference between projected and actual earnings on pension plan investments	-	2,703
Employer contributions subsequent to the measurement date	<u>5,816</u>	<u>-</u>
Total	<u>\$ 5,816</u>	<u>\$ 4,645</u>
<u>Component Unit School Board (nonprofessional)</u>		
Differences between expected and actual experience	\$ -	\$ 35,262
Change in assumptions	-	24,463
Net difference between projected and actual earnings on pension plan investments	-	47,842
Employer contributions subsequent to the measurement date	<u>33,468</u>	<u>-</u>
Total	<u>\$ 33,468</u>	<u>\$ 107,567</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

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

\$391,379, \$5,816, and \$33,468 reported as deferred outflows of resources related to pensions resulting from the Primary Government, Component Unit Clarke County Sanitary Authority, and Component Unit School Board (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit Sanitary Authority</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (293,000)	\$ (2,840)	\$ (83,437)
2020	(3,346)	(30)	7,959
2021	(2,845)	(28)	1,066
2022	(179,941)	(1,745)	(33,155)
2023	-	-	-
Thereafter	-	-	-

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,741,611 and \$1,679,087 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

At June 30, 2018, the school division reported a liability of \$18,603,000 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 .15127% as compared to .15296% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,265,000. 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	\$ -	\$ 1,316,000
Change in assumptions	271,000	-
Net difference between projected and actual earnings on pension plan investments	-	676,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	333,000
Employer contributions subsequent to the measurement date	<u>1,741,611</u>	<u>-</u>
Total	<u>\$ 2,012,611</u>	<u>\$ 2,325,000</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—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)

\$1,741,611 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (838,000)
2020	(146,000)
2021	(301,000)
2022	(676,000)
2023	(93,000)

Actuarial Assumptions

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

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

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Net Pension Liability

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

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

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

Note 11—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 Asests	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%.

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.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 11—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)

School division's proportionate
share of the VRS Teacher
Employee Retirement Plan

Net Pension Liability (Asset)	\$	27,781,000	\$	18,603,000	\$	11,011,000
-------------------------------	----	------------	----	------------	----	------------

Pension Plan Fiduciary Net Position

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

Note 12—Litigation:

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

Note 13—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries a broad range of insurance coverages, which management considers prudent for the protection of the County's assets and operations. Coverages currently include \$2,000,000 commercial general liability, \$2,000,000 automobile liability, and \$3,000,000 public official's liability. The property policy provides insurance coverage for all of the County's real and personal property up to the replacement cost value of the asset.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 14—Conduit Debt:

The County has issued economic development revenue bonds through the Clarke County Industrial Development Authority. All responsibility for the payment of this debt rests with the Borrower. The County and the Authority have no responsibility for the payment of this debt. Outstanding conduit debt obligations are as follows at June 30, 2018:

Description	Original Issue	Outstanding June 30, 2018
Heritage Child Development Center, Inc.	\$ 450,000	\$ -
Grafton School, Inc.	9,925,000	3,456,582
R-1 Berryville Town bond	2,327,000	2,046,980
R-2 Clarke County bond	4,822,000	4,001,175
	<u>\$ 17,524,000</u>	<u>\$ 9,504,737</u>

Note 15—Assigned Fund Balances:

Fund balances have been assigned for the following purposes:

Liquidity Designation	\$ 3,518,828
Stabilization Designation	879,707
School Operating Transfer	392,979
Leave Liability	300,000
Continuing Appropriations for Capital Projects	3,347,526
Parks Master Plan Implementation	130,000
Community Facilities	350,000
Comprehensive Services Act Shortfall	300,000
Conservation Easements from Government Savings	167,938
Economic Development	150,000
Emergency Vehicles	75,000
Government Savings	500,000
Data and Communications Technology	600,000
FY 2019 Original Budget Deficit	339,590
Total	<u>\$ 11,051,568</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 16—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Helen Butts, Clerk of the Circuit Court	\$ 25,000
Sharon Keeler, Treasurer	400,000
Donna Peake, Commissioner of the Revenue	3,000
Anthony W. Roper, Sheriff	30,000
Western Surety	
Sharon Keeler, Treasurer	10,000

Note 17—Postemployment Benefits Other Than Pensions:

Health Insurance (Single-employer Defined Benefit Plan)

Plan Description

The County and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

Benefits Provided

Employees who retire from the County or School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

Plan Membership

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

	<u>County</u>	<u>School Board</u>
Total active employees with coverage	94	286
Total inactive employees or retirees with coverage	2	14
Total	<u>96</u>	<u>300</u>

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Contributions

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County and School Board. The amount paid by the County and School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$7,922 and \$66,561.

Total OPEB Liability

The County and School Board’s total OPEB liabilities were measured as of June 30, 2018. The total OPEB liabilities were determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal, level % of pay
Discount Rate	3.58% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2018
Healthcare Trend Rate	5.70% for fiscal year ending 2018 (to reflect actual experience). The rates reverts to 6.4% for fiscal year ending 2019, decreasing .10% per year to an ultimate rate of 4.30%.
Salary Increase Rates	County: Ranges of increases of 3.5% for 20+ years of service to 5.35% for 1-2 years of service; School Board: Ranges of increases of 3.5% for 20+ years of service to 5.95% for 1 year of service.
Retirement Age	Reduced: Age 50 and 10 years of service or Age 55 and 5 years of service; Unreduced: Age 65 and 5 years of service or Age 50 with 30 years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Mortality Tables projected to 2020 using Scale BB with Males set back 1 year and Females set back 1 year. Post-Retirement: RP-2014 Employee Mortality Tables projected to 2020 using Scale BB with Males set forward 1 year and Females set back 1 year.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Discount Rate

The discount rate represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017. The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Total OPEB Liability

Changes in Net OPEB Liability			
		County Total OPEB Liability	Component Unit- School Board Total OPEB Liability
Balances at June 30, 2017	\$	354,075	\$ 1,085,630
Changes for the year:			
Service cost		22,728	64,527
Interest		13,349	39,995
Changes in assumptions		(8,547)	(23,128)
Benefit payments		(7,922)	(66,561)
Net changes		19,608	14,833
Balances at June 30, 2018	\$	373,683	\$ 1,100,463

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

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

		Rate		
		1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
County's Total OPEB Liability	\$	403,888	\$ 373,683	\$ 345,605
School Board's Total OPEB Liability	\$	1,181,974	\$ 1,100,463	\$ 1,024,094

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

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

The following presents the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 5.7%:

	Rates		
	1% Decrease (4.7%)	Healthcare Cost Trend (5.7%)	1% Increase (6.7%)
County's Total OPEB Liability	\$ 332,485	\$ 373,683	\$ 421,509
School Board's Total OPEB Liability	\$ 984,275	\$ 1,100,463	\$ 1,237,857

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

For the year ended June 30, 2018, the County and School Board recognized OPEB expense in the amount of \$34,762 and \$101,952, respectively. At June 30, 2018, the County and School Board did not have deferred outflows of resources and deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
County:		
Changes of assumptions	\$ -	\$ 7,232
Total	\$ -	\$ 7,232
School Board:		
Changes of assumptions	\$ -	\$ 20,558
Total	\$ -	\$ 20,558

Year Ended June 30	County	School Board
2019	\$ (1,315)	\$ (2,570)
2020	(1,315)	(2,570)
2021	(1,315)	(2,570)
2022	(1,315)	(2,570)
2023	(1,315)	(2,570)
Thereafter	(657)	(7,708)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Health Insurance (Single-employer Defined Benefit Plan): (Continued)

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.

Group Life Insurance:

Plan Description

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

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

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

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

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
--

Benefit Amounts

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

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

Reduction in Benefit Amounts

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

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

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

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 County were \$25,064 and \$24,048 for the years ended June 30, 2018 and June 30, 2017, respectively, \$3,493 and \$3,535 from School Board nonprofessional, and \$64,238 and \$62,315 from 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 County reported a liability of \$378,000, the School Board nonprofessional \$56,000, and School Board professional \$978,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion for the County was .02507% as compared to .02436% at June 30, 2016. At June 30, 2017, the participating employer's proportion for the School Board nonprofessional was .00369% as compared to .00363% at June 30, 2016. At June 30, 2017, the participating employer's proportion for the School Board professional was .06497% as compared to .06492% at June 30, 2016.

For the year ended June 30, 2018, the County, School Board nonprofessional and School Board professional recognized GLI OPEB expense of \$6,000, \$2,000 and \$12,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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>County</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	14,000
Change in assumptions	-	19,000
Changes in proportion	10,000	-
Employer contributions subsequent to the measurement date	25,064	-
Total	<u>\$ 35,064</u>	<u>\$ 42,000</u>
<u>School Board nonprofessional</u>		
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	3,493	-
Total	<u>\$ 3,493</u>	<u>\$ 6,000</u>
<u>School Board professional</u>		
Differences between expected and actual experience	\$ -	\$ 22,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	37,000
Change in assumptions	-	50,000
Employer contributions subsequent to the measurement date	64,238	-
Total	<u>\$ 64,238</u>	<u>\$ 109,000</u>

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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)

\$25,064, \$3,493 and \$64,238 (County, School Board nonprofessional and School Board professional) reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	County	School Board nonprofessional	School Board professional
2019	\$ (7,000)	\$ (1,000)	\$ (22,000)
2020	(7,000)	(1,000)	(22,000)
2021	(7,000)	(1,000)	(22,000)
2022	(7,000)	(1,000)	(22,000)
2023	(3,000)	(1,000)	(13,000)
Thereafter	(1,000)	(1,000)	(8,000)

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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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.

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (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	2.50%
	*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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

Group Life Insurance: (Continued)

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

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

	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	\$ 488,000	\$ 378,000	\$ 288,000
School Board nonprofessional's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 72,000	\$ 56,000	\$ 42,000
School Board professional's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,265,000	\$ 978,000	\$ 745,000

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 17—Postemployment Benefits Other Than Pensions: (Continued)

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 17—Postemployment Benefits Other Than Pensions: (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 \$151,947 and \$132,997 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 \$1,926,000 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 .15182% as compared to .15295% 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 \$155,000. 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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (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	\$ -	\$ 3,000
Change in assumptions	-	20,000
Change in proportion	-	12,000
Employer contributions subsequent to the measurement date	<u>151,947</u>	<u>-</u>
Total	<u>\$ 151,947</u>	<u>\$ 35,000</u>

\$151,947 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	\$ (6,000)
2020	(6,000)
2021	(6,000)
2022	(6,000)
2023	(5,000)
Thereafter	(6,000)

Note 17—Postemployment Benefits Other Than Pensions: (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 CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 17—Postemployment Benefits Other Than Pensions: (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.

Note 17—Postemployment Benefits Other Than Pensions: (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%.

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

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

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 2,150,000	\$ 1,926,000	\$ 1,736,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 18—Note Receivable:

During fiscal year 2010, the County issued a note receivable to the Berryville Main Street Program in the amount of \$35,000. The note is payable over 12 years, bearing interest at 3%. At June 30, 2018, \$11,529 of this note was outstanding. Future payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 3,370	\$ 302
2020	3,472	200
2021	3,577	95
2022	910	7
Total	<u>\$ 11,329</u>	<u>\$ 604</u>

Note 19—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 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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

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

Note 19—Upcoming Pronouncements: (Continued)

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

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

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

Note 20—Adoption of Accounting Principles:

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

COUNTY OF CLARKE, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

Note 21—Restatement of Beginning Balances:

	<u>County</u>	<u>School Board</u>
Net Position as of July 1, 2017, previously reported	\$ 36,991,142	\$ (11,463,998)
Unreconciled cash difference - fiscal year end 2017	305,235	-
Previously unrecorded building cost	405,811	-
Previously unrecorded building accumulated depreciation	(374,617)	-
OPEB liability restated as of July 1, 2017 - health insurance	(354,075)	(1,085,630)
OPEB liability restated as of July 1, 2017 - health insurance credit - VRS	-	(1,806,000)
OPEB liability restated as of July 1, 2017 - group life insurance	<u>(404,000)</u>	<u>(1,135,000)</u>
Net Position as of July 1, 2017, as restated	<u>\$ 36,569,496</u>	<u>\$ (15,490,628)</u>
Fund balance as of July 1, 2017, previously reported	\$ 11,683,953	
Unreconciled cash difference - fiscal year end 2017	<u>305,235</u>	
Fund balance as of July 1, 2017, as restated	<u>\$ 11,989,188</u>	

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

This page intentionally left blank

General Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 20,352,579	\$ 20,352,579	\$ 20,762,324	\$ 409,745
Other local taxes	1,952,993	1,952,993	1,949,217	(3,776)
Permits, privilege fees, and regulatory licenses	323,093	323,093	328,391	5,298
Fines and forfeitures	310,095	310,095	357,254	47,159
Revenue from the use of money and property	76,018	76,018	93,658	17,640
Charges for services	908,571	908,571	962,641	54,070
Miscellaneous	5,207	5,209	46,756	41,547
Recovered costs	108,574	109,963	142,146	32,183
Intergovernmental:				
Commonwealth	4,430,126	4,429,626	4,472,632	43,006
Federal	124,049	129,415	147,786	18,371
Total revenues	\$ 28,591,305	\$ 28,597,562	\$ 29,262,805	\$ 665,243
EXPENDITURES				
Current:				
General government administration	\$ 1,936,550	\$ 2,025,049	\$ 1,995,469	\$ 29,580
Judicial administration	717,885	733,990	723,002	10,988
Public safety	4,355,378	4,482,244	4,463,374	18,870
Public works	1,311,914	1,245,501	1,112,695	132,806
Health and welfare	611,462	611,462	724,160	(112,698)
Education	15,902,521	16,895,245	14,624,854	2,270,391
Parks, recreation, and cultural	1,129,464	1,128,464	1,021,052	107,412
Community development	603,206	613,855	596,771	17,084
Nondepartmental	112,000	13,000	29,623	(16,623)
Total expenditures	\$ 26,680,380	\$ 27,748,810	\$ 25,291,000	\$ 2,457,810
Excess (deficiency) of revenues over (under) expenditures	\$ 1,910,925	\$ 848,752	\$ 3,971,805	\$ 3,123,053
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,860,163)	\$ (6,023,234)	\$ (4,344,479)	\$ 1,678,755
Total other financing sources (uses)	\$ (1,860,163)	\$ (6,023,234)	\$ (4,344,479)	\$ 1,678,755
Net change in fund balances	\$ 50,762	\$ (5,174,482)	\$ (372,674)	\$ 4,801,808
Fund balances - beginning, as restated	(50,762)	5,174,482	11,989,188	6,814,706
Fund balances - ending	\$ -	\$ -	\$ 11,616,514	\$ 11,616,514

Virginia Public Assistance Fund - Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Recovered costs	\$ -	\$ -	\$ 17,468	\$ 17,468
Intergovernmental:				
Commonwealth	300,179	300,179	288,377	(11,802)
Federal	771,889	771,889	692,344	(79,545)
Total revenues	<u>\$ 1,072,068</u>	<u>\$ 1,072,068</u>	<u>\$ 998,189</u>	<u>\$ (73,879)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 1,613,733	\$ 1,651,733	\$ 1,472,904	\$ 178,829
Total expenditures	<u>\$ 1,613,733</u>	<u>\$ 1,651,733</u>	<u>\$ 1,472,904</u>	<u>\$ 178,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (541,665)</u>	<u>\$ (579,665)</u>	<u>\$ (474,715)</u>	<u>\$ 104,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 541,665</u>	<u>\$ 579,665</u>	<u>\$ 474,715</u>	<u>\$ (104,950)</u>
Total other financing sources (uses)	<u>\$ 541,665</u>	<u>\$ 579,665</u>	<u>\$ 474,715</u>	<u>\$ (104,950)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government and Clarke County Sanitary Authority
 For the Years Ended June 30, 2015 through June 30, 2018

	2017		2016		2015		2014	
	Primary Government	Clarke County Sanitary Authority	Primary Government	Clarke County Sanitary Authority	Primary Government	Clarke County Sanitary Authority	Primary Government	Clarke County Sanitary Authority
Total pension liability								
Service cost	\$ 476,066	\$ 4,614	\$ 452,697	\$ 4,388	\$ 441,992	\$ 4,284	\$ 452,800	\$ 4,389
Interest	1,367,228	12,953	1,298,718	12,588	1,241,436	12,034	1,173,942	11,379
Differences between expected and actual experience	(162,685)	(1,576)	(60,723)	(290)	(174,129)	(1,688)	-	-
Changes in assumptions	(63,330)	(614)	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(714,864)	(6,930)	(709,058)	(6,872)	(672,885)	(6,522)	(652,215)	(6,322)
Net change in total pension liability	\$ 902,415	\$ 8,447	\$ 981,634	\$ 9,814	\$ 836,414	\$ 8,108	\$ 974,527	\$ 9,446
Total pension liability - beginning	19,889,281	193,087	18,907,647	183,273	18,071,233	175,165	17,096,706	165,719
Total pension liability - ending (a)	\$ 20,791,696	\$ 201,534	\$ 19,889,281	\$ 193,087	\$ 18,907,647	\$ 183,273	\$ 18,071,233	\$ 175,165
Plan fiduciary net position								
Contributions - employer	\$ 379,396	\$ 3,678	\$ 466,664	\$ 4,524	\$ 455,266	\$ 4,412	\$ 487,123	\$ 4,722
Contributions - employee	223,948	2,170	213,350	2,068	208,804	2,024	200,072	1,939
Net investment income	2,099,165	20,349	298,818	2,896	744,209	7,214	2,211,300	21,434
Benefit payments, including refunds of employee contributions	(714,864)	(6,930)	(709,058)	(6,872)	(672,885)	(6,522)	(652,215)	(6,322)
Administrative expense	(11,988)	(116)	(10,410)	(100)	(10,047)	(98)	(11,767)	(114)
Other	(1,874)	(18)	(126)	(2)	(157)	(3)	117	-
Net change in plan fiduciary net position	\$ 1,973,783	\$ 19,133	\$ 259,238	\$ 2,514	\$ 725,190	\$ 7,027	\$ 2,234,630	\$ 21,659
Plan fiduciary net position - beginning	17,197,719	166,697	16,938,481	164,183	16,213,291	157,156	13,978,661	135,496
Plan fiduciary net position - ending (b)	\$ 19,171,502	\$ 185,830	\$ 17,197,719	\$ 166,697	\$ 16,938,481	\$ 164,183	\$ 16,213,291	\$ 157,155
County's net pension liability - ending (a) - (b)	\$ 1,620,194	\$ 15,704	\$ 2,691,562	\$ 26,390	\$ 1,969,166	\$ 19,090	\$ 1,857,942	\$ 18,010
Plan fiduciary net position as a percentage of the total pension liability	92.21%	92.21%	86.47%	86.33%	89.59%	89.58%	89.72%	89.72%
Covered payroll	\$ 4,580,246	\$ 44,397	\$ 4,332,013	\$ 41,990	\$ 4,210,911	\$ 40,817	\$ 4,003,842	\$ 38,809
County's net pension liability as a percentage of covered payroll	35.37%	35.37%	62.13%	62.85%	46.76%	46.77%	46.40%	46.41%

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	\$ 64,599	\$ 75,698	\$ 119,013	\$ 138,591
Interest	220,480	218,560	213,846	200,591
Differences between expected and actual experience	(57,419)	(87,838)	(96,657)	-
Changes in assumptions	(45,195)	-	-	-
Benefit payments, including refunds of employee contributions	(175,672)	(182,286)	(155,448)	(144,212)
Net change in total pension liability	\$ 6,793	\$ 24,134	\$ 80,754	\$ 194,970
Total pension liability - beginning	3,237,556	3,213,422	3,132,668	2,937,698
Total pension liability - ending (a)	\$ 3,244,349	\$ 3,237,556	\$ 3,213,422	\$ 3,132,668
Plan fiduciary net position				
Contributions - employer	\$ 33,848	\$ 55,293	\$ 56,916	\$ 95,312
Contributions - employee	32,641	31,776	32,933	49,538
Net investment income	388,498	55,073	144,974	436,730
Benefit payments, including refunds of employee contributions	(175,672)	(182,286)	(155,448)	(144,212)
Administrative expense	(2,302)	(2,061)	(2,023)	(2,334)
Other	(343)	(24)	(33)	23
Net change in plan fiduciary net position	\$ 276,670	\$ (42,229)	\$ 77,319	\$ 435,057
Plan fiduciary net position - beginning	3,237,564	3,279,793	3,202,474	2,767,417
Plan fiduciary net position - ending (b)	\$ 3,514,234	\$ 3,237,564	\$ 3,279,793	\$ 3,202,474
School Division's net pension liability (asset) - ending (a) - (b)	\$ (269,885)	\$ (8)	\$ (66,371)	\$ (69,806)
Plan fiduciary net position as a percentage of the total pension liability	108.32%	100.00%	102.07%	102.23%
Covered payroll	\$ 673,225	\$ 652,740	\$ 664,350	\$ 990,746
School Division's net pension liability as a percentage of covered payroll	-40.09%	0.00%	-9.99%	-7.05%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 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)	0.15127%	0.15296%	0.15349%	0.15415%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,603,000	\$ 21,436,000	\$ 19,319,000	\$ 18,629,000
Employer's Covered Payroll	11,986,432	11,656,844	11,292,534	11,256,878
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.20%	183.89%	171.08%	165.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.88%	70.88%

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

Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government (A)					
2018	\$ 397,195	\$ 397,195	\$ -	\$ 4,820,004	8.24%
2017	392,632	392,632	-	4,624,623	8.49%
2016	471,292	471,292	-	4,374,003	10.77%
2015	461,738	461,738	-	4,251,728	10.86%
2014	490,778	490,778	-	4,042,651	12.14%
2013	495,262	495,262	-	4,079,590	12.14%
2012	340,402	340,402	-	3,868,202	8.80%
2011	350,218	350,218	-	3,979,755	8.80%
2010	381,778	381,778	-	4,031,452	9.47%
2009	383,625	383,625	-	4,050,948	9.47%
Component Unit School Board (nonprofessional)					
2018	\$ 33,468	\$ 33,468	\$ -	\$ 671,806	4.98%
2017	35,810	35,810	-	673,225	5.32%
2016	55,293	55,293	-	652,740	8.47%
2015	57,201	57,201	-	664,350	8.61%
2014	95,310	95,310	-	990,747	9.62%
2013	103,670	103,670	-	1,077,653	9.62%
2012	80,540	80,540	-	1,020,784	7.89%
2011	86,945	86,945	-	1,101,964	7.89%
2010	80,801	80,801	-	1,125,360	7.18%
2009	81,717	81,717	-	1,138,124	7.18%
Component Unit School Board (professional)*					
2018	\$ 1,741,611	\$ 1,741,611	\$ -	\$ 12,337,938	14.12%
2017	1,679,087	1,679,087	-	11,986,432	14.01%
2016	1,679,413	1,679,413	-	11,656,844	14.41%
2015	1,584,459	1,584,459	-	11,292,534	14.03%

(A) Includes Primary Government and Clarke County Sanitary Authority

* 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.

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)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final retirement
Withdrawal Rates	Adjusted rates to better fit experience at each year age and
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)	Updated to a more current mortality table - RP-2014
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)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final retirement
Withdrawal Rates	Adjusted rates to better fit experience at each year age and
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)	Updated to a more current mortality table - RP-2014
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
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
-------------	---	---	---	--	---

Primary Government:

2017	0.02507%	\$ 378,000	\$ 4,624,623	8.17%	48.86%
------	----------	------------	--------------	-------	--------

Component Unit - School Board (nonprofessional):

2017	0.00369%	\$ 56,000	\$ 679,755	8.24%	48.86%
------	----------	-----------	------------	-------	--------

Component Unit - School Board (professional):

2017	0.06497%	\$ 978,000	\$ 11,983,662	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)
County:					
2018	\$ 25,064	\$ 25,064	\$ -	\$ 4,820,004	0.52%
2017	24,048	24,048	-	4,624,623	0.52%
2016	21,010	21,010	-	4,377,003	0.48%
2015	20,408	20,408	-	4,251,728	0.48%
2014	19,405	19,405	-	4,042,651	0.48%
2013	19,582	19,582	-	4,079,590	0.48%
2012	10,848	10,848	-	3,874,163	0.28%
2011	11,153	11,153	-	3,983,184	0.28%
2010	8,212	8,212	-	3,041,491	0.27%
2009	10,945	10,945	-	4,053,660	0.27%
Component Unit - School Board (nonprofessional):					
2018	\$ 3,493	\$ 3,493	\$ -	\$ 671,806	0.52%
2017	3,535	3,535	-	679,755	0.52%
2016	3,133	3,133	-	652,740	0.48%
2015	3,189	3,189	-	664,350	0.48%
2014	4,756	4,756	-	990,747	0.48%
2013	5,173	5,173	-	1,077,653	0.48%
2012	2,861	2,861	-	1,021,723	0.28%
2011	3,086	3,086	-	1,101,964	0.28%
2010	2,281	2,281	-	844,884	0.27%
2009	3,073	3,073	-	1,138,124	0.27%
Component Unit - School Board (professional):					
2018	\$ 64,238	\$ 64,238	\$ -	\$ 12,353,413	0.52%
2017	62,315	62,315	-	11,983,662	0.52%
2016	56,000	56,000	-	11,666,729	0.48%
2015	54,776	54,776	-	11,411,639	0.48%
2014	54,159	54,159	-	11,283,075	0.48%
2013	53,623	53,623	-	11,171,543	0.48%
2012	29,271	29,271	-	10,453,931	0.28%
2011	29,625	29,625	-	10,580,218	0.28%
2010	21,616	21,616	-	8,005,822	0.27%
2009	29,594	29,594	-	10,960,804	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 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)
-------------	---	---	---	--	---

School Board - Professional:

2017	0.15182% \$	1,926,000 \$	11,981,677	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.

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

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

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

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

Schedule of Employer 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)
School Board - Professional:					
2018	\$ 151,947	\$ 151,947	\$ -	\$ 12,353,413	1.11%
2017	132,997	132,997	-	11,981,677	1.11%
2016	123,625	123,625	-	11,662,709	1.06%
2015	120,963	120,963	-	11,411,639	1.06%
2014	125,133	125,133	-	11,273,274	1.11%
2013	122,330	122,330	-	11,020,705	1.11%
2012	62,522	62,522	-	10,420,403	0.60%
2011	63,494	63,494	-	10,582,337	0.60%
2010	83,261	83,261	-	8,005,822	1.04%
2009	118,377	118,377	-	10,960,804	1.08%

Notes to Required Supplementary Information
 Teacher Health Insurance Credit Programs (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:

Teacher Health Insurance Credit Program - School Board - Professional:

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

OPEB - Health Insurance Plan
 Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
 For the Year Ended June 30, 2018

	<u>2018</u>
County:	
Total OPEB liability	
Service cost	\$ 22,728
Interest	13,349
Changes in assumptions	(8,547)
Benefit payments	<u>(7,922)</u>
Net change in total OPEB liability	\$ 19,608
Total OPEB liability - beginning	354,075
Total OPEB liability - ending	<u><u>373,683</u></u>
Covered payroll	\$ 5,014,231
County's total OPEB liability (asset) as a percentage of covered employee payroll	7.5%
 School Board:	
Total OPEB liability	
Service cost	\$ 64,527
Interest	39,995
Changes in assumptions	(23,128)
Benefit payments	<u>(66,561)</u>
Net change in total OPEB liability	\$ 14,833
Total OPEB liability - beginning	1,085,630
Total OPEB liability - ending	<u><u>1,100,463</u></u>
Covered payroll	\$ 12,818,270
School Boards total OPEB liability (asset) as a percentage of covered employee payroll	8.6%

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

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

Valuation Date: 6/30/2018
 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 - County and School Board:

Actuarial Cost Method	Entry age normal, level % of pay
Discount Rate	3.58% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2018
Healthcare Trend Rate	5.70% for fiscal year ending 2018 (to reflect actual experience). The rates reverts to 6.4% for fiscal year ending 2019, decreasing .10% per year to an ultimate rate of 4.30%.
Salary Increase Rates	County: Ranges of increases of 3.5% for 20+ years of service to 5.35% for 1-2 years of service; School Board: Ranges of increases of 3.5% for 20+ years of service to 5.95% for 1 year of service.
Retirement Age	Reduced: Age 50 and 10 years of service or Age 55 and 5 years of service; Unreduced: Age 65 and 5 years of service or Age 50 with 30 years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Mortaility Tables projected to 2020 using Scale BB with Males set back 1 year and Females set back 1 year. Post-Retirement: RP-2014 Employee Mortaility Tables projected to 2020 using Scale BB with Males set forward 1 year and Females set back 1 year.

This page intentionally left blank

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 356,286	\$ 167,320	\$ 523,606
Prepaid items	30	74,509	74,539
Receivables:			
for uncollectibles):			
Accounts receivable	-	6,704	6,704
Due from other funds	-	-	-
Due from other governmental units	25,381	-	25,381
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>381,697</u>	\$ <u>248,533</u>	\$ <u>630,230</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 4,523	\$ 33,938	\$ 38,461
Due to other funds	25,381	72,770	98,151
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u>29,904</u>	\$ <u>106,708</u>	\$ <u>136,612</u>
FUND BALANCES:			
Nonspendable:			
Prepaid items	\$ 30	\$ 74,509	\$ 74,539
Restricted:			
Swim team	-	4,851	4,851
Pool	-	1,659	1,659
Committed:			
Community development	261,137	-	261,137
Public safety	90,626	-	90,626
Assigned:			
Capital projects	-	60,806	60,806
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	\$ <u>351,793</u>	\$ <u>141,825</u>	\$ <u>493,618</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>381,697</u>	\$ <u>248,533</u>	\$ <u>630,230</u>

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
General property taxes	\$ 11,709	\$ -	\$ -	\$ 11,709
Revenue from the use of money and property	1,537	-	383	1,920
Charges for services	-	4,955	-	4,955
Miscellaneous	39,758	-	11,590	51,348
Intergovernmental:				
Commonwealth	185,489	-	86,810	272,299
Federal	4,438	-	847	5,285
Total revenues	<u>\$ 242,931</u>	<u>\$ 4,955</u>	<u>\$ 99,630</u>	<u>\$ 347,516</u>
EXPENDITURES				
Current:				
Public safety	\$ 42,580	\$ -	\$ -	\$ 42,580
Health and welfare	361,896	-	-	361,896
Community development	64,442	-	-	64,442
Capital projects	-	-	737,190	737,190
Debt service:				
Principal retirement	-	84,730	-	84,730
Interest and other fiscal charges	-	166,970	-	166,970
Total expenditures	<u>\$ 468,918</u>	<u>\$ 251,700</u>	<u>\$ 737,190</u>	<u>\$ 1,457,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (225,987)</u>	<u>\$ (246,745)</u>	<u>\$ (637,560)</u>	<u>\$ (1,110,292)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 232,071</u>	<u>\$ 246,745</u>	<u>\$ 639,418</u>	<u>\$ 1,118,234</u>
Total other financing sources (uses)	<u>\$ 232,071</u>	<u>\$ 246,745</u>	<u>\$ 639,418</u>	<u>\$ 1,118,234</u>
Net change in fund balances	\$ 6,084	\$ -	\$ 1,858	\$ 7,942
Fund balances - beginning	<u>345,709</u>	<u>-</u>	<u>139,967</u>	<u>485,676</u>
Fund balances - ending	<u><u>\$ 351,793</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 141,825</u></u>	<u><u>\$ 493,618</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2018

	Shenandoah					
	CSA	Drug	Animal	Farms	Conservation	
	Fund	Enforcement	Care	Sanitary	Easement	Total
	Fund	Fund	Fund	District	Fund	Fund
ASSETS						
Cash and cash equivalents	\$ 3,402	\$ 90,831	\$ -	\$ -	\$ 262,053	\$ 356,286
Prepaid items	-	30	-	-	-	30
Due from other governmental units	25,381	-	-	-	-	25,381
Total assets	\$ 28,783	\$ 90,861	\$ -	\$ -	\$ 262,053	\$ 381,697
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 3,402	\$ 205	\$ -	\$ -	\$ 916	\$ 4,523
Due to other funds	25,381	-	-	-	-	25,381
Total liabilities	\$ 28,783	\$ 205	\$ -	\$ -	\$ 916	\$ 29,904
FUND BALANCES:						
Nonspendable:						
Prepaid items	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ 30
Committed:						
Community development	-	-	-	-	261,137	261,137
Public safety	-	90,626	-	-	-	90,626
Total fund balances	\$ -	\$ 90,656	\$ -	\$ -	\$ 261,137	\$ 351,793
Total liabilities and fund balances	\$ 28,783	\$ 90,861	\$ -	\$ -	\$ 262,053	\$ 381,697

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	CSA Fund	Drug Enforcement Fund	Animal Care Fund	Shenandoah Farms Sanitary District	Conservation Easement Fund	Total
REVENUES						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,709	\$ 11,709
Revenue from the use of money and property	-	550	-	-	987	1,537
Miscellaneous	-	5,813	-	-	33,945	39,758
Intergovernmental:						
Commonwealth	140,586	7,935	-	-	36,968	185,489
Federal	4,239	199	-	-	-	4,438
Total revenues	\$ 144,825	\$ 14,497	\$ -	\$ -	\$ 83,609	\$ 242,931
EXPENDITURES						
Current:						
Public safety	\$ -	\$ 42,580	\$ -	\$ -	\$ -	\$ 42,580
Health and welfare	361,896	-	-	-	-	361,896
Community development	-	-	-	-	64,442	64,442
Total expenditures	\$ 361,896	\$ 42,580	\$ -	\$ -	\$ 64,442	\$ 468,918
Excess (deficiency) of revenues over (under) expenditures	\$ (217,071)	\$ (28,083)	\$ -	\$ -	\$ 19,167	\$ (225,987)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 217,071	\$ -	\$ -	\$ -	\$ 15,000	\$ 232,071
Total other financing sources (uses)	\$ 217,071	\$ -	\$ -	\$ -	\$ 15,000	\$ 232,071
Net change in fund balances	\$ -	\$ (28,083)	\$ -	\$ -	\$ 34,167	\$ 6,084
Fund balances - beginning	-	118,739	-	-	226,970	345,709
Fund balances - ending	\$ -	\$ 90,656	\$ -	\$ -	\$ 261,137	\$ 351,793

COUNTY OF CLARKE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	CSA Fund				Drug Enforcement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-	-	-	550	550
Miscellaneous	-	-	-	-	-	-	5,813	5,813
Intergovernmental:								
Commonwealth	239,688	239,688	140,586	(99,102)	-	-	7,935	7,935
Federal	-	-	4,239	4,239	-	-	199	199
Total revenues	\$ 239,688	\$ 239,688	\$ 144,825	\$ (94,863)	\$ -	\$ -	\$ 14,497	\$ 14,497
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	42,580	\$ (42,580)
Health and welfare	478,689	478,689	361,896	116,793	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	\$ 478,689	\$ 478,689	\$ 361,896	\$ 116,793	\$ -	\$ -	\$ 42,580	\$ (42,580)
Excess (deficiency) of revenues over (under) expenditures	\$ (239,001)	\$ (239,001)	\$ (217,071)	\$ 21,930	\$ -	\$ -	\$ (28,083)	\$ (28,083)
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 239,001	\$ 239,001	\$ 217,071	\$ (21,930)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ 239,001	\$ 239,001	\$ 217,071	\$ (21,930)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (28,083)	\$ (28,083)
Fund balances - beginning	-	-	-	-	-	-	118,739	118,739
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,656	\$ 90,656

Animal Care Fund				Shenandoah Farms Sanitary District				Conservation Easement Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,709	\$ 11,709
-	-	-	-	-	-	-	-	-	-	987	987
-	-	-	-	-	-	-	-	-	-	33,945	33,945
-	-	-	-	-	-	-	-	30,000	96,330	36,968	(59,362)
-	-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 96,330	\$ 83,609	\$ (12,721)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	45,000	177,660	64,442	113,218
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,000	\$ 177,660	\$ 64,442	\$ 113,218
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,000)	\$ (81,330)	\$ 19,167	\$ 100,497
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (66,330)	\$ 34,167	\$ 100,497
-	-	-	-	-	-	-	-	-	66,330	226,970	160,640
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,137	\$ 261,137

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

	<u>Primary Government Debt Service Fund</u>
REVENUES	
Charges for services	\$ <u>4,955</u>
Total revenues	\$ <u>4,955</u>
EXPENDITURES	
Debt service:	
Principal retirement	\$ 84,730
Interest and other fiscal charges	<u>166,970</u>
Total expenditures	\$ <u>251,700</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(246,745)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ <u>246,745</u>
Total other financing sources (uses)	\$ <u>246,745</u>
Net change in fund balances	\$ -
Fund balances - beginning	<u>-</u>
Fund balances - ending	<u><u>-</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2018

	Primary Government Debt Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 4,955	\$ 4,955
Total revenues	\$ -	\$ -	\$ 4,955	\$ 4,955
EXPENDITURES				
Debt service:				
Principal retirement	\$ 84,717	\$ 84,717	\$ 84,730	\$ (13)
Interest and other fiscal charges	166,983	166,983	166,970	13
Total expenditures	\$ 251,700	\$ 251,700	\$ 251,700	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ (251,700)	\$ (251,700)	\$ (246,745)	\$ 4,955
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 251,700	\$ 251,700	\$ 246,745	\$ (4,955)
Total other financing sources (uses)	\$ 251,700	\$ 251,700	\$ 246,745	\$ (4,955)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2018

	Parks Construction Fund	General Government Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 39,391	\$ 127,929	\$ 167,320
Receivables:			
Accounts receivable	-	6,704	6,704
Prepaid items	-	74,509	74,509
Total assets	\$ 39,391	\$ 209,142	\$ 248,533
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 33,938	\$ 33,938
Due to other funds	-	72,770	72,770
Total liabilities	\$ -	\$ 106,708	\$ 106,708
FUND BALANCES:			
Nonspendable:			
Prepaid items	\$ -	\$ 74,509	\$ 74,509
Restricted:			
Swim team	4,851	-	4,851
Pool	1,659	-	1,659
Assigned:			
Capital projects	32,881	27,925	60,806
Total fund balances	\$ 39,391	\$ 102,434	\$ 141,825
Total liabilities and fund balances	\$ 39,391	\$ 209,142	\$ 248,533

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2018

	Parks Construction Fund	Government Capital Projects Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 383	\$ -	\$ 383
Miscellaneous	875	10,715	11,590
Intergovernmental:			
Commonwealth	-	86,810	86,810
Federal	-	847	847
Total revenues	<u>\$ 1,258</u>	<u>\$ 98,372</u>	<u>\$ 99,630</u>
EXPENDITURES			
Capital projects	<u>\$ -</u>	<u>\$ 737,190</u>	<u>\$ 737,190</u>
Total expenditures	<u>\$ -</u>	<u>\$ 737,190</u>	<u>\$ 737,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,258</u>	<u>\$ (638,818)</u>	<u>\$ (637,560)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>\$ 600</u>	<u>\$ 638,818</u>	<u>\$ 639,418</u>
Total other financing sources (uses)	<u>\$ 600</u>	<u>\$ 638,818</u>	<u>\$ 639,418</u>
Net change in fund balances	\$ 1,858	\$ -	\$ 1,858
Fund balances - beginning	<u>37,533</u>	<u>102,434</u>	<u>139,967</u>
Fund balances - ending	<u><u>\$ 39,391</u></u>	<u><u>\$ 102,434</u></u>	<u><u>\$ 141,825</u></u>

COUNTY OF CLARKE, VIRGINIA

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

	Parks Construction Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 383	\$ 383
Miscellaneous	-	-	875	875
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	\$ -	\$ -	\$ 1,258	\$ 1,258
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,258	\$ 1,258
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 600	\$ 600
Total other financing sources (uses)	\$ -	\$ -	\$ 600	\$ 600
Net change in fund balances	\$ -	\$ -	\$ 1,858	\$ 1,858
Fund balances - beginning	-	-	37,533	37,533
Fund balances - ending	\$ -	\$ -	\$ 39,391	\$ 39,391

General Government Capital Projects Fund				
Budgeted Amounts		Actual	Variance with Final Budget	
Original	Final		Positive (Negative)	
\$ -	\$ -	\$ -	\$ -	\$ -
-	13,646	10,715		(2,931)
147,792	140,155	86,810		(53,345)
-	653	847		194
<u>\$ 147,792</u>	<u>\$ 154,454</u>	<u>\$ 98,372</u>	<u>\$</u>	<u>(56,082)</u>
<u>\$ 947,589</u>	<u>\$ 2,445,553</u>	<u>\$ 737,190</u>	<u>\$</u>	<u>1,708,363</u>
<u>\$ 947,589</u>	<u>\$ 2,445,553</u>	<u>\$ 737,190</u>	<u>\$</u>	<u>1,708,363</u>
<u>\$ (799,797)</u>	<u>\$ (2,291,099)</u>	<u>\$ (638,818)</u>	<u>\$</u>	<u>1,652,281</u>
<u>\$ -</u>	<u>\$ 2,188,664</u>	<u>\$ 638,818</u>	<u>\$</u>	<u>(1,549,846)</u>
<u>\$ -</u>	<u>\$ 2,188,664</u>	<u>\$ 638,818</u>	<u>\$</u>	<u>(1,549,846)</u>
<u>\$ (799,797)</u>	<u>\$ (102,435)</u>	<u>\$ -</u>	<u>\$</u>	<u>102,435</u>
<u>799,797</u>	<u>102,435</u>	<u>102,434</u>	<u></u>	<u>(1)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 102,434</u></u>	<u><u>\$</u></u>	<u><u>102,434</u></u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Agency Funds					Total
	Special Welfare Fund	Town of Berryville	Undistributed Local Sales Tax Fund	Cafeteria Plan Withholding Fund	Unemployment Compensation Benefits Fund	
ASSETS						
Cash and cash equivalents	\$ 53,689	\$ 134,603	\$ -	\$ 88,511	\$ 4,926	\$ 281,729
Due from other governments	-	-	195,495	-	-	195,495
Total assets	<u>\$ 53,689</u>	<u>\$ 134,603</u>	<u>\$ 195,495</u>	<u>\$ 88,511</u>	<u>\$ 4,926</u>	<u>\$ 477,224</u>
LIABILITIES						
Accounts payable	\$ -	\$ 701	\$ -	\$ -	\$ 4,926	\$ 5,627
Sales tax payable to other towns	-	-	39,304	-	-	39,304
Amounts held for Town	-	133,902	-	-	-	133,902
Due to other funds	-	-	156,191	-	-	156,191
Accrued liabilities	-	-	-	88,511	-	88,511
Amounts held for social services clients	53,689	-	-	-	-	53,689
Total liabilities	<u>\$ 53,689</u>	<u>\$ 134,603</u>	<u>\$ 195,495</u>	<u>\$ 88,511</u>	<u>\$ 4,926</u>	<u>\$ 477,224</u>

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special welfare fund:				
Assets:				
Cash and cash equivalents	\$ 43,194	\$ 15,519	\$ 5,024	\$ 53,689
Liabilities:				
Amounts held for social service clients	\$ 43,194	\$ 15,519	\$ 5,024	\$ 53,689
Town of Berryville:				
Assets:				
Cash and cash equivalents	\$ 94,349	\$ 96,858	\$ 56,604	\$ 134,603
Liabilities:				
Amounts held for Town	\$ 92,083	\$ 96,858	\$ 55,039	\$ 133,902
Accounts payable	2,266	701	2,266	701
Total liabilities	\$ 94,349	\$ 97,559	\$ 57,305	\$ 134,603
Undistributed local sales tax fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,126,198	\$ 1,126,198	\$ -
Due from other governments	205,492	195,495	205,492	195,495
Total assets	\$ 205,492	\$ 1,321,693	\$ 1,331,690	\$ 195,495
Liabilities:				
Sales tax payable to other towns	\$ 42,732	\$ 39,304	\$ 42,732	\$ 39,304
Due to other funds	162,760	156,191	162,760	156,191
Total liabilities	\$ 205,492	\$ 195,495	\$ 205,492	\$ 195,495
Cafeteria plan withholding fund:				
Assets:				
Cash and cash equivalents	\$ 87,143	\$ 133,501	\$ 132,133	\$ 88,511
Liabilities:				
Accrued liabilities	\$ 87,143	\$ 133,501	\$ 132,133	\$ 88,511

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018 (continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Unemployment compensation benefits fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 6,935	\$ 2,009	\$ 4,926
Accounts receivable	294	-	294	-
Total assets	<u>\$ 294</u>	<u>\$ 6,935</u>	<u>\$ 2,303</u>	<u>\$ 4,926</u>
Liabilities:				
Accounts payable	<u>\$ 294</u>	<u>\$ 6,641</u>	<u>\$ 2,009</u>	<u>\$ 4,926</u>
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 224,686	\$ 1,379,011	\$ 1,321,968	\$ 281,729
Accounts receivable	294	-	294	-
Due from other governments	205,492	195,495	205,492	195,495
Total assets	<u>\$ 430,472</u>	<u>\$ 1,574,506</u>	<u>\$ 1,527,754</u>	<u>\$ 477,224</u>
Liabilities:				
Amounts held for social service clients	\$ 43,194	\$ 15,519	\$ 5,024	\$ 53,689
Sales tax payable to other towns	42,732	39,304	42,732	39,304
Amounts held for Town	92,083	96,858	55,039	133,902
Accrued liabilities	87,143	133,501	132,133	88,511
Due to other funds	162,760	156,191	162,760	156,191
Accounts payable	2,560	7,342	4,275	5,627
Total liabilities	<u>\$ 430,472</u>	<u>\$ 448,715</u>	<u>\$ 401,963</u>	<u>\$ 477,224</u>

Discretely Presented Component Unit-School Board

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

	School Operating Fund	School Food Service Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,530,059	\$ 11,823	\$ 97,698	\$ 4,714	\$ 1,644,294
Receivables:					
Accounts receivable	3,245	24,911	-	-	28,156
Due from primary government	-	-	61,998	-	61,998
Due from other governmental units	593,911	36,168	246,788	-	876,867
Prepaid items	48,580	-	30,048	-	78,628
Total assets	<u>\$ 2,175,795</u>	<u>\$ 72,902</u>	<u>\$ 436,532</u>	<u>\$ 4,714</u>	<u>\$ 2,689,943</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 132,636	\$ 14,348	\$ 436,532	\$ -	\$ 583,516
Accrued liabilities	2,039,675	50,064	-	-	2,089,739
Due to primary government	2,984	-	-	-	2,984
Total liabilities	<u>\$ 2,175,295</u>	<u>\$ 64,412</u>	<u>\$ 436,532</u>	<u>\$ -</u>	<u>\$ 2,676,239</u>
FUND BALANCES:					
Nonspendable:					
Prepaid items	\$ 48,580	\$ -	\$ 30,048	\$ -	\$ 78,628
Assigned:					
School operating	500	8,490	-	-	8,990
Capital projects	-	-	(30,048)	4,714	(25,334)
Unassigned	(48,580)	-	-	-	(48,580)
Total fund balances	<u>\$ 500</u>	<u>\$ 8,490</u>	<u>\$ -</u>	<u>\$ 4,714</u>	<u>\$ 13,704</u>
Total liabilities and fund balances	<u>\$ 2,175,795</u>	<u>\$ 72,902</u>	<u>\$ 436,532</u>	<u>\$ 4,714</u>	<u>\$ 2,689,943</u>

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

Total fund balances per above	\$ 13,704
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,351,328
The net pension asset is not an available resource and, therefore, is not reported in the funds.	269,885
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 2,046,079
OPEB related items	<u>219,678</u>
	2,265,757
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (2,432,569)
OPEB related items	<u>(170,558)</u>
	(2,603,127)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(23,204,923)</u>
Net position of governmental activities	<u>\$ (11,907,376)</u>

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

	School Operating Fund	School Food Service Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 63,317	\$ 35	\$ -	\$ -	\$ 63,352
Charges for services	216,263	470,342	-	-	686,605
Miscellaneous	90,772	-	-	-	90,772
Recovered costs	41,188	25,566	-	-	66,754
Intergovernmental:					
Local government	12,053,640	-	2,555,426	-	14,609,066
Commonwealth	8,661,928	12,121	357,791	-	9,031,840
Federal	716,204	300,056	-	-	1,016,260
Total revenues	<u>\$ 21,843,312</u>	<u>\$ 808,120</u>	<u>\$ 2,913,217</u>	<u>\$ -</u>	<u>\$ 25,564,649</u>
EXPENDITURES					
Current:					
Education	\$ 21,843,312	\$ 799,630	\$ -	\$ -	\$ 22,642,942
Capital projects	-	-	2,913,217	-	2,913,217
Total expenditures	<u>\$ 21,843,312</u>	<u>\$ 799,630</u>	<u>\$ 2,913,217</u>	<u>\$ -</u>	<u>\$ 25,556,159</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 8,490	\$ -	\$ -	\$ 8,490
Net change in fund balances	\$ -	\$ 8,490	\$ -	\$ -	\$ 8,490
Fund balances - beginning	500	-	-	4,714	5,214
Fund balances - ending	<u>\$ 500</u>	<u>\$ 8,490</u>	<u>\$ -</u>	<u>\$ 4,714</u>	<u>\$ 13,704</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 8,490

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. 2,948,600

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 amount reflects the changes in compensated absences, net OPEB liabilities, and accrued interest payable, etc.

Pension expense	\$ 653,074
OPEB expense	15,287
Decrease in compensated absences	<u>(42,199)</u>
Change in net position of governmental activities	<u>\$ 3,583,252</u>

COUNTY OF CLARKE, VIRGINIA

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 67,937	\$ 67,937	\$ 63,317	\$ (4,620)
Charges for services	212,091	212,091	216,263	4,172
Miscellaneous	91,612	91,612	90,772	(840)
Recovered costs	52,126	52,126	41,188	(10,938)
Intergovernmental:				
Local government	12,449,604	12,449,604	12,053,640	(395,964)
Commonwealth	8,939,299	8,939,299	8,661,928	(277,371)
Federal	723,072	723,072	716,204	(6,868)
Total revenues	<u>\$ 22,535,741</u>	<u>\$ 22,535,741</u>	<u>\$ 21,843,312</u>	<u>\$ (692,429)</u>
EXPENDITURES				
Current:				
Education	\$ 22,510,741	\$ 22,510,741	\$ 21,843,312	\$ 667,429
Total expenditures	<u>\$ 22,510,741</u>	<u>\$ 22,510,741</u>	<u>\$ 21,843,312</u>	<u>\$ 667,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(25,000)	(25,000)	-	25,000
Total other financing sources (uses)	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	500	500
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>

School Food Service Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ 140	\$ 140	\$ 35	\$	(105)
492,521	492,521	470,342		(22,179)
-	-	-		-
25,000	25,000	25,566		566
-	-	-		-
10,862	10,862	12,121		1,259
278,885	278,885	300,056		21,171
<u>\$ 807,408</u>	<u>\$ 807,408</u>	<u>\$ 808,120</u>	<u>\$</u>	<u>712</u>
<u>\$ 832,408</u>	<u>\$ 832,408</u>	<u>\$ 799,630</u>	<u>\$</u>	<u>32,778</u>
<u>\$ 832,408</u>	<u>\$ 832,408</u>	<u>\$ 799,630</u>	<u>\$</u>	<u>32,778</u>
<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 8,490</u>	<u>\$</u>	<u>33,490</u>
\$ 25,000	\$ 25,000	\$ -	\$	(25,000)
-	-	-		-
<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$</u>	<u>(25,000)</u>
\$ -	\$ -	\$ 8,490	\$	8,490
-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,490</u>	<u>\$</u>	<u>8,490</u>

Balance Sheet

Nonmajor Capital Project Fund - Discretely Presented Component Unit - School Board

June 30, 2018

	School Capital Project Proffers Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u> 4,714</u>
Total assets	\$ <u><u> 4,714</u></u>
FUND BALANCE	
Assigned:	
Capital projects	\$ <u> 4,714</u>
Total fund balances	\$ <u> 4,714</u>
Total liabilities and fund balances	\$ <u><u> 4,714</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Project Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2018

	<u>School Capital Project Proffers Fund</u>
REVENUES	
Revenue from the use of money and property	\$ -
Total revenues	<u>\$ -</u>
EXPENDITURES	
Current:	
Capital projects	\$ -
Total expenditures	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>
Net change in fund balances	\$ -
Fund balances - beginning	<u>4,714</u>
Fund balances - ending	<u><u>\$ 4,714</u></u>

COUNTY OF CLARKE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor and Major Capital Projects Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2018

	School Capital Projects Proffers Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	4,714	4,714
Fund balances - ending	\$ -	\$ -	\$ 4,714	\$ 4,714

School Capital Projects Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	4,429,853	2,555,426	(1,874,427)
154,000	380,340	357,791	(22,549)
<u>\$ 154,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ (1,896,976)</u>
<u>\$ 842,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ 1,896,976</u>
<u>\$ 842,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ 1,896,976</u>
<u>\$ (688,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(688,000)	-	-	-
<u>688,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

This page intentionally left blank

Discretely Presented Component Unit – Sanitary Authority

Combining Statement of Net Position
 Discretely Presented Component Unit - Sanitary Authority
 As of June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 221,035	\$ -	\$ 221,035
Accounts receivable	54,361	64,060	118,421
Prepaid items	6,688	6,437	13,125
Total current assets	\$ 282,084	\$ 70,497	\$ 352,581
Noncurrent assets:			
Capital assets:			
Land	\$ 13,200	\$ -	\$ 13,200
Utility plant in service	5,255,034	6,830,188	12,085,222
Accumulated depreciation	(2,826,137)	(1,559,640)	(4,385,777)
Sub-total	\$ 2,442,097	\$ 5,270,548	\$ 7,712,645
Construction in progress	\$ 1,342,190	\$ -	\$ 1,342,190
Total capital assets	\$ 3,784,287	\$ 5,270,548	\$ 9,054,835
Total noncurrent assets	\$ 3,784,287	\$ 5,270,548	\$ 9,054,835
Total assets	\$ 4,066,371	\$ 5,341,045	\$ 9,407,416
DEFERRED OUTFLOW OF RESOURCES			
Pension related items	\$ 2,908	\$ 2,908	\$ 5,816
Total deferred outflows of resources	\$ 2,908	\$ 2,908	\$ 5,816
LIABILITIES			
Current liabilities:			
Reconciled overdraft	\$ -	\$ 126,375	\$ 126,375
Accounts payable	39,560	34,309	73,869
Accrued interest payable	4,078	-	4,078
Customers' deposits	5,750	-	5,750
Bonds payable - current portion	123,813	207,052	330,865
Total current liabilities	\$ 173,201	\$ 367,736	\$ 540,937
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,319,763	\$ 2,241,259	\$ 3,561,022
Net pension liability	7,852	7,852	15,704
Total noncurrent liabilities	\$ 1,327,615	\$ 2,249,111	\$ 3,576,726
Total liabilities	\$ 1,500,816	\$ 2,616,847	\$ 4,117,663
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 2,322	\$ 2,323	\$ 4,645
Total deferred inflows of resources	\$ 2,322	\$ 2,323	\$ 4,645
NET POSITION			
Net investment in capital assets	\$ 2,340,711	\$ 2,822,237	\$ 5,162,948
Unrestricted	225,430	(97,454)	127,976
Total net position	\$ 2,566,141	\$ 2,724,783	\$ 5,290,924

Combining Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Sanitary Authority
 For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Customer service charges	\$ 245,966	\$ 296,000	\$ 541,966
Connection fees	2,563	1,339	3,902
Miscellaneous	4,833	590	5,423
Total operating revenues	\$ 253,362	\$ 297,929	\$ 551,291
OPERATING EXPENSES			
Office supplies and expenses	\$ 923	\$ 1,044	\$ 1,967
Plant maintenance	7,094	54,506	61,600
Pipeline/road repairs	19,244	-	19,244
Pump station maintenance	-	25,150	25,150
Grinder pump maintenance	-	3,243	3,243
Operating supplies / small equipment	20,858	82,362	103,220
Professional services	107,676	181,832	289,508
Salaries and wages	18,266	18,266	36,532
Benefits	4,613	4,613	9,226
Testing services	4,766	7,657	12,423
Utilities	29,196	72,732	101,928
Depreciation	131,235	171,261	302,496
Total operating expenses	\$ 343,871	\$ 622,666	\$ 966,537
Operating income (loss)	\$ (90,509)	\$ (324,737)	\$ (415,246)
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 1,307	\$ 21	\$ 1,328
Tower rental	137,584	-	137,584
County operating subsidy	-	207,000	207,000
Transfers	(68,720)	68,720	-
Interest expense	(24,877)	-	(24,877)
Total nonoperating revenues (expenses)	\$ 45,294	\$ 275,741	\$ 321,035
Change in net position	\$ (45,215)	\$ (48,996)	\$ (94,211)
Total net position - beginning	2,611,356	2,773,779	5,385,135
Total net position - ending	\$ 2,566,141	\$ 2,724,783	\$ 5,290,924

Combining Statement of Cash Flows
Discretely Presented Component Unit - Sanitary Authority
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 255,587	\$ 297,010	\$ 552,597
Payments to suppliers	(179,212)	(423,488)	(602,700)
Payments to and on behalf of employees	(25,169)	(25,169)	(50,338)
Net cash provided by (used for) operating activities	\$ 51,206	\$ (151,647)	\$ (100,441)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tower rental	\$ 137,584	\$ -	\$ 137,584
Transfers	(68,720)	68,720	-
Operating subsidy from Clarke County	-	207,000	207,000
Net cash provided by (used for) noncapital financing activities	\$ 68,864	\$ 275,720	\$ 344,584
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (52,348)	\$ -	\$ (52,348)
Retirements of long-term indebtedness	(122,564)	(207,052)	(329,616)
Interest paid on debt	(25,217)	-	(25,217)
Net cash provided by (used for) capital and related financing activities	\$ (200,129)	\$ (207,052)	\$ (407,181)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 1,307	\$ 21	\$ 1,328
Net cash provided by (used for) investing activities	\$ 1,307	\$ 21	\$ 1,328
Net increase (decrease) in cash and cash equivalents	\$ (78,752)	\$ (82,958)	\$ (161,710)
Cash and cash equivalents - beginning	299,787	(43,417)	256,370
Cash and cash equivalents - ending	\$ 221,035	\$ (126,375)	\$ 94,660
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (90,509)	\$ (324,737)	\$ (415,246)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	131,235	171,261	302,496
(Increase) decrease in accounts receivable	2,625	(919)	1,706
(Increase) decrease in prepaid items	(6,688)	(6,437)	(13,125)
(Increase) decrease in deferred outflows related to pension	1,156	1,156	2,312
Increase (decrease) in accounts payable	17,233	11,475	28,708
Increase (decrease) in customers' deposits	(400)	-	(400)
Increase (decrease) in net pension liability	(5,193)	(5,193)	(10,386)
Increase (decrease) in deferred inflows related to pension	1,747	1,747	3,494
Total adjustments	\$ 141,715	\$ 173,090	\$ 314,805
Net cash provided by (used for) operating activities	\$ 51,206	\$ (151,647)	\$ (100,441)

Discretely Presented Component Unit-Industrial Development Authority

Statement of Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 As of June 30, 2018

	<u>Industrial Development Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>154,693</u>
Total assets	\$ <u><u>154,693</u></u>
NET POSITION	
Unrestricted	<u><u>154,693</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2018

	<u>Industrial Development Authority</u>
OPERATING REVENUES	
Charges for services:	
Bond repayment and application fees	\$ <u>62,995</u>
Total operating revenues	\$ <u>62,995</u>
OPERATING EXPENSES	
Contribution to Lord Fairfax Small Business Park	\$ 6,000
Professional services	1,675
Board members' fee	1,350
Insurance	1,333
Miscellaneous	<u>47</u>
Total operating expenses	\$ <u>10,405</u>
Operating income (loss)	\$ <u>52,590</u>
NONOPERATING REVENUES (EXPENSES)	
Unrealized gain (loss) on investments	\$ <u>876</u>
Total nonoperating revenues (expenses)	\$ <u>876</u>
Change in net position	\$ 53,466
Total net position - beginning	<u>101,227</u>
Total net position - ending	<u><u>\$ 154,693</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2018

	Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 62,995
Payments to board	(1,350)
Payments to suppliers	(9,357)
	<u>52,288</u>
Net cash provided (used) by operating activities	\$ <u>52,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Unrealized gain (loss) on investments	\$ <u>876</u>
Net cash provided (used) by investing activities	\$ <u>876</u>
Net increase (decrease) in cash and cash equivalents	\$ 53,164
Cash and cash equivalents - beginning	<u>101,529</u>
Cash and cash equivalents - ending	<u><u>\$ 154,693</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>52,590</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in prepaid items	\$ 1,333
Increase (decrease) in accounts payable	<u>(1,635)</u>
Total adjustments	<u>\$ (302)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 52,288</u></u>

Supporting Schedules

This page intentionally left blank

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,736,466	\$ 14,736,466	\$ 14,876,853	\$ 140,387
Real and personal public service corporation taxes	475,887	475,887	496,356	20,469
Personal property taxes	4,626,142	4,626,142	4,898,281	272,139
Mobile home taxes	1,183	1,183	991	(192)
Machinery and tools taxes	220,167	220,167	167,647	(52,520)
Penalties	159,257	159,257	199,898	40,641
Interest	133,477	133,477	122,298	(11,179)
Total general property taxes	<u>\$ 20,352,579</u>	<u>\$ 20,352,579</u>	<u>\$ 20,762,324</u>	<u>\$ 409,745</u>
Other local taxes:				
Local sales and use taxes	\$ 959,874	\$ 959,874	\$ 899,776	\$ (60,098)
Consumers' utility taxes	340,856	340,856	352,974	12,118
Consumption taxes	35,165	35,165	36,269	1,104
Motor vehicle licenses	301,924	301,924	355,923	53,999
Taxes on recordation and wills	266,438	266,438	265,103	(1,335)
Transient occupancy taxes	23,564	23,564	16,882	(6,682)
Business license taxes	25,172	25,172	22,290	(2,882)
Total other local taxes	<u>\$ 1,952,993</u>	<u>\$ 1,952,993</u>	<u>\$ 1,949,217</u>	<u>\$ (3,776)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,640	\$ 8,640	\$ 7,205	\$ (1,435)
Land use application fees	3,850	3,850	4,800	950
Animal shelter fees	8,525	8,525	8,360	(165)
Building and related permits	200,000	200,000	191,084	(8,916)
Zoning and subdivision	90,490	90,490	104,551	14,061
Transfer fees	461	461	541	80
Signs permits and inspection fees	488	488	120	(368)
Weapons permits	5,959	5,959	8,075	2,116
Other permits and fees	4,680	4,680	3,655	(1,025)
Total permits, privilege fees, and regulatory licenses	<u>\$ 323,093</u>	<u>\$ 323,093</u>	<u>\$ 328,391</u>	<u>\$ 5,298</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 310,095	\$ 310,095	\$ 357,254	\$ 47,159
Total fines and forfeitures	<u>\$ 310,095</u>	<u>\$ 310,095</u>	<u>\$ 357,254</u>	<u>\$ 47,159</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,071	\$ 20,071	\$ 40,449	\$ 20,378
Revenue from use of property	55,947	55,947	53,209	(2,738)
Total revenue from use of money and property	<u>\$ 76,018</u>	<u>\$ 76,018</u>	<u>\$ 93,658</u>	<u>\$ 17,640</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Sheriff's fees	\$ 796	\$ 796	\$ 1,592	\$ 796
Charges for ambulance and rescue	354,920	354,920	416,496	61,576
Charges for courthouse security	41,285	41,285	57,572	16,287
Charges for jail processing	1,825	1,825	1,072	(753)
Court appointed attorney	1,032	1,032	319	(713)
Charges for other localities	35,000	35,000	35,000	-
Charges for Commonwealth's Attorney	1,776	1,776	1,792	16
Charges for parks and recreation	409,370	409,370	405,586	(3,784)
Charges for engineer's fees/biosolids applications	16,882	16,882	14,246	(2,636)
E-tickets	25,000	25,000	28,421	3,421
Other charges for services	20,685	20,685	545	(20,140)
Total charges for services	<u>\$ 908,571</u>	<u>\$ 908,571</u>	<u>\$ 962,641</u>	<u>\$ 54,070</u>
Miscellaneous:				
Miscellaneous	\$ 5,207	\$ 5,209	\$ 46,756	\$ 41,547
Total miscellaneous	<u>\$ 5,207</u>	<u>\$ 5,209</u>	<u>\$ 46,756</u>	<u>\$ 41,547</u>
Recovered costs:				
Rebates and refunds	\$ 23,992	\$ 25,381	\$ 49,037	\$ 23,656
Insurance recovery	20,018	20,018	20,625	607
Gifts and donations in lieu of taxes	31,645	31,645	46,235	14,590
Sale of salvage	8,113	8,113	645	(7,468)
Loan repayment	3,495	3,495	3,495	-
Recycling and other rebates and refunds	21,311	21,311	22,109	798
Total recovered costs	<u>\$ 108,574</u>	<u>\$ 109,963</u>	<u>\$ 142,146</u>	<u>\$ 32,183</u>
Total revenue from local sources	<u>\$ 24,037,130</u>	<u>\$ 24,038,521</u>	<u>\$ 24,642,387</u>	<u>\$ 603,866</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 24,138	\$ 24,138	\$ 22,545	\$ (1,593)
Taxes on deeds	66,820	66,820	84,697	17,877
Quarterly rental tax	2,796	2,796	1,129	(1,667)
Communications tax	415,390	415,390	392,631	(22,759)
Personal property tax relief funds	2,483,842	2,483,842	2,483,842	-
Total noncategorical aid	<u>\$ 2,992,986</u>	<u>\$ 2,992,986</u>	<u>\$ 2,984,844</u>	<u>\$ (8,142)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 195,575	\$ 195,575	\$ 192,834	\$ (2,741)
Sheriff	771,856	771,856	779,609	7,753
Commissioner of revenue	77,529	77,529	78,505	976
Treasurer	94,888	94,888	94,707	(181)
Registrar/electoral board	36,601	36,601	37,399	798
Clerk of the Circuit Court	157,091	157,091	168,467	11,376
Total shared expenses	<u>\$ 1,333,540</u>	<u>\$ 1,333,540</u>	<u>\$ 1,351,521</u>	<u>\$ 17,981</u>
Other categorical aid:				
Fire programs fund	\$ 47,153	\$ 47,153	\$ 48,103	\$ 950
Litter control grant	5,310	5,310	5,222	(88)
Virginia Commission for the Arts	5,000	4,500	4,500	-
Other categorical aid	46,137	46,137	78,442	32,305
Total other categorical aid	<u>\$ 103,600</u>	<u>\$ 103,100</u>	<u>\$ 136,267</u>	<u>\$ 33,167</u>
Total categorical aid	<u>\$ 1,437,140</u>	<u>\$ 1,436,640</u>	<u>\$ 1,487,788</u>	<u>\$ 51,148</u>
Total revenue from the Commonwealth	<u>\$ 4,430,126</u>	<u>\$ 4,429,626</u>	<u>\$ 4,472,632</u>	<u>\$ 43,006</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 6,464</u>	<u>\$ 6,464</u>	<u>\$ 6,342</u>	<u>\$ (122)</u>
Categorical aid:				
Crime victim assistance	\$ 70,775	\$ 70,775	\$ 54,532	\$ (16,243)
SCAAP grant	775	775	-	(775)
DMV 402 grant	16,864	16,864	16,640	(224)
SAFER grant	-	-	35,273	35,273
Historic resources grant	-	5,366	5,366	-
Local law enforcement block grant	1,118	1,118	998	(120)
Violence against women formula grants	28,053	28,053	28,635	582
Total categorical aid	<u>\$ 117,585</u>	<u>\$ 122,951</u>	<u>\$ 141,444</u>	<u>\$ 18,493</u>
Total revenue from the federal government	<u>\$ 124,049</u>	<u>\$ 129,415</u>	<u>\$ 147,786</u>	<u>\$ 18,371</u>
Total General Fund	<u><u>\$ 28,591,305</u></u>	<u><u>\$ 28,597,562</u></u>	<u><u>\$ 29,262,805</u></u>	<u><u>\$ 665,243</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Recovered costs:				
Payments from other jurisdictions	\$ -	\$ -	\$ 9,366	\$ 9,366
Expenditure refunds	-	-	8,102	8,102
Total recovered costs	\$ -	\$ -	\$ 17,468	\$ 17,468
Total revenue from local sources	\$ -	\$ -	\$ 17,468	\$ 17,468
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 300,179	\$ 300,179	\$ 288,377	\$ (11,802)
Total categorical aid	\$ 300,179	\$ 300,179	\$ 288,377	\$ (11,802)
Total revenue from the Commonwealth	\$ 300,179	\$ 300,179	\$ 288,377	\$ (11,802)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 771,889	\$ 771,889	\$ 692,344	\$ (79,545)
Total categorical aid	\$ 771,889	\$ 771,889	\$ 692,344	\$ (79,545)
Total revenue from the federal government	\$ 771,889	\$ 771,889	\$ 692,344	\$ (79,545)
Total Virginia Public Assistance Fund	\$ 1,072,068	\$ 1,072,068	\$ 998,189	\$ (73,879)
Comprehensive services act fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services	\$ 239,688	\$ 239,688	\$ 140,586	\$ (99,102)
Total categorical aid	\$ 239,688	\$ 239,688	\$ 140,586	\$ (99,102)
Total revenue from the Commonwealth	\$ 239,688	\$ 239,688	\$ 140,586	\$ (99,102)
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ -	\$ -	\$ 4,239	\$ 4,239
Total categorical aid	\$ -	\$ -	\$ 4,239	\$ 4,239
Total revenue from the federal government	\$ -	\$ -	\$ 4,239	\$ 4,239
Total comprehensive services fund	\$ 239,688	\$ 239,688	\$ 144,825	\$ (94,863)
Drug Enforcement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 550	\$ 550
Revenue from the use of property	-	-	-	-
Total revenue from use of money and property	\$ -	\$ -	\$ 550	\$ 550

Schedule of Revenues - Budget and Actual
Governmental Funds

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Drug Enforcement Fund: (Continued)				
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 5,813	\$ 5,813
Total miscellaneous	\$ -	\$ -	\$ 5,813	\$ 5,813
Total revenue from local sources	\$ -	\$ -	\$ 6,363	\$ 6,363
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 7,935	\$ 7,935
Total revenue from the Commonwealth	\$ -	\$ -	\$ 7,935	\$ 7,935
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 199	\$ 199
Total drug enforcement fund	\$ -	\$ -	\$ 14,497	\$ 14,497
Conservation Easement Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ -	\$ -	\$ 11,709	\$ 11,709
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 987	\$ 987
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 33,945	\$ 33,945
Total revenue from local sources	\$ -	\$ -	\$ 46,641	\$ 46,641
Intergovernmental:				
Revenue from the Commonwealth:				
Other categorical aid:				
Conservation easement grants	\$ 30,000	\$ 96,330	\$ 36,968	\$ (59,362)
Total Conservation Easement Fund	\$ 30,000	\$ 96,330	\$ 83,609	\$ (12,721)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds:				
School Debt Service Fund				
Revenue from local sources:				
Miscellaneous:				
Expenditure refunds	\$ 104,231	\$ 104,231	\$ 104,232	\$ 1
Total revenue from local sources	<u>\$ 104,231</u>	<u>\$ 104,231</u>	<u>\$ 104,232</u>	<u>\$ 1</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
BAB interest subsidy	\$ 118,654	\$ 118,654	\$ 116,328	\$ (2,326)
Total School Debt Service Fund	<u>\$ 222,885</u>	<u>\$ 222,885</u>	<u>\$ 220,560</u>	<u>\$ (2,325)</u>
General Debt Service Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services				-
Charges for services	\$ -	\$ -	\$ 4,955	\$ 4,955
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,955</u>	<u>\$ 4,955</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,955</u>	<u>\$ 4,955</u>
Total General Debt Service Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,955</u></u>	<u><u>\$ 4,955</u></u>
Capital Projects Fund:				
General Government Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Gifts and donations	\$ -	\$ 13,646	\$ 10,715	\$ (2,931)
Total revenue from local sources	<u>\$ -</u>	<u>\$ 13,646</u>	<u>\$ 10,715</u>	<u>\$ (2,931)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 147,792	\$ 140,155	\$ 86,810	\$ (53,345)
Total revenue from the Commonwealth	<u>\$ 147,792</u>	<u>\$ 140,155</u>	<u>\$ 86,810</u>	<u>\$ (53,345)</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ -	\$ 653	\$ 847	\$ 194
Total categorical aid	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 847</u>	<u>\$ 194</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 847</u>	<u>\$ 194</u>
Total General Government Capital Projects Fund	<u><u>\$ 147,792</u></u>	<u><u>\$ 154,454</u></u>	<u><u>\$ 98,372</u></u>	<u><u>\$ (56,082)</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Parks Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 383	\$ 383
Total revenue from use of money and property	\$ -	\$ -	\$ 383	\$ 383
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 875	\$ 875
Total miscellaneous	\$ -	\$ -	\$ 875	\$ 875
Total revenue from local sources	\$ -	\$ -	\$ 1,258	\$ 1,258
Total Parks Construction Fund	\$ -	\$ -	\$ 1,258	\$ 1,258
Total Primary Government	\$ 30,303,738	\$ 30,382,987	\$ 30,829,070	\$ 446,083
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 67,937	\$ 67,937	\$ 63,317	\$ (4,620)
Charges for services:				
Tuition	\$ 206,331	\$ 206,331	\$ 216,263	\$ 9,932
Town of Berryville Crossing	2,500	2,500	-	(2,500)
Facility use fees	3,260	3,260	-	(3,260)
Total charges for services	\$ 212,091	\$ 212,091	\$ 216,263	\$ 4,172
Miscellaneous:				
Other miscellaneous	\$ 61,572	\$ 61,572	\$ 66,073	\$ 4,501
Private gifts and donations	30,040	30,040	24,699	(5,341)
Total miscellaneous	\$ 91,612	\$ 91,612	\$ 90,772	\$ (840)
Recovered costs:				
Rebates and refunds	\$ 44,997	\$ 44,997	\$ 17,576	\$ (27,421)
Insurance recoveries	4,146	4,146	21,135	16,989
Sale of equipment	2,983	2,983	2,477	(506)
Total recovered costs	\$ 52,126	\$ 52,126	\$ 41,188	\$ (10,938)
Total revenue from local sources	\$ 423,766	\$ 423,766	\$ 411,540	\$ (12,226)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Clarke, Virginia	\$ 12,449,604	\$ 12,449,604	\$ 12,053,640	\$ (395,964)
Total revenues from local governments	\$ 12,449,604	\$ 12,449,604	\$ 12,053,640	\$ (395,964)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,338,806	\$ 2,338,806	\$ 2,224,028	\$ (114,778)
At risk payments	22,684	22,684	23,175	491
Basic school aid	4,234,397	4,234,397	4,205,140	(29,257)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Foster home children	40,584	40,584	6,682	(33,902)
Gifted and talented children	44,261	44,261	44,060	(201)
Homebound education	3,852	3,852	2,609	(1,243)
Preschool At-Risk	39,813	39,813	39,813	-
Special education - soq	581,591	581,591	578,953	(2,638)
Special education - foster children	13,750	13,750	67,818	54,068
Vocational education - soq	69,047	69,047	68,734	(313)
Vocational equipment	7,058	7,058	7,624	566
Vocational - occupational	7,486	7,486	2,771	(4,715)
Textbook payments	97,180	97,180	96,739	(441)
Remedial education	61,966	61,966	61,684	(282)
Share of fringe benefits	853,354	853,354	849,483	(3,871)
Remedial summer school	17,603	17,603	-	(17,603)
Industry certification program	3,906	3,906	2,091	(1,815)
Mentor teacher program	3,159	3,159	1,861	(1,298)
SOL algebra readiness	\$ 7,678	\$ 7,678	\$ 7,761	\$ 83
Early intervention	19,844	19,844	21,370	1,526
Salary supplement/bonus	46,677	46,677	46,540	(137)
Compensation supplement	242,657	242,657	241,777	(880)
Project graduation	3,809	3,809	3,809	-
ISAFP	7,859	7,859	8,294	435
English as a second language	21,411	21,411	28,751	7,340
Lord Fairfax dual enrollment	145,992	145,992	17,762	(128,230)
Other categorical aid	2,875	2,875	2,599	(276)
Total categorical aid	\$ 8,939,299	\$ 8,939,299	\$ 8,661,928	\$ (277,371)
Total revenue from the Commonwealth	\$ 8,939,299	\$ 8,939,299	\$ 8,661,928	\$ (277,371)
Revenue from the federal government:				
Categorical aid:				
Title I part A: Grants to local educational agencies	\$ 199,767	\$ 199,767	\$ 235,124	\$ 35,357
Title II part A: Improving teacher quality	30,656	30,656	41,220	10,564
Title III, Part A: English language acquisition grants	3,628	3,628	4,093	465
Medicaid	6,041	6,041	7,702	1,661
Vocational education basic grants to states	20,964	20,964	22,743	1,779
Title VI-B: Special education grants to states	446,103	446,103	392,293	(53,810)
Special education preschool handicapped grant	15,913	15,913	13,029	(2,884)
Total categorical aid	\$ 723,072	\$ 723,072	\$ 716,204	\$ (6,868)
Total revenue from the federal government	\$ 723,072	\$ 723,072	\$ 716,204	\$ (6,868)
Total School Operating Fund	\$ 22,535,741	\$ 22,535,741	\$ 21,843,312	\$ (692,429)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Food Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 140	\$ 140	\$ 35	\$ (105)
Total revenue from use of money and property	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ 35</u>	<u>\$ (105)</u>
Charges for services:				
Cafeteria sales	\$ 492,521	\$ 492,521	\$ 470,342	\$ (22,179)
Total charges for services	<u>\$ 492,521</u>	<u>\$ 492,521</u>	<u>\$ 470,342</u>	<u>\$ (22,179)</u>
Recovered costs:				
Expenditure refunds and rebates	\$ 25,000	\$ 25,000	\$ 25,566	\$ 566
Total recovered costs	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,566</u>	<u>\$ 566</u>
Total revenue from local sources	<u>\$ 517,661</u>	<u>\$ 517,661</u>	<u>\$ 495,943</u>	<u>\$ (21,718)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 10,862	\$ 10,862	\$ 12,121	\$ 1,259
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 278,885	\$ 278,885	\$ 300,056	\$ 21,171
Total categorical aid	<u>\$ 278,885</u>	<u>\$ 278,885</u>	<u>\$ 300,056</u>	<u>\$ 21,171</u>
Total revenue from the federal government	<u>\$ 278,885</u>	<u>\$ 278,885</u>	<u>\$ 300,056</u>	<u>\$ 21,171</u>
Total School Food Service Fund	<u>\$ 807,408</u>	<u>\$ 807,408</u>	<u>\$ 808,120</u>	<u>\$ 712</u>
Capital Projects Funds:				
School Capital Projects Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Clarke, Virginia	\$ -	\$ 4,429,853	\$ 2,555,426	\$ (1,874,427)
Revenue from the Commonwealth:				
Categorical aid:				
Technology grant	\$ 154,000	\$ 380,340	\$ 357,791	\$ (22,549)
Total revenue from the Commonwealth	<u>\$ 154,000</u>	<u>\$ 380,340</u>	<u>\$ 357,791</u>	<u>\$ (22,549)</u>
Total School Capital Projects Fund	<u>\$ 154,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ (1,896,976)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 23,497,149</u>	<u>\$ 28,153,342</u>	<u>\$ 25,564,649</u>	<u>\$ (2,588,693)</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 57,265	\$ 57,265	\$ 52,915	\$ 4,350
General and financial administration:				
County administrator	\$ 313,136	\$ 371,960	\$ 371,608	\$ 352
Independent auditor	37,000	37,000	33,500	3,500
Legal services	35,000	24,156	20,596	3,560
Commissioner of revenue	205,595	227,621	227,620	1
Assessor	3,500	4,500	4,500	-
Data processing	300,379	300,379	287,893	12,486
Information systems	-	7,928	7,927	1
Finance and purchasing	578,961	578,961	583,898	(4,937)
Treasurer	283,229	292,794	292,793	1
Total general and financial administration	\$ 1,756,800	\$ 1,845,299	\$ 1,830,335	\$ 14,964
Board of elections:				
Registrar	\$ 78,482	\$ 78,629	\$ 78,629	-
Electoral board and officials	44,003	43,856	33,590	10,266
Total board of elections	\$ 122,485	\$ 122,485	\$ 112,219	\$ 10,266
Total general government administration	\$ 1,936,550	\$ 2,025,049	\$ 1,995,469	\$ 29,580
Judicial administration:				
Courts:				
Circuit court	\$ 12,680	\$ 13,621	\$ 13,621	-
General district court	4,420	4,420	3,774	646
Magistrate	100	100	-	100
Juvenile and domestic relations court	3,500	3,500	2,524	976
Clerk of the circuit court	254,374	267,045	267,044	1
Victim Witness Program	72,385	72,385	67,485	4,900
Regional court services	6,179	6,180	6,179	1
Blue Ridge legal services	1,500	1,500	1,500	-
Total courts	\$ 355,138	\$ 368,751	\$ 362,127	\$ 6,624
Commonwealth's attorney:				
Commonwealth's attorney	\$ 362,747	\$ 365,239	\$ 360,875	\$ 4,364
Total commonwealth's attorney	\$ 362,747	\$ 365,239	\$ 360,875	\$ 4,364
Total judicial administration	\$ 717,885	\$ 733,990	\$ 723,002	\$ 10,988

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,311,661	\$ 2,368,411	\$ 2,368,411	\$ -
Criminal justice training	20,000	20,000	18,720	1,280
Drug task force	12,500	12,500	10,499	2,001
Total law enforcement and traffic control	<u>\$ 2,344,161</u>	<u>\$ 2,400,911</u>	<u>\$ 2,397,630</u>	<u>\$ 3,281</u>
Fire and rescue services:				
Emergency medical services	\$ 804,646	\$ 850,075	\$ 850,075	\$ -
Fire and rescue departments	298,753	336,378	336,272	106
Lord Fairfax Emergency Medical Services	6,282	6,282	6,282	-
Forestry services	2,712	2,712	2,712	-
Total fire and rescue services	<u>\$ 1,112,393</u>	<u>\$ 1,195,447</u>	<u>\$ 1,195,341</u>	<u>\$ 106</u>
Correction and detention:				
Regional jail	\$ 551,259	\$ 551,262	\$ 551,262	\$ -
Juvenile detention home	16,254	16,254	16,093	161
Probation office	800	800	48	752
Total correction and detention	<u>\$ 568,313</u>	<u>\$ 568,316</u>	<u>\$ 567,403</u>	<u>\$ 913</u>
Inspections:				
Building	\$ 211,515	\$ 198,034	\$ 192,149	\$ 5,885
Total inspections	<u>\$ 211,515</u>	<u>\$ 198,034</u>	<u>\$ 192,149</u>	<u>\$ 5,885</u>
Other protection:				
Animal control	\$ 118,496	\$ 118,496	\$ 109,811	\$ 8,685
Medical examiner	500	1,040	1,040	-
Total other protection	<u>\$ 118,996</u>	<u>\$ 119,536</u>	<u>\$ 110,851</u>	<u>\$ 8,685</u>
Total public safety	<u>\$ 4,355,378</u>	<u>\$ 4,482,244</u>	<u>\$ 4,463,374</u>	<u>\$ 18,870</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 162,000	\$ 162,000	\$ 141,202	\$ 20,798
Sanitation	240,750	240,750	235,781	4,969
Convenience center services	50,000	-	-	-
Litter control program	5,310	5,310	5,298	12
Total sanitation and waste removal	<u>\$ 458,060</u>	<u>\$ 408,060</u>	<u>\$ 382,281</u>	<u>\$ 25,779</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public Works: (continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 853,854	\$ 837,441	\$ 730,414	\$ 107,027
Total maintenance of general buildings and grounds	\$ 853,854	\$ 837,441	\$ 730,414	\$ 107,027
Total public works	\$ 1,311,914	\$ 1,245,501	\$ 1,112,695	\$ 132,806
Health and welfare:				
Health:				
Supplement of local health department	\$ 221,909	\$ 221,909	\$ 221,909	\$ -
Our Health	6,500	6,500	6,500	-
Total health	\$ 228,409	\$ 228,409	\$ 228,409	\$ -
Mental health and mental retardation:				
Northwestern Community Services	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Concern Hotline	750	750	750	-
Northern Shen. Valley Substance Abuse Coalition	15,000	15,000	15,000	-
NW Works	1,000	1,000	1,000	-
Total mental health and mental retardation	\$ 106,750	\$ 106,750	\$ 106,750	\$ -
Welfare:				
Shenandoah area on aging	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Virginia Regional Transit	19,302	19,302	19,302	-
FISH human services	1,000	1,000	1,000	-
Abused women's shelter	2,500	2,500	2,500	-
Tax relief for the elderly	212,501	212,501	325,199	(112,698)
Independent living center	1,000	1,000	1,000	-
Total welfare	\$ 276,303	\$ 276,303	\$ 389,001	\$ (112,698)
Total health and welfare	\$ 611,462	\$ 611,462	\$ 724,160	\$ (112,698)
Education:				
Other instructional costs:				
Contribution to Clarke County Public Schools	\$ 15,886,733	\$ 16,879,457	\$ 14,609,066	\$ 2,270,391
Lord Fairfax Community College	15,788	15,788	15,788	-
Total education	\$ 15,902,521	\$ 16,895,245	\$ 14,624,854	\$ 2,270,391
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 440,606	\$ 440,606	\$ 420,431	\$ 20,175
Recreation center	109,130	109,130	100,548	8,582
Swimming pool	84,214	84,214	58,573	25,641
Concession stand	15,330	15,330	13,541	1,789
Programs	241,427	241,427	190,202	51,225
Total parks and recreation	\$ 890,707	\$ 890,707	\$ 783,295	\$ 107,412

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and culture: (continued)				
Cultural enrichment:				
Barns of Rose Hill	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Virginia commission for the arts	10,000	9,000	9,000	-
Total cultural enrichment	<u>\$ 15,000</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ -</u>
Library:				
Contribution to Handley library	\$ 223,757	\$ 223,757	\$ 223,757	\$ -
Total library	<u>\$ 223,757</u>	<u>\$ 223,757</u>	<u>\$ 223,757</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 1,129,464</u>	<u>\$ 1,128,464</u>	<u>\$ 1,021,052</u>	<u>\$ 107,412</u>
Community development:				
Planning and community development:				
Planning administration	\$ 398,684	\$ 420,417	\$ 420,417	\$ -
Help with housing	2,500	2,500	2,500	-
Board of zoning appeals	3,519	6,435	6,434	1
Office of Economic Development	61,575	47,575	47,104	471
Berryville Development Authority	2,300	2,300	150	2,150
Small business development center	1,500	1,500	1,500	-
Blandy Experimental Farm	3,000	3,000	3,000	-
Planning commission	14,388	14,388	10,422	3,966
Board of septic appeals	1,565	1,565	811	754
Historic preservation	7,900	7,900	7,633	267
Northern Shenandoah Valley Regional Commission	10,273	10,273	10,273	-
Berryville Main St	2,500	2,500	2,500	-
Regional airport	2,500	2,500	2,500	-
Total planning and community development	<u>\$ 512,204</u>	<u>\$ 522,853</u>	<u>\$ 515,244</u>	<u>\$ 7,609</u>
Environmental management:				
Friends of the Shenandoah	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Water quality monitoring	30,000	30,000	30,000	-
Lord Fairfax Soil and Water Conservation	5,000	5,000	5,000	-
Biosolids Application	6,990	6,990	1,231	5,759
Total environmental management	<u>\$ 44,990</u>	<u>\$ 44,990</u>	<u>\$ 39,231</u>	<u>\$ 5,759</u>
Cooperative extension program:				
Cooperative extension service	\$ 43,712	\$ 43,712	\$ 39,996	\$ 3,716
Northern Virginia 4-H Center	2,300	2,300	2,300	-
Total cooperative extension program	<u>\$ 46,012</u>	<u>\$ 46,012</u>	<u>\$ 42,296</u>	<u>\$ 3,716</u>
Total community development	<u>\$ 603,206</u>	<u>\$ 613,855</u>	<u>\$ 596,771</u>	<u>\$ 17,084</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Miscellaneous	\$ -	\$ -	\$ 22,982	\$ (22,982)
Unemployment compensation	-	13,000	6,641	6,359
Legal/professional services contingency	112,000	-	-	-
Total nondepartmental	<u>\$ 112,000</u>	<u>\$ 13,000</u>	<u>\$ 29,623</u>	<u>\$ (16,623)</u>
Total General Fund	<u>\$ 26,680,380</u>	<u>\$ 27,748,810</u>	<u>\$ 25,291,000</u>	<u>\$ 2,457,810</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Public assistance and welfare administration	\$ 1,613,733	\$ 1,651,733	\$ 1,472,904	\$ 178,829
Total health and welfare	<u>\$ 1,613,733</u>	<u>\$ 1,651,733</u>	<u>\$ 1,472,904</u>	<u>\$ 178,829</u>
Total Virginia Public Assistance Fund	<u>\$ 1,613,733</u>	<u>\$ 1,651,733</u>	<u>\$ 1,472,904</u>	<u>\$ 178,829</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Program expenditures	\$ 478,689	\$ 478,689	\$ 361,896	\$ 116,793
Total health and welfare	<u>\$ 478,689</u>	<u>\$ 478,689</u>	<u>\$ 361,896</u>	<u>\$ 116,793</u>
Total CSA Fund	<u>\$ 478,689</u>	<u>\$ 478,689</u>	<u>\$ 361,896</u>	<u>\$ 116,793</u>
Drug Enforcement Fund:				
Public Safety:				
Public Safety				
Operations	\$ -	\$ -	\$ 42,580	\$ (42,580)
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,580</u>	<u>\$ (42,580)</u>
Total Drug Enforcement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,580</u>	<u>\$ (42,580)</u>
Conservation Easement Fund:				
Community development:				
Development rights				
Development rights	\$ 45,000	\$ 177,660	\$ 64,442	\$ 113,218
Total Conservation Easement Fund	<u>\$ 45,000</u>	<u>\$ 177,660</u>	<u>\$ 64,442</u>	<u>\$ 113,218</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
School Debt Service Fund:				
Debt service:				
Principal retirement	\$ 1,823,709	\$ 1,823,709	\$ 1,822,709	\$ 1,000
Interest and other fiscal charges	1,148,305	1,148,380	1,149,381	(1,001)
Total School Debt Service Fund	<u>\$ 2,972,014</u>	<u>\$ 2,972,089</u>	<u>\$ 2,972,090</u>	<u>\$ (1)</u>
Primary Government Debt Service Fund:				
Debt service:				
Principal retirement	\$ 84,717	\$ 84,717	\$ 84,730	\$ (13)
Interest and other fiscal charges	166,983	166,983	166,970	13
Total Primary Government Debt Service	<u>\$ 251,700</u>	<u>\$ 251,700</u>	<u>\$ 251,700</u>	<u>\$ -</u>
Capital Projects Fund:				
General Government Capital Projects Fund:				
Capital projects:				
Communications equipment	\$ 376,746	\$ 421,575	\$ 7,530	\$ 414,045
Vehicles	30,000	34,545	28,448	6,097
Technology and equipment improvements	40,000	141,087	61,748	79,339
Sheriff vehicles	50,000	51,150	49,465	1,685
Greenway court preservation	-	2,254	2,253	1
Sitework	30,000	-	-	-
HVAC	10,000	28,500	14,391	14,109
Roofing	10,000	121,039	-	121,039
Systems integration	-	141,574	131,956	9,618
Sheriff equipment	-	7,800	-	7,800
Recreation center	15,651	1,220	-	1,220
Parks - Shelter	-	161,895	99,329	62,566
Swimming pool	-	53,378	-	53,378
Painting and flooring	10,000	17,094	17,094	-
Paving	10,000	20,586	17,450	3,136
Landscaping	10,000	25,375	-	25,375
Buildings	-	66,373	-	66,373
Fencing - ballfield and pool	40,000	71,036	-	71,036
Emergency services equipment	217,792	250,297	211,663	38,634
Citizens convenience center	97,400	828,775	95,863	732,912
Total General Government Capital Projects Fund	<u>\$ 947,589</u>	<u>\$ 2,445,553</u>	<u>\$ 737,190</u>	<u>\$ 1,708,363</u>
Total Primary Government	<u>\$ 32,989,105</u>	<u>\$ 35,726,234</u>	<u>\$ 31,193,802</u>	<u>\$ 4,532,432</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 17,574,706	\$ 17,403,825	\$ 17,516,265	\$ (112,440)
Administration, attendance and health	1,537,559	1,693,415	1,114,684	578,731
Pupil transportation services	1,050,013	1,033,535	1,001,959	31,576
Operation and maintenance services	2,348,463	2,379,966	2,210,404	169,562
Total School Operating Fund	<u>\$ 22,510,741</u>	<u>\$ 22,510,741</u>	<u>\$ 21,843,312</u>	<u>\$ 667,429</u>
Special Revenue Fund:				
School Food Service Fund:				
Education:				
School food services:				
Administration of school food program	\$ 832,408	\$ 832,408	\$ 799,630	\$ 32,778
Total School Food Service Fund	<u>\$ 832,408</u>	<u>\$ 832,408</u>	<u>\$ 799,630</u>	<u>\$ 32,778</u>
Capital Projects Fund:				
School Capital Projects Fund:				
Capital projects:				
Band equipment	\$ 20,000	\$ 83,940	\$ 6,527	\$ 77,413
Athletic equipment and uniforms	-	26,002	26,002	-
Furniture replacement	25,000	44,871	41,181	3,690
Bus purchases	162,000	224,472	224,472	-
School vehicles	18,000	60,160	60,160	-
Fencing	-	45,720	41,377	4,343
School food - service equipment	-	15,840	11,657	4,183
Cooley renovations	-	23,634	-	23,634
HVAC	50,000	285,591	98,072	187,519
Roof replacements	147,000	387,062	37,307	349,755
Flooring replacements	20,000	42,343	19,799	22,544
Security improvements	-	363,165	105,817	257,348
Surfacing	-	80,847	54,287	26,560
Playgrounds and fields	-	13,360	1,888	11,472
Technology	300,000	1,007,934	497,575	510,359
Dorsch scholarship fund	-	19,327	-	19,327
Berryville Primary renovation	-	1,766,773	1,592,786	173,987
Boyce Elem repairs	-	50,000	-	50,000
Signs	-	14,506	8,627	5,879
Painting	100,000	179,929	10,965	168,964
Johnson Williams middle renovation	-	74,717	74,718	(1)
Total capital projects	<u>\$ 842,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ 1,896,976</u>
Total School Capital Projects Fund	<u>\$ 842,000</u>	<u>\$ 4,810,193</u>	<u>\$ 2,913,217</u>	<u>\$ 1,896,976</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 24,185,149</u>	<u>\$ 28,153,342</u>	<u>\$ 25,556,159</u>	<u>\$ 2,597,183</u>

Other Statistical Information

COUNTY OF CLARKE, VIRGINIA

Government-Wide Expenses by Function
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2008-09	\$ 2,002,482	\$ 436,680	\$ 3,612,168	\$ 1,155,450	\$ 2,388,506
2009-10	1,804,666	440,855	3,719,972	852,209	2,672,185
2010-11	1,905,789	406,759	3,205,467	900,060	2,447,164
2011-12	1,943,393	424,222	3,466,939	970,017	2,501,215
2012-13	2,039,336	566,006	3,462,973	1,001,606	2,101,344
2013-14	2,085,415	595,926	3,515,863	883,176	2,258,462
2014-15	2,228,785	598,469	4,414,115	863,529	2,418,330
2015-16	2,236,563	602,451	4,094,648	943,504	2,646,112
2016-17	1,756,158	691,496	4,312,322	942,657	2,859,737
2017-18	2,183,992	756,574	4,390,173	1,040,596	2,553,964

Table 1

	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Interest on Long- Term Debt</u>	<u>Sanitary Authority</u>	<u>IDA</u>	<u>Total</u>
\$	21,529,346	\$ 995,410	\$ 924,413	\$ 1,413,426	\$ 613,951	\$ 6,236	\$ 35,078,068
	21,883,310	980,707	2,475,922	1,679,649	639,747	10,032	37,159,254
	20,984,893	969,405	991,056	1,832,949	832,459	10,501	34,486,502
	21,767,329	1,001,174	708,196	2,061,986	867,469	9,081	35,721,021
	22,974,665	1,018,007	1,098,325	1,777,739	946,254	419,373	37,405,628
	23,785,661	999,980	1,656,333	1,671,404	895,992	8,714	38,356,926
	23,617,577	1,048,103	980,692	1,559,976	958,018	10,235	38,697,829
	23,362,861	1,046,407	866,154	1,453,276	928,141	10,090	38,190,208
	24,942,640	1,740,882	1,786,425	1,333,403	864,755	9,484	41,239,958
	24,113,225	1,184,765	751,064	1,262,545	991,414	10,405	39,238,717

COUNTY OF CLARKE, VIRGINIA

Government-Wide Revenues

Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2008-09	\$ 2,045,018	\$ 12,366,784	\$ 574,420
2009-10	2,217,128	11,769,147	3,374,914
2010-11	2,616,152	11,706,825	406,085
2011-12	2,422,452	11,747,408	439,405
2012-13	2,346,633	12,006,615	810,499
2013-14	2,312,708	12,076,289	1,297,384
2014-15	2,461,210	12,840,732	1,006,920
2015-16	2,852,037	12,760,998	405,142
2016-17	2,974,503	12,776,552	1,111,713
2017-18	2,954,132	12,775,540	241,152

(1) Includes discretely presented component units.

(2) In fiscal year 2010, communications tax reporting was moved from Other Local Taxes to Grants and Contributions Not Restricted to Specific Programs

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes (2)	Unrestricted revenues from money or property	Miscella- neous	Grants and Contributions Not Restricted to Specific Programs	Gain (Loss) on Disposal of Asset	Total
\$ 16,834,336	\$ 2,222,936	\$ 744,769	\$ 440,076	\$ 2,976,959	-	\$ 38,205,298
17,174,992	1,682,254	403,628	295,794	3,106,207	(42,433)	39,981,631
17,655,465	1,653,965	312,727	272,123	2,995,371	-	37,618,713
17,478,712	1,814,930	181,632	783,751	3,043,021	-	37,911,311
18,046,810	1,855,520	168,355	324,211	2,982,591	3,336	38,544,570
18,649,133	1,849,613	140,606	452,072	3,004,576	-	39,782,381
19,310,001	1,777,225	134,424	318,395	3,034,774	-	40,883,681
19,814,919	1,921,422	159,519	530,887	3,018,096	-	41,463,020
19,862,341	1,969,108	187,956	493,989	3,002,922	-	42,379,084
20,679,221	1,949,217	161,134	427,413	3,026,459	-	42,214,268

COUNTY OF CLARKE, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education (2)</u>
2008-09	\$ 1,250,373	\$ 433,671	\$ 3,363,061	\$ 989,119	\$ 2,372,269	\$ 20,593,066
2009-10	1,269,798	435,732	3,287,873	796,207	2,616,419	19,745,229
2010-11	1,758,864	406,846	3,300,190	866,886	2,558,292	19,753,538
2011-12	1,705,944	422,609	3,291,332	971,266	2,480,546	19,362,230
2012-13	1,723,450	566,436	3,512,071	949,685	2,115,119	21,498,917
2013-14	1,742,173	595,936	3,536,630	898,325	2,251,459	20,891,004
2014-15	1,772,923	618,450	4,115,259	1,003,202	2,438,840	21,320,100
2015-16	1,822,898	629,270	4,073,933	1,087,367	2,662,444	21,651,173
2016-17	1,903,602	698,294	4,265,587	1,169,117	2,892,366	22,299,561
2017-18	1,995,469	723,002	4,505,954	1,112,695	2,558,960	22,658,730

(1) Includes General, Special Revenue, Debt Service and Capital Project funds of the Primary Government and its Discretely Presented Component Unit - School Board.

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

Table 3

	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	902,369	\$ 891,594	\$ 528,021	\$ 3,766,858	\$ 6,505,229	\$ 41,595,630
	887,006	2,517,665	506,161	3,850,058	3,141,660	39,053,808
	900,137	814,400	3,531	4,087,218	16,577,174	51,027,076
	920,144	721,318	1,242	4,497,146	14,668,743	49,042,520
	948,452	1,081,175	11,430	4,420,922	3,381,480	40,209,137
	929,900	1,648,207	(336)	4,286,713	7,654,661	44,434,672
	952,685	984,087	18,980	4,379,113	3,055,653	40,659,292
	962,519	849,873	12,956	4,192,646	1,950,746	39,895,825
	973,326	1,273,491	5,144	4,066,811	5,332,860	44,880,159
	1,021,052	661,213	29,623	3,223,790	3,650,407	42,140,895

COUNTY OF CLARKE, VIRGINIA

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

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2008-09	\$ 16,206,520	\$ 2,222,936	\$ 295,830	\$ 265,963	\$ 747,635	\$ 1,112,975
2009-10	17,169,972	1,682,254	231,078	224,547	367,505	1,203,527
2010-11	17,351,499	1,653,965	326,865	381,509	293,560	1,467,079
2011-12	17,569,637	1,814,930	236,880	362,725	165,093	1,338,568
2012-13	17,940,641	1,855,520	238,733	347,687	161,139	1,277,309
2013-14	18,466,352	1,849,613	286,818	237,835	135,704	1,280,108
2014-15	19,407,675	1,777,225	266,539	303,637	130,204	1,359,581
2015-16	19,734,792	1,921,422	280,881	304,861	157,216	1,677,127
2016-17	19,981,515	1,969,108	393,891	352,279	186,147	1,656,398
2017-18	20,774,033	1,949,217	328,391	357,254	158,930	1,654,201

(1) Includes General, Special Revenue, Debt Service and Capital Project funds of the Primary Government and its Discretely Presented Component Unit - School Board.

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

(3) In fiscal year 2010, communications tax reporting was moved from Other Local Taxes to Intergovernmental Revenue.

Table 4

<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter- governmental (2)</u>	<u>Subtotal</u>	<u>Proceeds From Debt</u>	<u>Total</u>
\$ 153,293	\$ 486,361	\$ 15,087,521	\$ 36,579,034	\$ 1,371,046	\$ 37,950,080
175,218	252,483	16,313,208	37,619,792	9,900,172	47,519,964
141,845	315,412	14,907,445	36,839,179	567,178	37,406,357
648,323	263,772	15,004,334	37,404,262	307,792	37,712,054
194,021	351,897	15,978,905	38,165,852	-	38,165,852
334,942	258,406	16,348,249	39,198,027	-	39,198,027
182,402	159,612	16,822,126	40,409,001	-	40,409,001
382,181	307,618	15,854,309	40,620,407	-	40,620,407
361,299	186,469	16,867,526	41,954,632	-	41,954,632
293,108	226,368	16,043,151	41,784,653	-	41,784,653

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1), (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2008-09	\$ 18,811,655	\$ 18,342,029	97.50%	\$ 184,729	\$ 18,526,758	98.49%	\$ 1,806,318	9.60%
2009-10	19,462,691	19,093,650	98.10%	277,314	19,370,964	99.53%	1,834,072	9.42%
2010-11	19,716,647	19,437,175	98.58%	144,661	19,581,836	99.32%	1,939,623	9.84%
2011-12	19,776,620	19,650,841	99.36%	140,961	19,791,802	100.08%	2,008,440	10.16%
2012-13	19,976,661	20,033,782	100.29%	94,917	20,128,699	100.76%	1,991,275	9.97%
2013-14	20,499,518	20,661,349	100.79%	45,265	20,706,614	101.01%	2,261,984	11.03%
2014-15	20,980,117	21,454,716	102.26%	74,554	21,529,270	102.62%	2,096,823	9.99%
2015-16	21,383,904	21,672,649	101.35%	19,419	21,692,068	101.44%	2,095,157	9.80%
2016-17	21,641,717	21,511,699	99.40%	321,933	21,833,632	100.89%	2,036,380	9.41%
2017-18	21,841,583	22,374,271	102.44%	224,500	22,598,771	103.47%	2,071,734	9.49%

(1) Exclusive of penalties and interest.

(2) Delinquent tax collections are exclusive of land redemptions.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)		Total
				Real Estate	Personal Property	
2008-09	\$ 2,486,836,400	\$ 116,384,130	\$ 21,681,568	\$ 51,387,105	\$ -	\$ 2,676,289,203
2009-10	2,226,939,452	121,592,042	19,086,630	54,229,648	-	2,421,847,772
2010-11	2,189,128,079	125,806,164	17,424,033	56,051,400	-	2,388,409,676
2011-12	2,190,224,504	128,161,170	16,579,941	62,777,134	-	2,397,742,749
2012-13	2,195,199,863	133,156,000	15,478,677	63,758,974	-	2,407,593,514
2013-14	2,202,442,172	137,517,528	14,729,940	64,243,208	-	2,418,932,848
2014-15	2,209,918,924	140,683,592	14,079,731	64,514,825	-	2,429,197,072
2015-16	2,125,953,962	146,341,321	15,926,677	67,026,398	-	2,355,248,358
2016-17	2,040,151,212	151,716,784	15,961,187	67,718,041	-	2,275,547,224
2017-18	2,054,072,530	158,886,595	13,701,728	69,909,256	-	2,296,570,109

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

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	(2) Real Estate	Mobile Homes	Personal Property	Rescue Vehicles	Machinery and Tools	Public Utility	
						Real Estate (2)	Personal Property
2008-09	\$.50/.53	\$.50/.53	\$ 4.00/4.81	\$ 2/2.41	\$ 1.25	\$.50/.53	\$ 4.00
2009-10	.53/.62	.53/.62	4.81/4.83	2.41/2.41	1.25	0.53	4.00
2010-11	.62/.62	.62/.62	4.83/4.69	2.41/2.35	1.25	0.62	4.00
2011-12	.62/.63	.62/.63	4.69/4.496	2.35/2.248	1.25	0.62	n/a
2012-13	.63/.63	.63/.63	4.496/4.496	2.248/2.248	1.25	0.63	n/a
2013-14	.63/.655	.63/.655	4.496/4.496	2.248/2.248	1.25	0.63	n/a
2014-15	.655/.655	.655/.655	4.496/4.496	2.248/2.248	1.25	0.655	n/a
2015-16	.655/.72	.655/.72	4.496/4.496	2.248/2.248	1.25	0.655	n/a
2016-17	.72/.71	.72/.71	4.496/4.496	2.248/2.248	1.25	0.72	n/a
2017-18	.71/.71	.71/.71	4.496/4.496	2.248/2.248	1.25	0.71	n/a

(1) Per \$100 of assessed value.

(2) The County collects property taxes based on installments. Calendar year 2010 was a reassessment year for real property. The tax neutral rate for calendar year 2010 was computed to be \$.60/100. Calendar year 2016 was a reassessment year. The tax neutral rate for calendar year 2016 was computed to be \$.7165/100.

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross & Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	14,565	\$ 2,676,289	\$ 36,767,291	1.37%	\$ 2,524
2009-10	14,565	2,421,848	44,596,490	1.84%	3,062
2010-11	14,458	2,388,410	43,187,940	1.81%	2,987
2011-12	14,458	2,397,743	36,753,000	1.53%	2,542
2012-13	14,458	2,407,594	34,490,500	1.43%	2,386
2013-14	14,348	2,418,933	32,208,000	1.33%	2,245
2014-15	14,423	2,429,197	29,814,000	1.23%	2,067
2015-16	14,423	2,355,248	27,400,000	1.16%	1,900
2016-17	14,374	2,275,547	24,995,000	1.10%	1,739
2017-18	14,508	2,296,570	23,340,000	1.02%	1,609

(1) <http://quickfacts.census.gov/>

(2) Real property assessed at 100% of fair market value.

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

General Government Capital Projects Carryover Budget Allocations

	FY 17 Carryover	FY 18 Original Budget	FY 18 Project Transfers	FY 18 Supplemental Budget	Final Budget
Expenditures:					
HVAC System Replacement	\$ -	\$ 10,000	\$ 18,500	\$ -	\$ 28,500
Roofing	136,633	10,000	(25,594)	-	121,039
Painting and Flooring	-	10,000	7,094	-	17,094
Landscaping	15,375	10,000	-	-	25,375
Asphalt, Sidewalk, Path	63,868	10,000	(53,282)	-	20,586
GenDist Court Bldg Repair	66,373	-	-	-	66,373
Auto Replacement	4,545	30,000	-	-	34,545
Fire/EMS Vehicle	-	110,000	-	5,264	115,264
RSAF-EMS Intubation Equipment	-	-	-	27,241	27,241
Sheriff's Vehicles	1,150	50,000	-	-	51,150
Citizen's Convenience Center	575,660	97,400	155,716	-	828,776
Business Park Proceeds for Investment	102,434	-	(102,434)	-	-
Greenway Court Preservation	2,254	-	-	-	2,254
Technology Improvements	101,087	40,000	-	-	141,087
Systems Integration	141,574	-	-	-	141,574
Mobile Radio System	44,829	376,746	-	-	421,575
E-Ticket Software	7,800	-	-	-	7,800
PSAP Call Handling Equipment	-	92,792	-	-	92,792
RSAF Card Set Replacement	-	15,000	-	-	15,000
Swimming Pool	78,378	-	(25,000)	-	53,378
Park Fencing	31,036	40,000	-	-	71,036
Old Park Office	20,313	-	(20,313)	-	-
Park Sitework and Parking	-	30,000	25,000	10,500	65,500
Recreation Center Addition	-	15,651	(14,431)	-	1,220
Park-Kohn Prpty Master Plan	20,000	-	-	-	20,000
New Park Shelter	41,651	-	20,313	-	61,964
Park Trash Cans	-	-	14,431	-	14,431
Total expenditures	\$ 1,454,960	\$ 947,589	\$ -	\$ 43,005	\$ 2,445,554

School Board Capital Projects Carryover Budget Allocations

	FY 17 Carryover	FY 18 Original Budget	FY 18 Project Transfers	FY 18 Supplemental Budget	Final Budget
Expenditures:					
Classroom Instruction (Dorsch Scholarship)	\$ 19,327	\$ -	\$ -	\$ -	19,327
School Furniture Replace	19,871	25,000	-	-	44,871
Uniform Repl & Band Inst	49,942	20,000	(6,002)	20,000	83,940
Athletics Equipment & Uniforms	-	-	6,002	20,000	26,002
School Bus Purchases	-	162,000	62,472	-	224,472
Other Veh & Equip Purchases	7,267	18,000	19,893	15,000	60,160
School Food Services	12,618	-	(11,778)	15,000	15,840
Fencing	5,720	-	-	40,000	45,720
School Signage	17,871	-	(3,365)	-	14,506
Fields and Playgrounds	13,360	-	-	-	13,360
Asphalt/Sidewalk/Track/C	50,847	-	-	30,000	80,847
Painting	79,929	100,000	-	-	179,929
Heating, Ventilation & A	195,590	50,000	-	40,000	285,590
Cooley Lower Campus Reno	23,634	-	-	-	23,634
Berryville Primary Renov	1,766,773	-	-	-	1,766,773
Roof Replacements	304,062	147,000	(64,000)	-	387,062
Flooring	22,060	20,000	(19,717)	20,000	42,343
Security Improvements	163,165	-	-	200,000	363,165
Boyce Elementary School Repairs	-	-	-	50,000	50,000
Johnson Williamson Middle School Repairs	-	-	4,717	70,000	74,717
Technology Classroom Ins	-	-	67,998	-	67,998
Technology Inst Support	273,444	146,000	(99,164)	112,253	432,533
Technology Administration	-	-	31,166	-	31,166
ERP System	29,119	-	-	50,000	79,119
Tech Fd Svc & Other Non-	-	-	11,778	-	11,778
<u>115-Technology Bond</u>			-		
Technology Classroom Inst	214,248	154,000	17,092	-	385,340
Technology Administration	17,092	-	(17,092)	-	-
Total expenditures	\$ 3,285,939	\$ 842,000	\$ -	\$ 682,253	\$ 4,810,192

This page intentionally left blank

Compliance

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clarke, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Clarke, Virginia's basic financial statements, and have issued our report thereon dated April 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Clarke, 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 Clarke, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Clarke, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

April 25, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Clarke, 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 Clarke, Virginia's major federal programs for the year ended June 30, 2018. County of Clarke, 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 Clarke, 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 Clarke, 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 Clarke, Virginia's compliance.

Opinion on Each Major Federal Program

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

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
April 25, 2019

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950117/18	\$ 15,011
Temporary Assistance For Needy Families (TANF)	93.558	0400117/18	69,892
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/18	144
Low-income Home Energy Assistance	93.568	0600417/18	7,560
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/18	11,847
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/17	172
Foster Care - Title IV-E	93.658	1100117/18	92,504
Adoption Assistance	93.659	1120117/18	34,276
Social Services Block Grant	93.667	1000117/18	73,121
Chafee Foster Care Independence Program	93.674	9150117/18	584
Children's Health Insurance Program (CHIP)	93.767	0540117/18	7,347
Medical Assistance Program	93.778	1200117/18	194,415
Total Department of Health and Human Services			\$ <u>506,873</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	unavailable	\$ 46,453
Department of Education:			
National School Lunch Program (NSLP)	10.555	17/18N109941	<u>201,546</u> \$ 247,999
School Breakfast Program (SBP)	10.553	17/18N109941	<u>52,057</u>
Total Child Nutrition Cluster			\$ 300,056
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/18, 0040117/18, 0050117/18	<u>189,710</u>
Total Department of Agriculture			\$ <u>489,766</u>

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of the Interior:			
Direct payments:			
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957	n/a	\$ <u>5,366</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	unavailable	\$ 17,882
Emergency Management Performance Grants	97.042	77501-52708/52709	<u>15,000</u>
Total Department of Homeland Security			\$ <u>32,882</u>
Department of Justice:			
Direct payments:			
Joint Law Enforcement Operations	16.111	n/a	\$ 2,391
Equitable Sharing Program	16.922	n/a	199
Pass Through Payments:			
Department of Criminal Justice Service:			
Bulletproof Vest Partnership Program	16.607	unavailable	\$ 847
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-S1126LO16	998
Violence Against Women Formula Grants	16.588	10WFAX0050	28,635
Crime Victim Assistance	16.575	15VAGX0043	<u>54,532</u>
Total Department of Justice			\$ <u>87,602</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2017-57185-6834	\$ 10,170
State and Community Highway Safety	20.600	SC-2017-57184-6833	<u>6,470</u>
Total Department of Transportation			\$ <u>16,640</u>
Department of Education:			
Direct Payments:			
Department of Education:			
Medical Assistance Program	93.778	n/a	\$ 7,702
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A160046/17	235,124
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	H027A160107/17	392,293
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A160112/17	13,029
English Language Acquisition State Grants	84.365	Unknown	4,093
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	V048A160046/17	22,743
Supporting Effective Instruction State Grant	84.367	S367S160044/17	<u>41,220</u>
Total Department of Education			\$ <u>716,204</u>
Total Expenditures of Federal Awards			\$ <u>1,855,333</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CLARKE, VIRGINIA

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Indirect Cost Rate

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

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - 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	\$	147,786
General Capital Projects Fund		847
Special Revenue Funds:		
Virginia Public Assistance Fund		692,344
Comprehensive Services Act Fund		4,239
Drug Enforcement Fund		199
Debt Service Funds:		
School Debt Service Fund		116,328
Total primary government	\$	<u>961,743</u>
Component Unit School Board:		
School Operating Fund	\$	716,204
School Food Service Fund		300,056
Total component unit school board	\$	<u>1,016,260</u>
Total federal expenditures per basic financial statements	\$	<u>1,978,003</u>
Less amounts not reported on the Schedule of Expenditures of Federal Awards:		
Payment in lieu of taxes	\$	6,342
Build America Bond interest rate subsidy		116,328
Total federal expenditures per basic financial statements	\$	<u>1,855,333</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>1,855,333</u></u>

COUNTY OF CLARKE, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None 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>
	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States (IDEA, Part B)
84.173	Special Education - Preschool Grants (IDEA Preschool)
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Surplus Commodities
93.778	Medical Assistance Program

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None