

**COUNTY OF PITTSYLVANIA, VIRGINIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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INTRODUCTORY SECTION

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# COUNTY OF PITTSYLVANIA, VIRGINIA

## BOARD OF SUPERVISORS

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Ronald Scearce, Vice Chair Elton W. Blackstock Joe Davis	Robert "Bob" Warren, Chair	Ben Farmer Tim R. Barber Dr. Charles Miller, Jr.
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## COUNTY SCHOOL BOARD

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J. Samuel Burton, Vice Chair George Henderson Don C. Moon	Calvin D. Doss, Chair  Janet Hancock, Clerk	Cassandra Crump Raymond Ramsey R. Todd Sanders
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## SOCIAL SERVICES BOARD

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Gracie Mays, Vice Chairperson Joseph Bray Dexter Miller Andrea Johnson	Rev. Stedman Payne, Sr., Chairperson	Ronald Scearce James Williams Dianne McMahon
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## OTHER OFFICIALS

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Clerk of the Circuit Court .....	Mark W. Scarce
Commonwealth's Attorney .....	Robert "Bryan" Haskins
Commissioner of the Revenue .....	Shirley Y. Hammock
Treasurer .....	Vincent E. Shorter
Sheriff .....	Michael W. Taylor
Superintendent of Schools .....	Mark R. Jones
Director of Social Services .....	Sherry R. Flanagan
County Administrator .....	David M. Smitherman
County Attorney .....	J. Vaden Hunt
County Finance Director .....	Kimberly G. Van Der Hyde

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FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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To the Board of Supervisors  
County of Pittsylvania, Virginia  
Chatham, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority of Pittsylvania County, Virginia or the Pittsylvania County Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority of Pittsylvania County, Virginia and the Pittsylvania County Service Authority is based solely on the report of the other auditors. 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 auditor's 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 24 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 24 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-14, 119-121, and 122-145 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 and other auditors 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 Pittsylvania, Virginia's basic financial statements. The introductory section, other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



*Supplementary and Other Information (Continued)*

The other supplementary information and 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Other Reporting Required by Government Auditing Standards*

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



Blacksburg, Virginia  
November 27, 2018

## Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Pittsylvania, Virginia for the fiscal year ended June 30, 2018. The purpose of this Management Discussion and Analysis is to provide an overview of the County's financial activity, to assist the reader in understanding significant financial issues and to provide information concerning changes in the County's financial position. This narrative provides additional information that should be read in conjunction with reviewing the County's Financial Statements.

### Financial Highlights

#### Government-wide Financial Statements

The governmental activities assets and deferred outflows of resources of the County of Pittsylvania, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,249,492 (net position). Of this amount, \$12,301,355 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Information concerning net position for the County and its component units is located on Exhibit 1. The component units include the School Board's net position totaling \$(43,089,410) of which \$(82,964,459) is unrestricted, the Industrial Development Authority's net position totaling \$2,172,557 all of which is unrestricted and Pittsylvania County Service Authority's net position totaling \$34,921,589 of which \$3,491,004 is unrestricted. (See Exhibit 1.) This exhibit provides insight into the future by using a full accrual accounting method. This model considers all factors when showing the financial position of the County.

The County's governmental activities net position increased by \$4,544,057 (after restatement - Note 24). In addition, the School Board's net position increased \$1,084,764 (after restatement - Note 24). and the IDA's net position decreased by \$7,094 and the PCSA's net position decreased by \$416,468. (See Exhibit 2.)

#### Fund Financial Statements

Unlike the Government-wide Financial Statements which use a full accrual accounting approach, the Fund Financial Statements use a modified accrual method of accounting. This method differs from the full accrual method by showing a picture of the County's financial position at the present time. A reconciliation of the two methods is provided in Exhibit 4 and Exhibit 6. At the end of the current fiscal year, unassigned fund balance for the general fund was \$18,811,835 or 23 percent of total general fund expenditures. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2018 budget as well as County Capital Improvement Projects for fiscal year 2019. It is important to note that the School Board carryover amount totaling \$3,647,049 has been assigned for fiscal year 2018, which helps to demonstrate a more accurate unassigned fund balance than in prior years.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$29,669,680, an increase of \$731,416 over last year. Approximately 88% percent of this total amount, or \$26,079,738 (which includes committed, assigned and unassigned funds), is available for spending at the government's discretion. This unrestricted balance has three parts, (1) committed funds which represents \$1,622,870, (2) assigned funds which represent \$5,645,033 and (3) unassigned funds which represents \$18,811,835. (See Exhibit 3.)

## Overview of the Financial Statements

The Annual Financial Report consists of four sections: introductory, financial, statistical and compliance.

- The *introductory section* provides a listing of principal officers for 2017-2018.
- The *financial section* has three component parts - managements' discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplemental information.
- The *statistical section* includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The *compliance section* is required under the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards* (Uniform Guidance).

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continued to be met in the future.

## Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources) is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently has no business-type activities. These expenses are now part of Public Works in the General Fund listed as Sanitation and Waste Removal.

## Overview of the Financial Statements (continued)

### Government-wide Financial Statements (continued)

The government-wide financial statements include, in addition to the primary government or County, three component units: 1) the Pittsylvania County School Board, 2) Industrial Development Authority and 3) Pittsylvania County Service Authority. Although these component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component units.

### Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### *Governmental funds:*

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliations between the two methods are presented in exhibits 4 and 6 of the financial section of this report.

#### *Proprietary funds:*

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The County of Pittsylvania has no enterprise funds but has two internal service funds: the Central Stores Fund and the Self-Insurance Fund. The Central Stores Fund accounts for the government's consolidated purchasing of office supplies and telephone charges. The Self-Insurance Fund accounts for insurance premiums paid by the County and School Board for all departments. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

#### *Fiduciary funds:*

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

## Overview of the Financial Statements (continued)

### Notes to the financial statements

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

### Government-wide Financial Analysis

#### Governmental Activities

As previously noted, net position may serve as a useful indicator of a government's financial position. Again, the full accrual accounting method is used to derive these figures. For the County, the governmental activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,249,492 at the end of the fiscal year.

The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

	County of Pittsylvania's Net Position	
	2018	2017
	Governmental Activities	Governmental Activities
Current and other assets	\$ 63,271,275	\$ 60,194,534
Capital assets	100,119,269	101,648,491
Total assets	<u>\$ 163,390,544</u>	<u>\$ 161,843,025</u>
Deferred Outflows of Resources	\$ 5,525,999	\$ 7,152,003
Long-term liabilities	\$ 99,608,776	\$ 104,590,713
Other liabilities	6,336,084	5,282,590
Total liabilities	<u>\$ 105,944,860</u>	<u>\$ 109,873,303</u>
Deferred Inflows of Resources	\$ 19,722,191	\$ 18,140,838
Net Position:		
Net investment in capital assets	\$ 23,610,189	\$ 19,916,483
Restricted	7,337,948	6,446,169
Unrestricted	12,301,355	14,618,235
Total net position	<u>\$ 43,249,492</u>	<u>\$ 40,980,887</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 55 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, 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.

The restricted net position represents resources that are subject to external restrictions on how they may be used. These assets include funds restricted for construction, grants and health insurance. Also included in these restricted assets are assets seized by the Sheriff's Department and can only be used for law enforcement. The County's restricted net position accounts for 17 percent of the total net position.

## Government-wide Financial Analysis (continued)

### Governmental Activities (continued)

The remaining balance of unrestricted net position, which is \$12,301,355 or 28 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position increased by \$4,544,057 during the current fiscal year (see restatement - Note 24). The majority of this increase was due to the purchase of equipment at the landfill, 911 Center and Courthouse, purchase and renovation of the Mt Hermon Library branch, which in turn also increased the net investment in capital assets. In addition, the County borrowed funds to start the construction of two new E911 tower sites during FY2018.

Governmental activities increased the County's net position by \$4,544,057. Key elements of this increase are as follows:

Charges for services	\$ 908,173	\$ 887,208
Operating grants and contributions	19,512,825	18,054,322
Capital grants and contributions	2,176	34,726
General revenues:		
General property taxes	39,899,114	36,635,453
Other local taxes	7,375,931	7,255,197
Use of money and property	530,617	534,540
Miscellaneous	403,055	290,160
Donation of the Community Center	-	2,306,900
Grants and contributions not spec.	6,534,738	6,657,163
Total Revenues	\$ 75,166,629	\$ 72,655,669
Expenses:		
General government	\$ 3,887,279	\$ 3,481,098
Judicial administration	1,858,800	1,728,160
Public safety	18,156,348	16,607,010
Public works	4,010,797	3,681,562
Health and welfare	15,621,570	15,056,995
Education	18,851,498	16,754,289
Parks, recreation, and cultural	1,885,619	2,279,169
Community development	3,187,057	2,639,500
Interest on long-term debt	3,163,604	3,723,137
Total Expenses	\$ 70,622,572	\$ 65,950,920
Increase/(Decrease) in net position	\$ 4,544,057	\$ 6,704,749
Net position, beginning (as restated)	\$ 38,705,435	\$ 34,276,138
Net position, ending	\$ 43,249,492	\$ 40,980,887

## Financial Analysis of the Government's Funds

### Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. 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.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$29,669,680. Approximately 63 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is legally restricted for a specific purpose.

The general fund is the chief operating fund of the County. As of June 30, 2018, total fund balance of the general fund was \$27,033,915 of which \$18,811,835 was unassigned. 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. Unassigned fund balance represents 23 percent of total general fund expenditures, which includes transfers to and expenses on behalf of the School Board component unit of \$16,341,263.

An analysis of the supporting schedules (modified accrual) for fiscal year 2018 and 2017 reveals:

- Revenues: Real property taxes experienced an increase of 6%, public service corporations experienced a decrease of 1% and personal property taxes experienced an increase of 8%. The increases were due to the increase generated from the recent reassessment as well as an increase in the real estate tax rate from .59 per \$100 to .62 per \$100 and an increase in the personal property from \$8.75 to \$9.00.
- Revenues: Other local taxes experienced an overall increase of 2% from FY2017 with both increases and decreases in various categories. Increases in other local tax revenues occurred in the following categories: Consumers' Utility Tax (1%), Consumption Tax (5%), Business Licenses (15%), Motor Vehicle Licenses (7%), Bank Stock Tax (7%). Decreases occurred in the following other local taxes categories: Local Sales and Use Tax (1%), Franchise License Tax (15%), Meals Tax (2%) and Taxes on Recordation and Wills (1%).
- Expenses: Overall primary government expenditures increased by 11% from FY2017. This increase resulted from several factors. Workforce Investment Act Expenditures increased 26% over the prior year. In addition, there was a large increase in debt service because of the principal retirement of E911 Lease Revenue Bonds that were reissued in December of 2017. This increase equated to a 54% increase. Increases also occurred in the following categories: General government administration, Judicial administration, Public safety, and Education. Decreases occurred in the following categories: Public Works, Health and welfare, Parks, recreation, and cultural, Community development, Capital Projects and Interest on long-term debt.
- Expenses: Education increased 4% from FY2017. Increased expenditures occurred in the following educational categories: Administration and health services (1%), Instructional Costs (5%), Technology (22%). Decreases occurred in the following educational categories: Pupil Transportation (2%), Operation and maintenance of school plant (3%), Food service and non-instructional (4%).

Financial Analysis of the Government's Funds (continued)

Governmental funds (continued)

- Expenses: Industrial Development increased by 100%. Planning and Community Development expenditures increased because of a continued effort to locate new industries in the County.

The Following is a reconciliation of the Treasurer's books to the Audited Financial Statements.

	<i>Per Treasurer 6/30/2017</i>	<i>Per Treasurer 6/30/2018</i>
	<u>Cash Balance</u>	<u>Cash Balance</u>
General Fund	21,644,387.00	22,349,168.00
Beautification Fund	-	11,300.00
Animal Friendly Plates Revenue Fund	(196.00)	3,472.00
Debt Reserve - Human Services Fund	38,404.00	38,482.00
Jail Inmate Management Fund	267,734.00	223,315.00
Bond Fund	2,400.00	2,400.00
Grants Fund	596,195.00	624,213.00
Capital Improvements Fund	1,018,251.00	1,507,186.00
E911 Bond Fund	-	1,368,368.00
Rural Roads Fund	239,523.00	268,781.00
Courthouse Security Fund	521,417.00	366,977.00
Jail Processing Fee Fund	16,636.00	19,926.00
Library Gifts Fund	40,083.00	76,257.00
Courthouse Maintenance Fund	9,818.00	47,404.00
Law Library Fund	24,606.00	28,861.00
Rescue Billing Fund	8,971.00	18,670.00
	<hr/>	<hr/>
Total cash per Treasurer	24,428,229.00	26,954,780.00
Audit Adjustments to Cash:		
Adjustment for interest paid by schools due for debt	53,733.00	-
Tax collections held in bank	-	178,342.00
Kim's entry to cash for overdraft Central Stores	(2,394.00)	(22,043.00)
Reversion of School Salaries Payable Fund	2,382,442.00	2,599,821.00
	<hr/>	<hr/>
Total cash as adjusted	26,862,010.00	29,710,900.00
Other Adjustments:		
Taxes and fees receivable	(2,714,563.00)	(3,020,629.00)
Accounts receivables	460,217.00	479,376.00
Due from other funds	2,394.00	22,043.00
Due from School Board	209,905.00	(1,417,520.00)
Due from the other governments	3,544,566.00	3,041,940.00
Accounts payables	(2,239,433.00)	(1,654,769.00)
Salaries payable	(78,257.00)	(127,426.00)
Total accrual adjustments	<hr/> (815,171.00) <hr/>	<hr/> (2,676,985.00) <hr/>
Ending General Fund - Fund Balance	26,046,839.00	27,033,915.00

The fund balance of the County's general fund increased by \$987,076 during the current fiscal year. The majority of this increase can be attributed to net loan issuances of \$3,803,802. This increase is offset by an increase in expenditures especially in the areas of public safety, education, and debt service.



General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were net increase of \$11,328,033. This increase occurred because of various budget increases/reductions that occurred after the 2018 budget process was complete. There were also increases that were made to the 2018 budget because of unforeseen events that occurred during the year. Significant budgetary supplements are included below:

- A major factor that attributed to the increased budget was due to the inclusion of carryover appropriations from the prior year. These carryover amounts totaled \$4,944,323, of which \$2,651,239 was for schools.
- Unexpected expenditures appropriated from undesignated fund balance totaled \$317,177, which was the amount needed to cover an increase in local expense for the CSA program.
- An additional \$1,198,873 of additional state funds were also appropriated for the CSA program.
- The budget was also adjusted to account for funds secured for the construction of 2 tower sites totaling \$2,000,000, funds secured for the purchase and renovations of the Mt. Hermon Library, Courthouse Chiller and Landfill Equipment totaling \$1,803,802 and funds secured for a school bus lease totaling \$678,742.
- Re-appropriated refunds received for overpayments, etc. totaled \$60,319
- Funds appropriated for the security upgrades at the Courthouse \$86,875
- Grant additions during the year accounted for an increased budget appropriation of \$109,426

Capital Asset and Debt Administration

Capital assets

The County’s investment in capital assets for its governmental activities as of June 30, 2018 is \$100,119,269 (net of accumulated depreciation). This investment in capital assets includes land buildings and system, machinery and equipment, and construction in progress.

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

- Construction of 2 new E911 tower sites (in progress), \$582,350 (Total to Date)
- Purchase/Renovations of the Mt Hermon Library site \$710,691 (FY2018), Total \$736,568
- Caterpillar D6N Dozer-Landfill -\$217,500
- Chiller Replacement-Courthouse \$162,642
- Next Gen 911 Premise Equip-\$100,568
- Dog Park Construction-\$27,130
- Washer/Dryer-Pet Center-\$20,101

County of Pittsylvania, Virginia Capital Assets  
(net of depreciation)

	2018		2017	
	Governmental		Governmental	
	Activities		activities	
Land	\$	5,605,544	\$	5,605,544
Buildings and system		77,755,651		75,610,674
Machinery and equipment		13,397,450		13,568,633
Infrastructure		2,778,274		2,443,407
Construction in progress		582,350		4,420,233
Total	\$	100,119,269	\$	101,648,491

## Capital Asset and Debt Administration (continued)

### Capital assets (continued)

School Board Assets financed with debt are considered assets of the General government until debt on these assets has been defeased. As such, the above listed assets include School Board Assets net of related depreciation of \$66,582,437. Additional information on the County's capital assets can be found in the notes to the financial statements.

### Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

	County of Pittsylvania's Outstanding Debt	
	2018	2017
	Governmental activities	Governmental activities
General obligation bonds	\$ 63,359,987	\$ 68,811,808
Lease Revenue Notes	2,234,502	683,400
Deferred Amounts:		
Bond Premium	6,493,739	6,931,329
Landfill closure/post-closure	3,046,215	3,036,798
Capital leases	10,848,512	10,244,050
QECB Revenue Bond	2,876,912	3,094,853
Net pension liability	5,141,587	8,261,300
Net OPEB Obligation	3,529,000	1,199,000
Compensated absences	1,328,322	1,328,175
Contingency for CSA	750,000	1,000,000
Total	\$ 99,608,776	\$ 104,590,713

Legislations enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

- At June 30, 2018, the unemployment rate for the County was 4.0 percent, which is a decrease from the rate of 4.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.3 percent and unfavorably to the national average rate of 4.2 percent.
- Pittsylvania County continues to work jointly with the City of Danville through a joint authority known as the Danville-Pittsylvania County Regional Facilities Authority. This authority works to attract industry and business to Southside Virginia.
- Pittsylvania County has a median household income of \$43,087 compared to the State median household income of \$68,114.
- Pittsylvania County's population was estimated at 61,258 in 2017 compared with 63,506 based on US Census Bureau information from 2010.

## Economic Factors and Next Year's Budgets and Rates (Continued)

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund, therefore, it is not anticipated that fund balance will be used to finance daily operations for the 2019 budget year.

### Requests for Information

This financial report is designed to provide readers with a general overview of the County of Pittsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, P.O. Box 426, Chatham, Virginia 24531. The County's website at [www.pittgov.org](http://www.pittgov.org) may also be visited to obtain valuable information about the County.

Information relative to the Pittsylvania County Public Service Authority and the Pittsylvania County Industrial Development Authority financial statements may be obtained from those organizations directly.

## Basic Financial Statements

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

	Primary Government	Component Units		
	Governmental Activities	School Board	Industrial Development Authority	Pittsylvania County Service Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,686,822	\$ 1,294,622	\$ 648,080	\$ 789,366
Investments	-	-	-	277,530
Receivables (net of allowance for uncollectibles):				
Taxes receivable	21,416,816	-	-	-
Accounts receivable	1,836,483	58,429	-	370,232
Notes receivable	-	-	373,882	-
Capital lease receivable	-	-	-	19,843
Due from primary government	-	1,417,520	-	-
Due from other governmental units	4,167,083	2,447,166	-	-
Inventories	5,890	-	-	41,452
Assets held for resale - Industrial sites	-	-	987,700	-
Prepaid items	-	843,443	-	52,504
Restricted assets:				
Cash and cash equivalents	1,368,368	-	-	-
Investments	789,813	-	-	2,503,606
Noncurrent assets:				
Notes receivable	-	-	5,192,147	-
Capital lease receivable	-	-	-	178,492
Capital assets (net of accumulated depreciation):				
Land	5,605,544	2,709,971	-	-
Buildings and improvements	78,151,020	32,854,825	-	-
Machinery and equipment	13,002,081	2,990,579	-	-
Infrastructure	2,778,274	-	-	-
Utility plant in service	-	-	-	31,430,585
Construction in progress	582,350	-	-	-
Total assets	<u>163,390,544</u>	<u>44,616,555</u>	<u>7,201,809</u>	<u>35,663,610</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	3,957,873	-	-	-
OPEB related items	176,458	1,367,188	-	-
Pension related items	1,391,668	9,203,643	-	86,449
Total deferred outflows of resources	<u>5,525,999</u>	<u>10,570,831</u>	<u>-</u>	<u>86,449</u>
<b>LIABILITIES</b>				
Accounts payable	2,318,378	1,298,242	-	150,699
Salaries payable	127,426	2,599,821	-	6,851
Customer deposits	-	-	-	173,439
Retainage payable	18,541	-	-	-
Estimate of incurred but unreported health claims	1,268,500	-	-	-
Accrued interest payable	1,023,339	-	-	-
Amounts held for rescue squads	18,670	-	-	-
Due to component units	1,561,230	-	-	-
Unearned revenue	-	-	-	68,969
Long-term liabilities:				
Due within one year	9,676,166	1,262,981	305,563	-
Due in more than one year	89,932,610	84,316,815	4,723,689	332,215
Total liabilities	<u>105,944,860</u>	<u>89,477,859</u>	<u>5,029,252</u>	<u>732,173</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	18,190,064	-	-	-
OPEB related items	151,000	540,000	-	-
Pension related items	1,381,127	8,258,937	-	96,297
Total deferred inflows of resources	<u>19,722,191</u>	<u>8,798,937</u>	<u>-</u>	<u>96,297</u>
<b>NET POSITION</b>				
Net investment in capital assets	23,610,189	38,555,375	-	31,430,585
Restricted:				
Construction	2,167,536	-	-	-
Grant funds	859,361	-	-	-
Asset forfeiture funds	563,045	-	-	-
Health Insurance	3,748,006	-	-	-
School Cafeteria	-	1,319,674	-	-
Unrestricted	12,301,355	(82,964,459)	2,172,557	3,491,004
Total net position	<u>\$ 43,249,492</u>	<u>\$ (43,089,410)</u>	<u>\$ 2,172,557</u>	<u>\$ 34,921,589</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Component Units			
				Primary Government	School Board	Industrial Development Authority	Pittsylvania County Service Authority
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,887,279	\$ 93,692	\$ 381,453	\$ (3,412,134)	\$ -	\$ -	\$ -
Judicial administration	1,858,800	13,961	1,204,587	(640,252)	-	-	-
Public safety	18,156,348	464,088	4,812,892	(12,877,192)	-	-	-
Public works	4,010,797	256,416	45,336	(3,709,045)	-	-	-
Health and welfare	15,621,570	-	12,136,826	(3,484,744)	-	-	-
Education	18,851,498	-	-	(18,851,498)	-	-	-
Parks, recreation, and cultural	1,885,619	80,016	158,296	(1,647,307)	-	-	-
Community development	3,187,057	-	773,435	(2,413,622)	-	-	-
Interest on long-term debt	3,163,604	-	-	(3,163,604)	-	-	-
Total primary government	<u>70,622,572</u>	<u>908,173</u>	<u>19,512,825</u>	<u>(50,199,398)</u>	-	-	-
<b>COMPONENT UNITS:</b>							
School Board	88,517,701	1,709,976	69,925,782	(16,881,943)	-	(247,878)	-
Industrial Development Authority	247,878	-	-	-	-	-	(478,656)
Pittsylvania County Service Authority	3,305,853	2,779,227	47,970	-	-	-	(478,656)
Total component units	<u>\$ 92,071,432</u>	<u>\$ 4,489,203</u>	<u>\$ 69,925,782</u>	<u>(16,881,943)</u>	-	<u>(247,878)</u>	<u>(478,656)</u>
General revenues:							
General property taxes				39,899,114	-	-	-
Other local taxes:							
Local sales and use taxes				2,359,342	-	-	-
Consumers' utility taxes				1,301,781	-	-	-
Motor vehicle licenses				2,333,397	-	-	-
Meals taxes				749,838	-	-	-
Other local taxes				631,573	-	-	-
Unrestricted revenues from use of money and property				530,617	36,763	240,784	43,584
Miscellaneous				403,055	1,588,681	-	-
Payments from the County of Pittsylvania				-	16,341,263	-	-
Grants and contributions not restricted to specific programs				6,534,738	-	-	-
Gain on disposal of capital assets				-	-	-	18,604
Total general revenues				<u>54,743,455</u>	<u>17,966,707</u>	<u>240,784</u>	<u>62,188</u>
Change in net position				<u>4,544,057</u>	<u>1,084,764</u>	<u>(7,094)</u>	<u>(416,468)</u>
Net position - beginning, as restated				<u>38,705,435</u>	<u>(44,174,174)</u>	<u>2,179,651</u>	<u>35,338,057</u>
Net position - ending				<u>\$ 43,249,492</u>	<u>\$ (43,089,410)</u>	<u>\$ 2,172,557</u>	<u>\$ 34,921,589</u>

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

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

	General	Industrial Development	Workforce Investment Act	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,552,719	\$ 1,706,516	\$ -	\$ 767,000	\$ 30,026,235
Receivables (net of allowance for uncollectibles):					
Taxes receivable	21,416,816	-	-	-	21,416,816
Accounts receivable	479,376	1,999	47,196	13,761	542,332
Due from other funds	22,043	-	-	-	22,043
Due from other governmental units	3,041,940	352,843	772,300	-	4,167,083
Restricted assets:					
Cash and cash equivalents	1,368,368	-	-	-	1,368,368
Investments	789,813	-	-	-	789,813
Total assets	<u>54,671,075</u>	<u>2,061,358</u>	<u>819,496</u>	<u>780,761</u>	<u>58,332,690</u>
<b>LIABILITIES</b>					
Reconciled overdraft	-	-	205,361	-	205,361
Accounts payable	1,636,099	276,237	377,732	4,269	2,294,337
Salaries payable	127,426	-	-	-	127,426
Retainage payable	-	18,541	-	-	18,541
Amounts held for rescue squads	18,670	-	-	-	18,670
Due to component unit	1,417,520	143,710	-	-	1,561,230
Total liabilities	<u>3,199,715</u>	<u>438,488</u>	<u>583,093</u>	<u>4,269</u>	<u>4,225,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	24,437,445	-	-	-	24,437,445
<b>FUND BALANCES</b>					
Restricted:					
Construction	2,158,181	-	-	9,355	2,167,536
Grant funds	622,958	-	236,403	-	859,361
Asset Forfeiture Fund	-	-	-	563,045	563,045
Committed:					
Special revenue funds	-	1,622,870	-	-	1,622,870
Assigned:					
Veterinary Expense Fund	3,472	-	-	-	3,472
Beautification Fund	11,300	-	-	-	11,300
Law Library Fund	28,861	-	-	-	28,861
Library Gifts Fund	76,257	-	-	-	76,257
Capital Outlay Fund	717,373	-	-	-	717,373
Jail Inmate Management Fund	223,315	-	-	-	223,315
Courthouse Maintenance Fund	47,404	-	-	-	47,404
Courthouse Security Fund	356,320	-	-	-	356,320
Jail Processing Fund	19,926	-	-	-	19,926
Rural Road Addition Fund	268,781	-	-	-	268,781
Debt Service Reserve Fund	-	-	-	204,092	204,092
Social Services Bond Fund	38,483	-	-	-	38,483
School Carryover	3,647,049	-	-	-	3,647,049
Schools Bond Fund	2,400	-	-	-	2,400
Unassigned	18,811,835	-	-	-	18,811,835
Total fund balances	<u>27,033,915</u>	<u>1,622,870</u>	<u>236,403</u>	<u>776,492</u>	<u>29,669,680</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,671,075</u>	<u>\$ 2,061,358</u>	<u>\$ 819,496</u>	<u>\$ 780,761</u>	<u>\$ 58,332,690</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	29,669,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.		
Land	\$	5,605,544
Buildings and improvements		78,151,020
Infrastructure		2,778,274
Machinery and equipment		13,002,081
Construction in progress		582,350
		100,119,269
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$	6,247,381
Unavailable revenue - solid waste fees		128,846
		6,376,227
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		3,722,559
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$	3,957,873
Pension related items		1,391,668
OPEB related items		176,458
		5,525,999
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$	(63,359,987)
Lease revenue notes		(2,234,502)
QECCB bond		(2,876,912)
Capital leases		(10,848,512)
Unamortized premiums		(6,493,739)
Accrued interest payable		(1,023,339)
Net OPEB liabilities		(3,529,000)
Net pension liability		(5,141,587)
Landfill closure estimate		(3,046,215)
Compensated absences		(1,328,322)
Due to the Commonwealth - CSA		(750,000)
		(100,632,115)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(1,381,127)
OPEB related items		(151,000)
		(1,532,127)
Net position of governmental activities		\$ 43,249,492

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



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

	General	Industrial Development	Workforce Investment Act	Other Governmental Funds	Total
<b>REVENUES</b>					
General property taxes	\$ 38,092,864	\$ -	\$ -	\$ -	\$ 38,092,864
Other local taxes	7,375,931	-	-	-	7,375,931
Permits, privilege fees, and regulatory licenses	157,376	-	-	-	157,376
Fines and forfeitures	205,021	-	-	-	205,021
Revenue from the use of money and property	332,711	-	197,546	360	530,617
Charges for services	609,152	-	-	-	609,152
Miscellaneous	365,482	20,289	-	17,284	403,055
Recovered costs	1,310,264	35,282	-	-	1,345,546
Intergovernmental	21,863,373	773,435	3,099,228	63,703	25,799,739
Total revenues	<u>70,312,174</u>	<u>829,006</u>	<u>3,296,774</u>	<u>81,347</u>	<u>74,519,301</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	4,277,067	-	-	-	4,277,067
Judicial administration	1,872,516	-	-	-	1,872,516
Public safety	17,411,077	-	-	348,761	17,759,838
Public works	3,140,876	-	-	-	3,140,876
Health and welfare	12,334,164	-	3,290,026	-	15,624,190
Education	16,351,037	-	-	-	16,351,037
Parks, recreation, and cultural	1,820,633	-	-	-	1,820,633
Community development	1,883,632	1,323,409	-	-	3,207,041
Nondepartmental	17,203	-	-	-	17,203
Capital projects	2,845,708	47,859	-	-	2,893,567
Debt service:					
Principal retirement	16,984,514	-	-	-	16,984,514
Interest and other fiscal charges	3,309,719	-	-	-	3,309,719
Total expenditures	<u>82,248,146</u>	<u>1,371,268</u>	<u>3,290,026</u>	<u>348,761</u>	<u>87,258,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,935,972)</u>	<u>(542,262)</u>	<u>6,748</u>	<u>(267,414)</u>	<u>(12,738,900)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	547,268	-	-	547,268
Transfers out	(547,268)	-	-	-	(547,268)
Issuance of lease revenue bonds	1,803,802	-	-	-	1,803,802
Issuance of capital leases	11,666,514	-	-	-	11,666,514
Total other financing sources (uses)	<u>12,923,048</u>	<u>547,268</u>	<u>-</u>	<u>-</u>	<u>13,470,316</u>
Net change in fund balances	987,076	5,006	6,748	(267,414)	731,416
Fund balances - beginning	26,046,839	1,617,864	229,655	1,043,906	28,938,264
Fund balances - ending	<u>\$ 27,033,915</u>	<u>\$ 1,622,870</u>	<u>\$ 236,403</u>	<u>\$ 776,492</u>	<u>\$ 29,669,680</u>

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

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

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

Net change in fund balances - total governmental funds	\$	731,416
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded the capital outlays in the current period.</p>		
Capital outlays	\$ 3,557,474	
Depreciation expense	<u>(5,066,376)</u>	(1,508,902)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net capital assets.</p>		
Loss on disposal of assets		(20,320)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	\$ 1,806,250	
Solid waste fees	<u>(63,376)</u>	1,742,874
<p>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.</p>		
<u>Debt Issued or Incurred:</u>		
Issuance of capital lease	\$ (11,666,514)	
Issuance of lease revenue bond	(1,803,802)	
<u>Principal Payments</u>		
General obligation bonds	5,451,820	
QCEB revenue bond	217,941	
Lease revenue notes	252,700	
Refinanced capital lease	8,987,800	
Capital leases	2,074,253	
Due to Commonwealth - CSA	<u>250,000</u>	3,764,198
<p>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.</p>		
Change in compensated absences	\$ (147)	
Change in accrued interest payable	77,978	
Change in landfill closure estimate	(9,417)	
OPEB expense	(29,090)	
Pension expense	751,843	
Amortization of bond premium	437,590	
Amortization of loss on refunding	<u>(369,453)</u>	859,304
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>		
		(1,024,513)
Change in net position of governmental activities	\$	<u><u>4,544,057</u></u>

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

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

	<u>Internal Service Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,865,948
Accounts receivables, net of allowances for uncollectibles	1,165,305
Inventories	5,890
Total assets	5,037,143
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	24,041
Estimate of incurred but unreported health claims	1,268,500
Due to other funds	22,043
Total liabilities	1,314,584
<b>NET POSITION</b>	
Restricted for health insurance claims	3,748,006
Unrestricted	(25,447)
Total net position	\$ 3,722,559

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

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

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	<u>Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Materials and supplies	\$ 399,007
Insurance premiums	12,614,185
Total operating revenues	<u>13,013,192</u>
<b>OPERATING EXPENSES</b>	
Supplies, insurance and telephone	433,268
Insurance claims and expenses	13,604,437
Total operating expenses	<u>14,037,705</u>
Change in Net Position	<u>(1,024,513)</u>
Total net position - beginning	4,747,072
Total net position - ending	<u>\$ 3,722,559</u>

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

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

	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for materials and supplies	\$ 397,971
Receipts for insurance premiums	12,615,687
Payments to suppliers	(397,971)
Payments for insurance premiums	(13,457,837)
Net cash provided by (used for) operating activities	<u>(842,150)</u>
Net increase (decrease) in cash and cash equivalents	(842,150)
Cash and cash equivalents - beginning	4,708,098
Cash and cash equivalents - ending	<u>\$ 3,865,948</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (1,024,513)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	466
(Increase) decrease in inventories	1,820
Increase (decrease) in accounts payable	160,428
Increase (decrease) in due to other funds	19,649
Total adjustments	<u>182,363</u>
Net cash provided by (used for) operating activities	<u>\$ (842,150)</u>

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

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

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 347,517
Cash in custody of others	76,686
Total assets	\$ 424,203
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 14,952
Amounts held for developers	332,565
Amounts held for land sales	64,434
Amounts held for inmates	12,252
Total liabilities	\$ 424,203

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

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

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

The Industrial Development Authority of Pittsylvania County (IDA) encourages and provides financing for industrial development in Pittsylvania County. The IDA is deemed to be a discretely presented component unit of the County. The IDA's fiscal year end is December 31st and financial data presented herewith for the Authority is for the fiscal year ended December 31, 2017. The IDA issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

The Pittsylvania County Service Authority (Service Authority) provides water and sewer service to residents of Pittsylvania County. The Service Authority is deemed to be a discretely presented component unit of the County. The Service Authority's fiscal year end is December 31st and financial data presented herewith for the Service Authority is for the fiscal year ended December 31, 2017. The Service Authority issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

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

A. Financial Reporting Entity (continued)

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with the City of Danville, participates in supporting the Danville-Pittsylvania Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$325,102 to the Community Services Board.

The County in conjunction with the City of Danville participates in supporting the Danville-Pittsylvania Regional Industrial Facilities Authority (IFA). The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$649,694 to the IFA. The County has a moral obligation to continue to provide funding to the IFA for debt service and ongoing construction projects.

The County along with the Town of Altavista, Town of Hurt, and City of Danville are part of the jointly governed organization Staunton River Regional Industrial Facility Authority (SRIFA). SRIFA's mission is to improve the regional economy through the attraction of global industry.

B. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, 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 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).



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

**B. Government-wide and Fund Financial Statements (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, Debt Reserve, Bond, Zoning, Grants, CIP, Jail Operations, Rural Roads, Building Code Academy, Courthouse Security, Jail Inmate Management, Landfill Bond, Library Gifts, Courthouse Maintenance, Law Library, Animal Friendly Plates, and Jail Processing Funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

The Industrial Development and Workforce Investment Act Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for industrial and community development benefiting the County. The Industrial Development Fund includes the activities of the cyclical and non-cyclical industrial development funds. The Workforce Investment Act Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for administering programs to improve the workforce of Pittsylvania County and surrounding jurisdictions.

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

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

The government reports the following nonmajor governmental funds:

The Forfeited Assets is a *Special Revenue Fund* that accounts for and reports financial resources to be used in connection with the Sheriff and Commonwealth Attorney's asset forfeiture funds.

The School Capital Improvements Fund is the County's capital projects fund related to school improvements.

The Debt Service Reserve Fund is the County's only *Debt Service Fund*. It accounts for and reports financial resources to be used for the payment of debt of the County as well as jointly governed organizations.

Additionally, the government reports the following fund types:

*Internal Service Funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Central Stores and Self Insurance Funds.

*Fiduciary funds* (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Cash Bond, Land Sales, and Sheriff's Inmate Trust and Canteen Account Funds.

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

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for sales and health insurance. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Cash and Cash Equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

2. Investments

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

3. Receivables and Payables

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

4. Property Taxes

Property is assessed at its value on January 1<sup>st</sup>. Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Real estate taxes are payable in installments on June 20<sup>th</sup> and December 20<sup>th</sup>. Personal property taxes are due and collectible in installments on June 20<sup>th</sup> and December 20<sup>th</sup>. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$525,764 at June 30, 2018 and is comprised solely of property taxes.

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

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

6. Use of Estimates

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

7. 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.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability(ies) and/or contributions to the pension and OPEB plan(s) made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

10. Long-term Obligations

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

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

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

10. Long-term Obligations (continued)

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.

11. Compensated Absences

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

12. Pensions

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

13. Other Postemployment Benefits (OPEB)

*Health Insurance*

The County and School Board offer retirees the option to remain on the health insurance plan resulting in an implicit subsidy OPEB liability. For more information see the related note disclosure.

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

13. Other Postemployment Benefits (OPEB) (Continued)

*Group Life Insurance*

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

*Political Subdivision and Teacher Employee Health Insurance Credit Program*

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

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

14. 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 prepaid expenditures) 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.

The Board of Supervisors is the County's highest level of decision-making authority and a resolution is required prior to the last day of the fiscal year in order to establish, modify, or rescind a fund balance commitment. The amount subject to the constraint may be determined in the subsequent period.

The County's Board of Supervisors has authorized the Finance Director to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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

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

15. Net Position

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

16. Net Position Flow Assumption

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

**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of Agency Funds.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund) and the School Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.

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

A. Budgetary Information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2018, no departments had expenditures in excess of its appropriations.

C. Deficit fund equity

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

**Note 3-Deposits and Investments:**

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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).

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

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2018, the County and the Component Unit - School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

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

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 789,813

External Investment Pools

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>1 Year</u>
SNAP	\$ 789,813	\$ 789,813

**Note 4-Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 427,720	\$ -
Communication sales tax	333,398	-
State sales tax	-	1,214,370
Non-categorical aid	116,206	-
Categorical aid-shared expenses	458,736	-
Categorical aid-Virginia Public Assistance funds	122,048	-
Categorical aid-other	512,386	221,011
Categorical aid-CSA funds	1,163,340	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	230,302	-
Categorical aid-Workforce Investment Act funds	772,300	-
Categorical aid-other	30,647	1,011,785
<b>Total Amount Due from Other Governmental Units</b>	<b>\$ 4,167,083</b>	<b>\$ 2,447,166</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 5-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<b>Primary Government:</b>		
General Fund	\$ <u>          -</u>	\$ <u>      1,417,520</u>
<b>Component Unit - School Board:</b>		
School Fund	\$ <u>      1,417,520</u>	\$ <u>                  -</u>

The amounts above do not include \$143,710 owed from the County Industrial Development Fund to the Pittsylvania County Industrial Development Authority due to the differing year ends.

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

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
<b>Primary Government:</b>		
<i>Major Governmental Funds:</i>		
General Fund	\$ 22,043	\$ -
<i>Internal Service Funds:</i>		
Central Stores Fund	-	22,043
Total	<u>\$ 22,043</u>	<u>\$ 22,043</u>

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Primary Government:</b>		
<i>Major Governmental Funds:</i>		
General Fund	\$ -	\$ (547,268)
Industrial Development Fund	547,268	-
Total	<u>\$ 547,268</u>	<u>\$ (547,268)</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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 6-Long-Term Obligations:**

Primary Government - Governmental Activities Indebtedness

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

	As Restated, Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 68,811,808	\$ -	\$ (5,451,821)	\$ 63,359,987
Lease revenue notes	683,400	1,803,802	(252,700)	2,234,502
Unamortized bond premiums	6,931,329	-	(437,590)	6,493,739
Capital leases	10,244,050	11,666,514	(11,062,052)	10,848,512
QECB Revenue Bond	3,094,853	-	(217,941)	2,876,912
Net pension liability	8,261,300	6,059,023	(9,178,736)	5,141,587
Net OPEB liabilities	3,640,000	203,000	(314,000)	3,529,000
Compensated absences	1,328,175	996,278	(996,131)	1,328,322
Landfill closure/postclosure	3,036,798	9,417	-	3,046,215
Due to Commonwealth (CSA)	1,000,000	-	(250,000)	750,000
<b>Total</b>	<b>\$ 107,031,713</b>	<b>\$ 20,738,034</b>	<b>\$ (28,160,971)</b>	<b>\$ 99,608,776</b>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

Primary Government - Governmental Activities Indebtedness (continued)

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

Year Ending June 30,	General Obligation Bonds		QECB Energy Revenue Bond	
	Principal	Interest	Principal	Interest
2019	\$ 5,689,830	\$ 2,658,083	\$ 218,440	\$ 99,904
2020	5,929,045	2,393,850	218,941	92,324
2021	6,194,907	2,107,726	219,442	84,727
2022	6,477,744	1,805,413	219,945	77,112
2023	6,453,720	1,493,991	220,448	69,480
2024-2028	22,799,741	3,857,472	1,109,837	232,306
2029-2031	9,815,000	519,825	669,859	46,674
Totals	<u>\$ 63,359,987</u>	<u>\$ 14,836,360</u>	<u>\$ 2,876,912</u>	<u>\$ 702,527</u>

  

Year Ending June 30,	Lease Revenue Notes	
	Principal	Interest
2019	\$ 415,430	\$ 75,510
2020	326,444	61,203
2021	164,184	52,112
2022	170,131	46,164
2023	176,294	40,001
2024-2028	982,019	99,457
Totals	<u>\$ 2,234,502</u>	<u>\$ 374,447</u>

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

**Primary Government - Governmental Activities Indebtedness: (continued)**

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>General Obligation Bonds:</b>							
General Obligation Bond (2)	3.00-5.00%	8/21/2015	2/1/2030	\$625,000-3,600,000 a+	\$ 37,660,000	\$ 35,540,000	\$ 795,000
General Obligation Bond (1)	3.00-5.00%	6/2/2016	6/15/2031	\$605,000-1,150,000 a+	13,275,000	12,010,000	690,000
General Obligation Bond (1)	4.10-5.60%	11/10/2004	7/15/2024	\$999,906-1,010,000 a+	15,735,749	6,439,987	854,830
General Obligation Bond	3.50-5.75%	10/30/2008	2/1/2030	\$2,330,368-3,574,906 a+	40,000,000	1,925,000	1,925,000
General Obligation Bond	2.00-5.00%	4/22/2010	3/1/2023	\$1,189,963-1,414,500 a+	12,485,000	6,290,000	1,155,000
General Obligation Bond	2.125-5.125%	11/16/2011	11/1/2021	\$268,616-317,944 a+	2,555,000	1,155,000	270,000
Total GO Bonds						<u>\$ 63,359,987</u>	<u>\$ 5,689,830</u>
<b>Lease Revenue Notes:</b>							
Revenue Bond - IDA	3.59%	1/30/2018	2/1/2028	\$152,730-\$315,936 a+	\$ 1,803,802	\$ 1,803,802	\$ 152,730
Revenue Bond - SSB	3.99%	4/27/2006	7/15/2019	\$244,017-271,292 a+	2,900,000	430,700	262,700
Total lease revenue notes						<u>\$ 2,234,502</u>	<u>\$ 415,430</u>
QECCB Energy Revenue Bond:							
QECCB Energy Revenue Bond	3.47%	1/20/2016	3/1/2031	\$216,581-224,519 a+	\$ 3,313,595	\$ 2,876,912	\$ 218,440
<b>Deferred amounts:</b>							
Plus:							
Unamortized Premium						\$ 6,493,739	\$ 304,202
<b>Other Obligations:</b>							
Capital Leases (Note 7)						\$ 10,848,512	\$ 1,802,022
Net OPEB Liabilities						3,529,000	-
Net Pension Liability						5,141,587	-
Compensated Absences						1,328,322	996,242
Landfill Closure/Postclosure Liability						3,046,215	-
CSA-Due to Commonwealth (Note 17)						750,000	250,000
Total Other Obligations						<u>\$ 24,643,636</u>	<u>\$ 3,048,264</u>
Total Long-Term Obligations						<u>\$ 99,608,776</u>	<u>\$ 9,676,166</u>

(1) Refunding bond

(2) Advanced refunding bond

(a+) - annual principal installments shown, does not include semi-annual interest installments

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 7-Capital Leases:**

Primary Government

The School Board issued a lease purchase agreement to pay for supplies and non-capitalized equipment used to implement an energy savings plan and to purchase school buses. The County entered into a capital lease agreement to upgrade its E-911 equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	E - 911 Equipment	School Buses
Machinery and equipment	\$ 13,893,336	\$ 1,608,471
Less: Accumulated depreciation	<u>(5,363,817)</u>	<u>(267,062)</u>
Net capital assets	<u><u>\$ 8,529,519</u></u>	<u><u>\$ 1,341,409</u></u>

In addition to the above assets, the County has \$1,368,368 cash and cash equivalents at year end relating to the E-911 equipment lease issuance that will be used for improving the E-911 towers.

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

Year Ending June 30,	School Buses	Energy Savings Lease	E - 911 Equipment Lease	Total
2019	\$ 557,564	\$ 324,043	\$ 1,475,528	\$ 2,357,135
2020	229,636	-	1,478,544	1,708,180
2021	-	-	1,481,632	1,481,632
2022	-	-	1,484,796	1,484,796
2023	-	-	1,488,039	1,488,039
2024-2026	<u>-</u>	<u>-</u>	<u>3,298,327</u>	<u>3,298,327</u>
Subtotal	\$ 787,200	\$ 324,043	\$ 10,706,866	\$ 11,818,109
Less, amount representing interest	<u>(13,828)</u>	<u>(12,437)</u>	<u>(943,332)</u>	<u>(969,597)</u>
Present Value of Lease Agreement	<u><u>\$ 773,372</u></u>	<u><u>\$ 311,606</u></u>	<u><u>\$ 9,763,534</u></u>	<u><u>\$ 10,848,512</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 8-Long-Term Obligations-Component Unit School Board:**

**Discretely Presented Component Unit-School Board-Indebtedness**

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

	As Restated, Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Net pension liability	\$ 75,443,359	\$ 11,367,662	\$ (21,627,200)	\$ 65,183,821
Net OPEB liabilities	19,365,000	1,153,000	(1,806,000)	18,712,000
Compensated absences	1,587,503	1,287,099	(1,190,627)	1,683,975
<b>Total</b>	<b>\$ 96,395,862</b>	<b>\$ 13,807,761</b>	<b>\$ (24,623,827)</b>	<b>\$ 85,579,796</b>

**Details of long-term indebtedness:**

	Total Amount	Amount Due Within One Year
<b><u>Other Obligations:</u></b>		
Net pension liability	\$ 65,183,821	\$ -
Net OPEB liabilities	18,712,000	-
Compensated absences	1,683,975	1,262,981
<b>Total Long-Term Obligations</b>	<b>\$ 85,579,796</b>	<b>\$ 1,262,981</b>

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**Note 9—Pension Plan:**

*Plan Description*

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

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

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>                      Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b>                      Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<p><b>About the Hybrid Retirement Plan (Continued)</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>
<p><b>Eligible Members</b>                      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><b>Hybrid Opt-In Election</b>                      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><b>Eligible Members</b>                      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><b>Hybrid Opt-In Election</b>                      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><b>Eligible Members</b>                      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"> <li>Political subdivision employees and school division employees</li> <li>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.</li> </ul> <p><b>*Non-Eligible Members</b>                      Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b>                      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><b>Hybrid Opt-In Election (Cont.)</b>                      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><b>*Non-Eligible Members (Cont.)</b>                      Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b>                      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>

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

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



**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contribution Component: (Cont.)</b></u>                      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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      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><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1.</p>

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1 and Plan 2.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b>                      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><b>Disability Coverage</b>                      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><b>Disability Coverage</b>                      Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b>                      Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>                      Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <b><u>Defined Benefit Component:</u></b>                      Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b>                      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.

**Note 9—Pension Plan: (Continued)**

*Employees Covered by Benefit Terms*

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

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	215	174
Inactive members:		
Vested inactive members	36	12
Non-vested inactive members	67	36
Inactive members active elsewhere in VRS	<u>94</u>	<u>29</u>
Total inactive members	197	77
Active members	<u>346</u>	<u>145</u>
Total covered employees	<u><u>758</u></u>	<u><u>396</u></u>

*Contributions*

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

The County’s contractually required employer contribution rate for the year ended June 30, 2018 was 9.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,391,668 and \$1,358,939 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 7.96% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

**Note 9—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 \$213,961 and \$217,553 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the County’s Retirement Plan and the Pittsylvania County Public Schools’ 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.



**Note 9—Pension Plan: (Continued)**

*Actuarial Assumptions - General Employees (continued)*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

*Actuarial Assumptions - General Employees (continued)*

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

Largest 10 - Non-Hazardous Duty:

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

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

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

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

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

**Note 9—Pension Plan: (Continued)**

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 9—Pension Plan: (Continued)**

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

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

**Largest 10 - Hazardous Duty:**

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

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

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

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**Note 9—Pension Plan: (Continued)**

*Long-Term Expected Rate of Return*

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

<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%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

*Discount Rate*

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

*Changes in Net Pension Liability*

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 64,202,798	\$ 55,941,498	\$ 8,261,300
Changes for the year:			
Service cost	\$ 1,627,407	\$ -	\$ 1,627,407
Interest	4,386,198	-	4,386,198
Changes of assumptions	(171,451)	-	(171,451)
Differences between expected and actual experience	(157,351)	-	(157,351)
Contributions - employer	-	1,358,939	(1,358,939)
Contributions - employee	-	705,141	(705,141)
Net investment income	-	6,785,854	(6,785,854)
Benefit payments, including refunds of employee contributions	(3,085,649)	(3,085,649)	-
Administrative expenses	-	(39,392)	39,392
Other changes	-	(6,026)	6,026
Net changes	<u>\$ 2,599,154</u>	<u>\$ 5,718,867</u>	<u>\$ (3,119,713)</u>
Balances at June 30, 2017	<u>\$ 66,801,952</u>	<u>\$ 61,660,365</u>	<u>\$ 5,141,587</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

*Changes in Net Pension Liability (continued)*

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 14,170,167	\$ 12,516,808	\$ 1,653,359
Changes for the year:			
Service cost	\$ 287,778	\$ -	\$ 287,778
Interest	959,558	-	959,558
Changes of assumptions	(148,814)	-	(148,814)
Differences between expected and actual experience	(246,249)	-	(246,249)
Contributions - employer	-	217,553	(217,553)
Contributions - employee	-	135,498	(135,498)
Net investment income	-	1,494,086	(1,494,086)
Benefit payments, including refunds of employee contributions	(924,400)	(924,400)	-
Administrative expenses	-	(9,014)	9,014
Other changes	-	(1,312)	1,312
Net changes	\$ (72,127)	\$ 912,411	\$ (984,538)
Balances at June 30, 2017	\$ 14,098,040	\$ 13,429,219	\$ 668,821

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

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

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

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
Pittsylvania County			
Net Pension Liability (Asset)	\$ 13,524,521	\$ 5,141,587	\$ (1,857,587)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 2,230,654	\$ 668,821	\$ (652,211)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$639,923 and (\$231,230), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>		<b>Component Unit School Board (nonprofessional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 384,048	\$ -	\$ 216,460
Change in assumptions	-	123,291	-	84,112
Net difference between projected and actual earnings on pension plan investments	-	873,788	-	187,365
Employer contributions subsequent to the measurement date	1,391,668	-	213,961	-
<b>Total</b>	<b>\$ 1,391,668</b>	<b>\$ 1,381,127</b>	<b>\$ 213,961</b>	<b>\$ 487,937</b>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 9—Pension Plan: (Continued)**

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

\$1,391,668 and \$213,961 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (831,505)	\$ (380,198)
2020	76,640	14,423
2021	(44,804)	5,490
2022	(581,458)	(127,652)
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.

**Note 9—Pension Plan:** (Continued)

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

*Contributions (Continued)*

Each School Division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$7,075,682 and \$5,997,754 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$64,515,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.52460% as compared to 0.52654% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$4,977,000. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

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

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

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	\$ -	\$ 4,568,000
Change in assumptions	941,000	-
Net difference between projected and actual earnings on pension plan investments	-	2,344,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	973,000	859,000
Employer contributions subsequent to the measurement date	<u>7,075,682</u>	<u>-</u>
Total	<u>\$ 8,989,682</u>	<u>\$ 7,771,000</u>

\$7,075,682 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (2,317,000)
2020	(41,000)
2021	(929,000)
2022	(2,305,000)
Thereafter	(265,000)

**Note 9—Pension Plan: (Continued)**

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

*Actuarial Assumptions*

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9—Pension Plan: (Continued)**

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

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

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

*Net Pension Liability*

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

	<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>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

**Note 9—Pension Plan: (Continued)**

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

*Long-Term Expected Rate of Return*

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

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

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

**Note 9—Pension Plan: (Continued)**

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

*Discount Rate*

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

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

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

	<b>Rate</b>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 96,343,000	\$ 64,515,000	\$ 38,187,000

*Pension Plan Fiduciary Net Position*

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

**Note 10—Other Postemployment Benefits - Health Insurance:**

*Plan Description*

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

*Benefits Provided*

PPRMP provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for retirement benefits under VRS, which requires that the employee be (1) age 50 with 10 years of service; (2) age 55 with 5 years of service; or (3) age 65 with 5 years of service. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement. Coverage continues as documented below:

County Coverage:

Type of Coverage	Employee	Spouse
Life Insurance	No post-retirement life insurance is valued	Not Applicable
<b>Medical Coverage</b>		
➤ Retiree Cost Sharing	Retiree pays 100% of employee Pre-65 premium. Medicare eligible retirees pay 100% of carve out premium.	Retiree pays 100% of spousal premium. Medicare eligible spouse pay 100% of carve out premium.*
➤ Coverage ceases	Coverage stops at age 65.  Effective 9/15/2017, the county no longer allows post 65 retirees to elect coverage; However, retirees post 65 already receiving coverage can remain on the plan	Coverage stops at death.  Effective 9/15/2017, the county no longer allows post 65 retirees to elect coverage; However, retirees post 65 already receiving coverage can remain on the plan
<b>Dental Coverage</b>		
➤ Retiree Cost Sharing	Retiree pays 100% of employee premium less a \$12 monthly county credit.	Retiree pays 100% of premium for spouse.
➤ Coverage ceases	Coverage stops at death.	Coverage stops at death.

\*Pre-65 employee premium rates are paid until both Spouse and Employee are over age 65.



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

*Benefits Provided (Continued)*

School Coverage:

Type of Coverage	Employee	Spouse
Life Insurance	No post-retirement life insurance is valued	Not Applicable
Medical Coverage		
➢ Retiree Cost Sharing	Retiree pays 100% of employee premium.	Retiree pays 100% of premium for spouse.
➢ Coverage ceases	Coverage stops at age 65.	Coverage stops at age 65.
Dental Coverage		
➢ Retiree Cost Sharing	Retiree pays 100% of employee premium less a \$12 monthly county credit.	Retiree pays 100% of premium for spouse.
➢ Coverage ceases	Coverage stops at death.	Coverage stops at death.

*Contributions*

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board of Supervisors. The amount paid by the County and School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$64,000 and \$555,000, respectively.

*Actuarial Assumptions*

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

Salary Increases	2.50% as of June 30, 2017
Participation Rate	50% of active participants who retire at age 50 or greater are assumed to elect coverage in retirement. 25% of their spouses are assumed to elect coverage in retirement. 100% of actives who become disabled are assumed to elect coverage.
Discount Rate	3.56% for accounting and funding disclosures as of June 30, 2017
Medical Trend Rate	The healthcare trend rate assumption starts at 7.33% for 2018 decreasing by 0.33% per year to an ultimate rate of 5.00%.
Retirement Age	Retirement is assumed to occur beginning once a participant attains age 55 and completes 5 years of service or age 50 and completes 10 years of service.
Mortality Rates	The mortality rates were based on the RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on July 1, 2016 valuation data rolled forward to the measurement date. The methods, assumptions, and participant data used can be found in the July 1, 2017 actuarial valuation report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.56% based on the Fidelity Index’s “20-year Municipal GO AA Index” as of July 1, 2017.

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
County	\$ 2,410,495	\$ 2,144,000	\$ 1,917,628
School Board	9,068,582	8,066,000	7,214,356

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

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
County	\$ 1,911,641	\$ 2,144,000	\$ 2,420,580
School Board	7,190,490	8,066,000	9,104,826

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

At June 30, 2018, the County and School Board reported a liability of \$2,144,000 and \$8,066,000, respectively, for their proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the total OPEB Liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to that date. At June 30, 2018 and 2017, the County’s proportion was 20.79% and 20.00%, respectively. At June 30, 2018 and 2017, the School Board’s proportion was 78.20% and 79.02%, respectively.

For the year ended June 30, 2018, the County and School Board recognized OPEB expense in the amount of \$167,000 and \$565,000, respectively.

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

At June 30, 2018, \$64,000 and \$555,000, respectively, are reported as deferred outflows of resources related to OPEB resulting from the County's and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019.

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

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

*Plan Description*

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

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

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

*Plan Description (Continued)*

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

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></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"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"><li>• Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• Accidental Death Benefit - The accidental death benefit is double the natural death benefit.</li><li>• Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

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

*Plan Description (Continued)*

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
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<b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b>
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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.
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*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 \$76,806 and \$74,388 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$14,609 and \$14,788 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$229,700 and \$215,001 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

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

Primary Government

At June 30, 2018, the entity reported a liability of \$1,167,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0776% as compared to 0.0771% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$14,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional)

At June 30, 2018, the entity reported a liability of \$232,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0154% as compared to 0.0156% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (professional)

At June 30, 2018, the entity reported a liability of \$3,374,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.2242% as compared to 0.2244% at June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

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

Component Unit School Board (professional) (continued)

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$35,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,000	\$ -	\$ 5,000	\$ -	\$ 74,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	44,000	-	9,000	-	127,000
Change in assumptions	-	60,000	-	12,000	-	174,000
Changes in proportion	7,000	-	-	-	-	-
Employer contributions subsequent to the measurement date	76,806	-	14,609	-	229,700	-
Total	<u>\$ 83,806</u>	<u>\$ 130,000</u>	<u>\$ 14,609</u>	<u>\$ 26,000</u>	<u>\$ 229,700</u>	<u>\$ 375,000</u>

\$76,806, \$14,609, and \$229,700 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (26,000)	\$ (5,000)	\$ (77,000)
2020	(26,000)	(5,000)	(77,000)
2021	(26,000)	(5,000)	(77,000)
2022	(26,000)	(5,000)	(77,000)
2023	(15,000)	(3,000)	(46,000)
Thereafter	(4,000)	(3,000)	(21,000)

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

*Actuarial Assumptions*

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

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

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

**Mortality Rates - General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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



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

*Actuarial Assumptions: (Continued)*

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

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

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

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers (Continued)**

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

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

**Mortality Rates - SPORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

*Actuarial Assumptions: (Continued)*

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

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

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

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

*Actuarial Assumptions: (Continued)*

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

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

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

**Mortality Rates - JRS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

*Actuarial Assumptions: (Continued)*

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

*Actuarial Assumptions: (Continued)*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

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

*Actuarial Assumptions: (Continued)*

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

*Actuarial Assumptions: (Continued)*

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

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

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

**NET GLI OPEB Liability**

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

		<b>Group Life Insurance OPEB Program</b>
		<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 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,510,000	\$ 1,167,000	\$ 890,000
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 300,000	\$ 232,000	\$ 177,000
Component Unit School Board (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 4,363,000	\$ 3,374,000	\$ 2,571,000

*Group Life Insurance Program Fiduciary Net Position*

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

**Note 12—Health Insurance Credit (HIC) Program:**

*Plan Description*

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

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

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

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

*Employees Covered by Benefit Terms*

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

	<u>County Number</u>	<u>School Nonprofessional Number</u>
Inactive members or their beneficiaries currently receiving benefits	99	46
Inactive members:		
Vested inactive members	2	-
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	<u>101</u>	<u>46</u>
Active members	346	145
Total covered employees	<u><u>447</u></u>	<u><u>191</u></u>

*Contributions*

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County and School Board’s (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 were 0.19% and 0.94%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$28,652 and \$27,160 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the School Board (nonprofessional) to the Health Insurance Credit Program were \$26,330 and \$26,507 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net HIC OPEB Liability*

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

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

*Actuarial Assumptions*

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

*Actuarial Assumptions: (continued)*

**Mortality Rates - Largest Ten Locality Employers - General Employees (continued)**

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

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%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

*Actuarial Assumptions: (continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)**

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

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

**Note 12—Health Insurance Credit (HIC) Program: (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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 12—Health Insurance Credit (HIC) Program: (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%

*Long-Term Expected Rate of Return*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

*Long-Term Expected Rate of Return (continued)*

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

*Discount Rate*

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

*Changes in Net HIC OPEB Liability*

	Primary Government			Component Unit - School Board (nonprofessional)		
	Increase (Decrease)			Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 595,000	\$ 345,000	\$ 250,000	\$ 419,000	\$ (15,000)	\$ 434,000
Changes for the year:						
Service cost	\$ 12,000	\$ -	\$ 12,000	\$ 11,000	\$ -	\$ 11,000
Interest	41,000	-	41,000	13,000	-	13,000
Benefit changes	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Assumption changes	(16,000)	-	(16,000)	(28,000)	-	(28,000)
Contributions - employer	-	27,000	(27,000)	-	27,000	(27,000)
Net investment income	-	40,000	(40,000)	-	-	-
Benefit payments	(25,000)	(25,000)	-	(21,000)	(21,000)	-
Administrative expenses	-	-	-	-	-	-
Other changes	-	2,000	(2,000)	-	-	-
Net changes	\$ 12,000	\$ 44,000	\$ (32,000)	\$ (25,000)	\$ 6,000	\$ (31,000)
Balances at June 30, 2017	\$ 607,000	\$ 389,000	\$ 218,000	\$ 394,000	\$ (9,000)	\$ 403,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Primary Government's Net HIC OPEB Liability	\$ 278,000	\$ 218,000	\$ 166,000
Component Unit School Board (nonprofessional) Net HIC OPEB Liability	\$ 448,000	\$ 403,000	\$ 366,000

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

For the year ended June 30, 2018, the County and School Board (nonprofessional) recognized Health Insurance Credit Program OPEB expense of \$16,000 and \$18,000, respectively. At June 30, 2018, the County and School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the County’s and School Board’s (nonprofessional) Health Insurance Credit Program from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 13,000	\$ -	\$ 1,000
Change in assumptions	-	8,000	-	22,000
Employer contributions subsequent to the measurement date	28,652	-	26,330	-
Total	<u>\$ 28,652</u>	<u>\$ 21,000</u>	<u>\$ 26,330</u>	<u>\$ 23,000</u>

**Note 12—Health Insurance Credit (HIC) Program: (Continued)**

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

\$28,652 and \$26,330, respectively, are reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
2019	\$ (11,000)	\$ (6,000)
2020	(3,000)	(6,000)
2021	(3,000)	(6,000)
2022	(3,000)	(4,000)
2023	(1,000)	(1,000)
Thereafter	-	-

*Health Insurance Credit Program Plan Data*

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

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**Note 13—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:

<b>TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></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"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> - 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.</li> <li>• <b>Disability Retirement</b> - 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"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• 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.</li> </ul>

**Note 13—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 \$541,549 and \$458,330 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 \$6,637,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.5232% as compared to 0.5265% 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 \$534,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 13—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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 12,000
Change in assumptions	-	68,000
Change in proportion	-	36,000
Employer contributions subsequent to the measurement date	541,549	-
<b>Total</b>	<b>\$ 541,549</b>	<b>\$ 116,000</b>

\$541,549 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	\$ (19,000)
2020	(19,000)
2021	(19,000)
2022	(19,000)
2023	(16,000)
Thereafter	(24,000)

**Note 13—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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (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):

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

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

**Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 13—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 7,408,000	\$ 6,637,000	\$ 5,982,000

*Teacher Employee HIC OPEB Fiduciary Net Position*

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

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 14-Capital Assets:**

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

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,605,544	\$ -	\$ -	\$ 5,605,544
Construction in progress	4,420,233	1,373,394	(5,211,277)	582,350
Total capital assets not being depreciated	<u>\$ 10,025,777</u>	<u>\$ 1,373,394</u>	<u>\$ (5,211,277)</u>	<u>\$ 6,187,894</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 101,332,546	\$ 4,737,506	\$ -	\$ 106,070,052
Infrastructure	7,848,263	485,721	-	8,333,984
Machinery and equipment	34,402,333	2,172,130	(1,306,053)	35,268,410
Total capital assets being depreciated	<u>\$ 143,583,142</u>	<u>\$ 7,395,357</u>	<u>\$ (1,306,053)</u>	<u>\$ 149,672,446</u>
Accumulated depreciation:				
Buildings and improvements	\$ (25,398,783)	\$ (2,592,529)	\$ -	\$ (27,991,312)
Infrastructure	(5,404,856)	(150,854)	-	(5,555,710)
Machinery and equipment	(21,156,789)	(2,322,993)	1,285,733	(22,194,049)
Total accumulated depreciation	<u>\$ (51,960,428)</u>	<u>\$ (5,066,376)</u>	<u>\$ 1,285,733</u>	<u>\$ (55,741,071)</u>
Total capital assets being depreciated, net	<u>\$ 91,622,714</u>	<u>\$ 2,328,981</u>	<u>\$ (20,320)</u>	<u>\$ 93,931,375</u>
Governmental activities capital assets, net	<u>\$ 101,648,491</u>	<u>\$ 3,702,375</u>	<u>\$ (5,231,597)</u>	<u>\$ 100,119,269</u>

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

<b>Governmental activities:</b>	
General governmental administration	\$ 90,802
Judicial administration	14,711
Public safety	1,753,903
Public works	688,654
Health and welfare	98,403
Education	2,238,931
Parks, recreation, and cultural	111,333
Community development	69,639
Total depreciation expense-governmental activities	<u>\$ 5,066,376</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 14-Capital Assets: (continued)**

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,709,971	\$ -	\$ -	\$ 2,709,971
Construction in progress	480,737	96,742	(577,479)	-
Total capital assets not being depreciated	<u>\$ 3,190,708</u>	<u>\$ 96,742</u>	<u>\$ (577,479)</u>	<u>\$ 2,709,971</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 67,010,943	\$ 590,394	\$ -	\$ 67,601,337
Machinery and equipment	18,255,657	277,179	(467,907)	18,064,929
Total capital assets being depreciated	<u>\$ 85,266,600</u>	<u>\$ 867,573</u>	<u>\$ (467,907)</u>	<u>\$ 85,666,266</u>
Accumulated depreciation:				
Buildings and improvements	\$ (33,261,504)	\$ (1,485,008)	\$ -	\$ (34,746,512)
Machinery and equipment	(14,892,430)	(628,072)	446,152	(15,074,350)
Total accumulated depreciation	<u>\$ (48,153,934)</u>	<u>\$ (2,113,080)</u>	<u>\$ 446,152</u>	<u>\$ (49,820,862)</u>
Total capital assets being depreciated, net	<u>\$ 37,112,666</u>	<u>\$ (1,245,507)</u>	<u>\$ (21,755)</u>	<u>\$ 35,845,404</u>
Governmental activities capital assets, net	<u>\$ 40,303,374</u>	<u>\$ (1,148,765)</u>	<u>\$ (599,234)</u>	<u>\$ 38,555,375</u>

**Note 15-Risk Management:**

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

**Note 16-Contingent Liabilities:**

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

**Note 17-Comprehensive Services Act-Amount Due to Commonwealth:**

In an Order entered December 16, 2011, the State Executive Council (“SEC”) found that Pittsylvania County is liable for \$7,699,933 in reimbursement for CSA funds used for ineligible students and services based on an audit conducted by the Auditor of Public Accounts. The SEC agreed to allow the CPMB to pay the Commonwealth of Virginia \$250,000 per year for a ten (10) year period, and if the CPMB abides by several probationary actions during the ten (10) year period, the SEC will forgo requiring the CPMB to repay the balance of the amount due and owing. At the December 20, 2011, Pittsylvania County Board of Supervisors’ (“BOS”) meeting, the BOS objected to the findings in the SEC’s Order, but agreed to its disposition of the matter, i.e. repayment of \$2.5 million dollars over a ten (10) year period with probationary measures.

**Note 18-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Mark Scarce, Clerk of the Circuit Court	\$ 25,000
Vincent Shorter, Treasurer	750,000
Shirley Y. Hammock, Commissioner of the Revenue	3,000
Michael W. Taylor, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
 <u>VACo Insurance Programs:</u>	
All County employees - blanket bond	\$ 250,000
 <u>National Grange Mutual Insurance Company:</u>	
All Social Services employees - blanket bond	\$ 100,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 19-Landfill Closure and Postclosure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$4,914,245 is the total estimated closure and postclosure care liability at June 30, 2018. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and postclosure in 2018. The liability on the statement of net position of \$3,046,215 is based on the County’s estimate that the landfill has reached 100% of Phase I and 34% of Phase II of capacity with a remaining useful life of 18 years for phase II. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill closure and postclosure costs. The County demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**Note 20-Self Health Insurance:**

The County of Pittsylvania, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of \$13,604,437 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$1,268,500 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds’ claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2018 and the two previous years were as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2017-18	\$ 1,121,900	\$ 13,751,037	\$ (13,604,437)	\$ 1,268,500
2016-17	1,206,700	11,639,644	(11,724,444)	1,121,900
2015-16	980,400	12,535,910	(12,309,610)	1,206,700

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 21-Deferred/Unavailable Revenue:**

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

Delinquent property taxes receivable-2nd half 2018	\$ 14,133,614
Prepaid taxes	4,056,450
Total deferred revenue for governmental activities	<u>\$ 18,190,064</u>
Taxes receivable due prior to June 30, 2018, not collected within 60 days	6,247,381
Total unavailable revenue for governmental funds	<u>\$ 24,437,445</u>

**Note 22-Commitments and Contingencies:**

The Board of Supervisors of Pittsylvania County and the City Council of the City of Danville, Virginia approved support agreements with the Danville-Pittsylvania Regional Industrial Facility Authority to provide funding (subject to annual appropriations) sufficient to meet principal and interest payments on the Authority's \$7,300,000 revenue bonds. As described in Note 1, the County contributed \$649,694 towards these agreements in fiscal year 2018.

The County has obligated funds for the projects described below as of June 30, 2018:

	Original Contract	Amount Paid As of 6/30/2018	Remaining Contract Amount
Southern Railway Depot Parking Lot	\$ 11,500	\$ 8,875	\$ 2,625
Courthouse and Jail Study	179,255	44,074	135,181
Mega Park Phase I Sanitary Sewer	5,058,099	399,344	4,658,755
E911 Tower Project	1,234,000	611,631	622,369
Total Contracts	<u>\$ 6,482,854</u>	<u>\$ 1,063,924</u>	<u>\$ 5,418,930</u>

The County has also obligated funds for the development of projects initiated by the Regional Industrial Facilities Authority. The County's share of the projects as described below was 50% as of June 30, 2018:

Contractor	Service Provided	Project	Contract Total	Paid as of 6/30/2018	Contract Remaining
Dewberry	Engineering	Berry Hill Ind. Park Lot 4	\$ 2,667,413	\$ 2,429,942	\$ 237,471
Dewberry	Engineering	Cane Creek Park	71,881	30,142	41,739
Haymes Brothers, Inc.	Construction	Phase I Graded Pad	4,164,043	4,159,043	5,000
Dewberry	Engineering	Berry Hill Ind. Water Line	149,600	8,640	140,960
Dewberry	Engineering	Berry Hill Ind. Park Lot 8	89,300	82,800	6,500
Totals			<u>\$ 7,142,237</u>	<u>\$ 6,710,567</u>	<u>\$ 431,670</u>
County's 50% obligation			<u>\$ 3,571,119</u>	<u>\$ 3,355,284</u>	<u>\$ 215,835</u>



**Note 22-Commitments and Contingencies: (continued)**

*School Board Early Retirement Incentive Program:*

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Early retirement is available to those employees with a minimum of twenty years of service in the Pittsylvania School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees must be at least 55 years of age and less than 65 years of age to be eligible for the program. To participate, the employee must be a vested member of the Virginia Retirement System (VRS). In addition, employees may not work for any other agency covered under the VRS during their tenure in the program. The program allows for payment of 20% of an employee's final contracted salary, earned before the effective date of retirement, for a period of 7 years or until the participant reaches the age of sixty-five. The School Board reserves the right to amend or terminate the program. Employees are required to work twenty days per year to receive their payment. At June 30, 2018 the commitment related to the Early Retirement Incentive Program was \$4,554,188.

**Note 23—Litigation:**

Four former Pittsylvania Department of Social Services employees have sued the Pittsylvania County Board of Supervisors. The former employees have claimed monetary damages of \$3,500,000 in compensation plus liquidated damages and interest. The County intends to contest the matter vigorously and is working in conjunction with its insurance provider and attorney. This matter was served on November 14, 2018 and due to its early stage, the County is not able to estimate the outcome or the potential loss. Therefore, the financial statements have not been adjusted for the potential impact of this claim. As of June 30, 2018, there were no other matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 24—Adoption of Accounting Principles:**

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

	<u>County</u>	<u>School Board</u>
	<u>Gov. Activities</u>	<u>Gov. Activities</u>
Net Position, July 1, 2017, as previously stated	\$ 40,980,887	\$ (25,844,011)
Remove prior net OPEB obligation/asset	1,199,000	(231,000)
Implementation of GASB 75:		
GASB 75 Implementation	(3,474,452)	(18,099,163)
Net Position, July 1, 2017, as restated	<u>\$ 38,705,435</u>	<u>\$ (44,174,174)</u>

**Note 25—Economic Incentive Tax Abatement Programs:**

A tax abatement as defined by GASB Statement No. 77, Tax Abatement Disclosures consists of “a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.”

Pittsylvania County has multiple agreements, all for the purpose of economic development, that conform to that definition. Tax abatements related to real estate and machinery and tools taxes of \$108,600 and \$144,319, respectively, have been agreed to in aggregate and are applied over the next 3-5 years on a declining scale. The entities regularly pay their taxes and on an annual basis prove they have met certain requirements for the grant program on an individual basis. These requirements include new jobs, which is verified by the Virginia Employment Commission, and taxable improvements to real estate or machinery and tools tax. Any entity failing to maintain their end of the agreement will forfeit any further abatement reimbursements.

**Note 26—Subsequent Events:**

The County reinstated the solid waste fee and will implement the business-type fund in fiscal year 2019. The annual bill due in December 2018 and expected to generate an additional \$3,080,538 in revenue.

**Note 27—Upcoming Pronouncements:**

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

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

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

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

**Note 27—Upcoming Pronouncements: (Continued)**

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

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

**Required Supplementary Information**

County of Pittsylvania, Virginia  
General 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>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 35,816,740	\$ 35,816,743	\$ 38,092,864	\$ 2,276,121
Other local taxes	7,385,900	7,385,900	7,375,931	(9,969)
Permits, privilege fees, and regulatory licenses	138,200	138,200	157,376	19,176
Fines and forfeitures	185,000	185,000	205,021	20,021
Revenue from the use of money and property	373,956	374,084	332,711	(41,373)
Charges for services	487,800	487,800	609,152	121,352
Miscellaneous	193,450	427,399	365,482	(61,917)
Recovered costs	801,943	1,082,046	1,310,264	228,218
Intergovernmental	23,014,353	24,097,439	21,863,373	(2,234,066)
Total revenues	<u>68,397,342</u>	<u>69,994,611</u>	<u>70,312,174</u>	<u>317,563</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	4,360,166	4,516,793	4,277,067	239,726
Judicial administration	1,899,847	1,953,729	1,872,516	81,213
Public safety	17,325,740	18,513,424	17,411,077	1,102,347
Public works	3,349,301	3,625,741	3,140,876	484,865
Health and welfare	12,292,658	13,905,071	12,334,164	1,570,907
Education	16,996,483	19,647,722	16,351,037	3,296,685
Parks, recreation, and cultural	1,813,634	1,987,805	1,820,633	167,172
Community development	1,941,445	2,045,045	1,883,632	161,413
Nondepartmental	901,025	601,285	17,203	584,082
Capital projects	510,975	5,846,791	2,845,708	3,001,083
Debt service:				
Principal retirement	8,424,520	8,424,520	16,984,514	(8,559,994)
Interest and other fiscal charges	1,641,660	1,641,660	3,309,719	(1,668,059)
Total expenditures	<u>71,457,454</u>	<u>82,709,586</u>	<u>82,248,146</u>	<u>461,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,060,112)</u>	<u>(12,714,975)</u>	<u>(11,935,972)</u>	<u>779,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,662,473	1,887,899	-	(1,887,899)
Transfers out	(1,609,127)	(1,954,458)	(547,268)	1,407,190
Issuance of lease revenue bonds	-	1,803,802	1,803,802	-
Issuance of capital leases	-	2,678,614	11,666,514	8,987,900
Total other financing sources (uses)	<u>53,346</u>	<u>4,415,857</u>	<u>12,923,048</u>	<u>8,507,191</u>
Net change in fund balances	(3,006,766)	(8,299,118)	987,076	9,286,194
Fund balances - beginning	3,006,766	8,299,118	26,046,839	17,747,721
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,033,915</u>	<u>\$ 27,033,915</u>

County of Pittsylvania, Virginia  
Special Revenue Fund - Industrial Development  
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		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 18,289	\$ 20,289	\$ 2,000
Recovered costs	-	-	35,282	35,282
Intergovernmental	4,908,240	5,974,623	773,435	(5,201,188)
Total revenues	<u>4,908,240</u>	<u>5,992,912</u>	<u>829,006</u>	<u>(5,163,906)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	6,954,747	8,180,666	1,323,409	6,857,257
Capital projects	-	1,287,798	47,859	1,239,939
Total expenditures	<u>6,954,747</u>	<u>9,468,464</u>	<u>1,371,268</u>	<u>8,097,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,046,507)</u>	<u>(3,475,552)</u>	<u>(542,262)</u>	<u>2,933,290</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	446,654	547,268	547,268	-
Issuance of lease revenue bonds	-	1,079,198	-	(1,079,198)
Total other financing sources (uses)	<u>446,654</u>	<u>1,626,466</u>	<u>547,268</u>	<u>(1,079,198)</u>
Net change in fund balances	(1,599,853)	(1,849,086)	5,006	1,854,092
Fund balances - beginning	1,599,853	1,849,086	1,617,864	(231,222)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,622,870</u>	<u>\$ 1,622,870</u>

County of Pittsylvania, Virginia  
 Special Revenue Fund - Workforce Investment Act  
 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		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 251,000	\$ 251,002	\$ 197,546	\$ (53,456)
Intergovernmental	4,609,483	6,441,411	3,099,228	(3,342,183)
Total revenues	4,860,483	6,692,413	3,296,774	(3,395,639)
<b>EXPENDITURES</b>				
Current:				
Health and welfare	4,862,274	6,693,727	3,290,026	3,403,701
Excess (deficiency) of revenues over (under) expenditures	(1,791)	(1,314)	6,748	8,062
Net change in fund balances	(1,791)	(1,314)	6,748	8,062
Fund balances - beginning	1,791	1,314	229,655	228,341
Fund balances - ending	\$ -	\$ -	\$ 236,403	\$ 236,403



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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 92,000
Interest	75,000
Changes in assumptions	-
Differences between expected and actual experience	-
Benefit payments	<u>(64,000)</u>
Net change in total OPEB liability	\$ 103,000
Total OPEB liability - beginning	<u>2,041,000</u>
Total OPEB liability - ending	<u>\$ 2,144,000</u>
Covered payroll	\$ 11,312,022
County's total OPEB liability (asset) as a percentage of covered payroll	18.95%

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

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

		2018
Total OPEB liability		
Service cost	\$	278,000
Interest		287,000
Changes in assumptions		-
Differences between expected and actual experience		-
Benefit payments		(555,000)
Net change in total OPEB liability	\$	10,000
Total OPEB liability - beginning		8,056,000
Total OPEB liability - ending	\$	8,066,000
Covered payroll	\$	42,557,261
Pittsylvania School Board's total OPEB liability (asset) as a percentage of covered payroll		18.95%

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

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

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## County and School Board

Valuation Date: 7/1/2017

Measurement Date: 7/1/2017

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.33% for 2018 decreasing by 0.33% per year to an ultimate rate of 5.00%
Salary Increase Rates	The salary increase is 2.50% as of June 30, 2017
Participation Percentage	50% of active participants who retire at age 50 or greater are assumed to elect coverage in retirement. 25% of their spouses are assumed to elect coverage in retirement. 100% of actives who become disabled are assumed to elect coverage.
Retirement Age	Retirement is assumed to occur beginning once a participant attains age 55 and completes 5 years of service or age 50 and completes 10 years of service.
Mortality Rates	The mortality rates were based on the RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

County of Pittsylvania, Virginia  
 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)
2017	0.0776% \$	1,167,000	\$ 14,305,441	8.16%	48.86%

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

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

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 76,806	\$ 76,806	-	14,778,504	0.52%
2017	74,388	74,388	-	14,305,441	0.52%
2016	66,525	66,525	-	13,859,466	0.48%
2015	63,900	63,900	-	13,312,443	0.48%
2014	62,160	62,160	-	12,950,023	0.48%
2013	60,070	60,070	-	12,514,511	0.48%
2012	34,649	34,649	-	12,374,704	0.28%
2011	34,463	34,463	-	12,308,181	0.28%
2010	24,960	24,960	-	9,244,521	0.27%
2009	33,720	33,720	-	12,489,048	0.27%

County of Pittsylvania, Virginia  
 Schedule of School Board Teacher'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)
2017	0.2242%	\$ 3,374,000	\$ 41,346,360	8.16%	48.86%

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

County of Pittsylvania, Virginia  
 Schedule of Employer Contributions - School Board Teacher  
 Group Life Insurance Program  
 For the Years Ended June 30, 2009 through June 30, 2018

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 229,700	\$ 229,700	-	\$ 44,186,097	0.52%
2017	215,001	215,001	-	41,346,360	0.52%
2016	193,522	193,522	-	40,317,085	0.48%
2015	191,106	191,106	-	39,813,789	0.48%
2014	183,735	183,735	-	38,278,122	0.48%
2013	178,288	178,288	-	37,143,367	0.48%
2012	108,737	108,737	-	38,834,816	0.28%
2011	110,003	110,003	-	39,286,727	0.28%
2010	80,691	80,691	-	29,885,790	0.27%
2009	114,138	114,138	-	42,273,405	0.27%

County of Pittsylvania, Virginia  
 Schedule of School Board Nonprofessional'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)
2017	0.0154%	\$ 232,000	\$ 2,843,865	8.16%	48.86%

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



County of Pittsylvania, Virginia  
 Schedule of Employer Contributions - School Board Nonprofessional  
 Group Life Insurance Program  
 For the Years Ended June 30, 2009 through June 30, 2018

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 14,609	\$ 14,609	-	2,810,568	0.52%
2017	14,788	14,788	-	2,843,865	0.52%
2016	13,408	13,408	-	2,793,343	0.48%
2015	13,009	13,009	-	2,710,136	0.48%
2014	14,744	14,744	-	3,071,713	0.48%
2013	14,191	14,191	-	2,956,535	0.48%
2012	8,470	8,470	-	3,024,896	0.28%
2011	8,699	8,699	-	3,106,938	0.28%
2010	6,213	6,213	-	2,301,072	0.27%
2009	8,667	8,667	-	3,209,815	0.27%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

	2017
Total HIC OPEB Liability	
Service cost	\$ 12,000
Interest	41,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(16,000)
Benefit payments	(25,000)
Net change in total HIC OPEB liability	\$ 12,000
Total HIC OPEB Liability - beginning	595,000
Total HIC OPEB Liability - ending (a)	\$ 607,000
 Plan fiduciary net position	
Contributions - employer	\$ 27,000
Net investment income	40,000
Benefit payments	(25,000)
Administrative expense	-
Other	2,000
Net change in plan fiduciary net position	\$ 44,000
Plan fiduciary net position - beginning	345,000
Plan fiduciary net position - ending (b)	\$ 389,000
 County of Pittsylvania's net HIC OPEB liability - ending (a) - (b)	\$ 218,000
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	64.09%
 Covered payroll	\$ 14,294,169
 County of Pittsylvania's net HIC OPEB liability as a percentage of covered payroll	1.53%

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

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

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 28,652	\$ 28,652	\$ -	14,759,147	0.19%
2017	27,160	27,160	-	14,294,169	0.19%
2016	26,313	26,313	-	13,848,961	0.19%
2015	25,288	25,288	-	13,309,410	0.19%
2014	16,808	16,808	-	12,928,613	0.13%
2013	16,235	16,235	-	12,488,170	0.13%
2012	19,766	19,766	-	12,353,575	0.16%
2011	19,650	19,650	-	12,280,999	0.16%
2010	-	-	-	12,308,072	0.00%
2009	-	-	-	12,478,714	0.00%

County of Pittsylvania, Virginia  
 Schedule of Changes in the School's Nonprofessional Net OPEB Liability and Related Ratios  
 Health Insurance Credit Program (HIC)  
 For the Year Ended June 30, 2018

	2017
Total HIC OPEB Liability	
Service cost	\$ 11,000
Interest	13,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(28,000)
Benefit payments	(21,000)
Net change in total HIC OPEB liability	\$ (25,000)
Total HIC OPEB Liability - beginning	419,000
Total HIC OPEB Liability - ending (a)	\$ 394,000
Plan fiduciary net position	
Contributions - employer	\$ 27,000
Net investment income	-
Benefit payments	(21,000)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	\$ 6,000
Plan fiduciary net position - beginning	(15,000)
Plan fiduciary net position - ending (b)	\$ (9,000)
Pittsylvania School Board's net HIC OPEB liability - ending (a) - (b)	\$ 403,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-2.28%
Covered payroll	\$ 2,819,928
Pittsylvania School Board's net HIC OPEB liability as a percentage of covered payroll	14.29%

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

County of Pittsylvania, Virginia  
 Schedule of School Board Nonprofessional Employer Contributions  
 Health Insurance Credit Program (HIC)  
 For the Years Ended June 30, 2015 through June 30, 2018

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 26,330	\$ 26,330	-	\$ 2,803,851	0.94%
2017	26,507	26,507	-	2,819,928	0.94%
2016	13,371	13,371	-	2,785,662	0.48%
2015	12,750	12,750	-	2,656,294	0.48%

This Schedule is intended to show 10 years of information but the School Board only started participating in fiscal year 2015. Additional years will be added as they are available.

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

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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



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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.5232% \$	6,637,000 \$	41,290,964	16.07%	7.04%

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

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

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 541,549	\$ 541,549	-	44,040,286	1.23%
2017	458,330	458,330	-	41,290,964	1.11%
2016	425,552	425,552	-	40,146,444	1.06%
2015	420,878	420,878	-	39,705,464	1.06%
2014	424,044	424,044	-	38,202,182	1.11%
2013	410,850	410,850	-	37,013,529	1.11%
2012	232,157	232,157	-	38,692,772	0.60%
2011	235,121	235,121	-	39,186,784	0.60%
2010	309,737	309,737	-	41,857,232	0.74%
2009	455,538	455,538	-	42,179,399	1.08%

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

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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

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

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 1,627,407	\$ 1,592,178	\$ 1,561,447	\$ 1,597,926
Interest	4,386,198	4,226,561	4,054,448	3,853,717
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(157,351)	(430,827)	(255,709)	-
Changes in assumptions	(171,451)	-	-	-
Benefit payments, including refunds of employee contributions	(3,085,649)	(3,129,127)	(2,673,712)	(2,494,405)
Net change in total pension liability	\$ 2,599,154	\$ 2,258,785	\$ 2,686,474	\$ 2,957,238
Total pension liability - beginning	64,202,798	61,944,013	59,257,539	56,300,301
Total pension liability - ending (a)	<u>\$ 66,801,952</u>	<u>\$ 64,202,798</u>	<u>\$ 61,944,013</u>	<u>\$ 59,257,539</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,358,939	\$ 1,259,536	\$ 1,217,249	\$ 1,162,861
Contributions - employee	705,141	684,974	666,219	649,664
Net investment income	6,785,854	950,219	2,482,371	7,499,569
Benefit payments, including refunds of employee contributions	(3,085,649)	(3,129,127)	(2,673,712)	(2,494,405)
Administrative expense	(39,392)	(35,171)	(34,270)	(40,586)
Other	(6,026)	(410)	(526)	396
Net change in plan fiduciary net position	\$ 5,718,867	\$ (269,979)	\$ 1,657,331	\$ 6,777,499
Plan fiduciary net position - beginning	55,941,498	56,211,477	54,554,146	47,776,647
Plan fiduciary net position - ending (b)	<u>\$ 61,660,365</u>	<u>\$ 55,941,498</u>	<u>\$ 56,211,477</u>	<u>\$ 54,554,146</u>
County's net pension liability - ending (a) - (b)	\$ 5,141,587	\$ 8,261,300	\$ 5,732,536	\$ 4,703,393
Plan fiduciary net position as a percentage of the total pension liability	92.30%	87.13%	90.75%	92.06%
Covered payroll	\$ 13,980,854	\$ 13,710,337	\$ 13,230,967	\$ 12,928,614
County's net pension liability as a percentage of covered payroll	36.78%	60.26%	43.33%	36.38%

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

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

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 287,778	\$ 288,380	\$ 346,582	\$ 331,124
Interest	959,558	965,041	944,972	918,214
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(246,249)	(413,256)	(93,323)	-
Changes in assumptions	(148,814)	-	-	-
Benefit payments, including refunds of employee contributions	(924,400)	(912,609)	(910,435)	(823,734)
<b>Net change in total pension liability</b>	<b>\$ (72,127)</b>	<b>\$ (72,444)</b>	<b>\$ 287,796</b>	<b>\$ 425,604</b>
Total pension liability - beginning	14,170,167	14,242,611	13,954,815	13,529,211
<b>Total pension liability - ending (a)</b>	<b>\$ 14,098,040</b>	<b>\$ 14,170,167</b>	<b>\$ 14,242,611</b>	<b>\$ 13,954,815</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 217,553	\$ 295,254	\$ 283,578	\$ 228,996
Contributions - employee	135,498	135,599	132,471	152,042
Net investment income	1,494,086	212,712	570,904	1,768,407
Benefit payments, including refunds of employee contributions	(924,400)	(912,609)	(910,435)	(823,734)
Administrative expense	(9,014)	(8,145)	(8,196)	(9,813)
Other	(1,312)	(92)	(120)	93
<b>Net change in plan fiduciary net position</b>	<b>\$ 912,411</b>	<b>\$ (277,281)</b>	<b>\$ 68,202</b>	<b>\$ 1,315,991</b>
Plan fiduciary net position - beginning	12,516,808	12,794,089	12,725,887	11,409,896
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 13,429,219</b>	<b>\$ 12,516,808</b>	<b>\$ 12,794,089</b>	<b>\$ 12,725,887</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 668,821</b>	<b>\$ 1,653,359</b>	<b>\$ 1,448,522</b>	<b>\$ 1,228,928</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>95.26%</b>	<b>88.33%</b>	<b>89.83%</b>	<b>91.19%</b>
<b>Covered payroll</b>	<b>\$ 2,733,078</b>	<b>\$ 2,752,849</b>	<b>\$ 2,640,391</b>	<b>\$ 3,045,724</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>24.47%</b>	<b>60.06%</b>	<b>54.86%</b>	<b>40.35%</b>

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.5246%	0.5265%	0.5340%	0.5224%
Employer's Proportionate Share of the Net Pension Liability	\$ 64,515,000	\$ 73,790,000	\$ 67,217,000	\$ 63,129,000
Employer's Covered Payroll	\$ 40,912,374	\$ 39,808,563	\$ 39,414,097	\$ 38,164,275
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.69%	185.36%	170.54%	165.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 1,391,668	\$ 1,391,668	\$ -	\$ 14,317,572	9.72%
2017	1,358,939	1,358,939	-	13,980,854	9.72%
2016	1,592,630	1,261,351	331,279	13,710,337	9.20%
2015	1,530,582	1,217,249	313,333	13,230,967	9.20%
2014	1,595,391	1,163,575	431,816	12,928,614	9.00%
2013	1,542,684	1,125,134	417,550	12,501,494	9.00%
2012	1,111,822	1,111,822	-	12,353,575	9.00%
2011	1,105,290	1,105,290	-	12,280,999	9.00%
2010	1,095,418	1,095,418	-	12,308,072	8.90%
2009	1,110,605	1,110,605	-	12,478,715	8.90%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 213,961	\$ 213,961	\$ -	\$ 2,687,952	7.96%
2017	217,553	217,553	-	2,733,078	7.96%
2016	295,656	295,656	-	2,752,849	10.74%
2015	283,578	283,578	-	2,640,391	10.74%
2014	327,415	229,343	98,072	3,045,724	7.53%
2013	316,132	221,440	94,692	2,940,764	7.53%
2012	201,188	201,188	-	2,980,557	6.75%
2011	208,691	208,691	-	3,091,713	6.75%
2010	210,680	210,680	-	3,135,115	6.72%
2009	214,411	214,411	-	3,190,647	6.72%
<b>Component Unit School Board (professional)</b>					
2018	\$ 7,075,682	\$ 7,075,682	\$ -	\$ 43,355,895	16.32%
2017	5,997,754	5,997,754	-	40,912,374	14.66%
2016	5,597,084	5,597,084	-	39,808,563	14.06%
2015	5,715,044	5,715,044	-	39,414,097	14.50%
2014	5,430,544	5,430,544	-	38,164,275	14.23%
2013	6,167,731	6,167,731	-	37,015,327	16.66%
2012	4,383,891	4,383,891	-	38,692,772	11.33%
2011	3,499,380	3,499,380	-	39,186,784	8.93%
2010	4,716,692	4,716,692	-	41,857,232	11.27%
2009	5,824,975	5,824,975	-	42,179,399	13.81%

\*The difference relates to the County using an agreed upon reduced rate from the VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

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

County of Pittsylvania, Virginia  
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 is not material.

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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



**Other Supplementary Information**

County of Pittsylvania, Virginia  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018

	Forfeited Assets <u>Fund</u>	Debt Service Reserve <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 553,553	\$ 204,092	\$ 9,355	\$ 767,000
Receivables (net of allowance for uncollectibles):				
Accounts receivable	13,761	-	-	13,761
Total assets	<u>567,314</u>	<u>204,092</u>	<u>9,355</u>	<u>780,761</u>
<b>LIABILITIES</b>				
Accounts payable	4,269	-	-	4,269
Total liabilities	<u>4,269</u>	<u>-</u>	<u>-</u>	<u>4,269</u>
<b>FUND BALANCES</b>				
Restricted:				
Construction	-	-	9,355	9,355
Committed:				
Forfeited Assets Fund	563,045	-	-	563,045
Assigned:				
Debt service	-	204,092	-	204,092
Total fund balances	<u>563,045</u>	<u>204,092</u>	<u>9,355</u>	<u>776,492</u>
Total liabilities and fund balances	<u>\$ 567,314</u>	<u>\$ 204,092</u>	<u>\$ 9,355</u>	<u>\$ 780,761</u>

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

	Forfeited Assets <u>Fund</u>	Debt Service Reserve <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 360	\$ -	\$ -	\$ 360
Miscellaneous	17,284	-	-	17,284
Intergovernmental	63,703	-	-	63,703
Total revenues	<u>81,347</u>	<u>-</u>	<u>-</u>	<u>81,347</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	348,761	-	-	348,761
Total expenditures	<u>348,761</u>	<u>-</u>	<u>-</u>	<u>348,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,414)</u>	<u>-</u>	<u>-</u>	<u>(267,414)</u>
Net change in fund balances	(267,414)	-	-	(267,414)
Fund balances - beginning	830,459	204,092	9,355	1,043,906
Fund balances - ending	<u>\$ 563,045</u>	<u>\$ 204,092</u>	<u>\$ 9,355</u>	<u>\$ 776,492</u>

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

	Forfeited Assets Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 300	\$ 300	\$ 360	\$ 60
Miscellaneous	-	-	17,284	17,284
Intergovernmental	47,000	47,000	63,703	16,703
Total revenues	<u>47,300</u>	<u>47,300</u>	<u>81,347</u>	<u>34,047</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	145,000	492,952	348,761	144,191
Excess (deficiency) of revenues over (under) expenditures	<u>(97,700)</u>	<u>(445,652)</u>	<u>(267,414)</u>	<u>178,238</u>
Net change in fund balances	(97,700)	(445,652)	(267,414)	178,238
Fund balances - beginning	97,700	445,652	830,459	384,807
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,045</u>	<u>\$ 563,045</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	204,092	204,092
Fund balances - ending	\$ -	\$ -	\$ 204,092	\$ 204,092

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

	School Capital Improvements			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	9,355	9,355
Fund balances - ending	\$ -	\$ -	\$ 9,355	\$ 9,355

## INTERNAL SERVICE FUNDS

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Central Stores - The Central Stores fund accounts for the Primary Government's consolidated purchasing. The Primary Government bills internally for the department's usage.

Self-Insurance - The Self-Health Insurance fund accounts for insurance premiums paid by the County and for all departments. Internal billings are prepared for all departments.

County of Pittsylvania, Virginia  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2018

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,865,948	\$ 3,865,948
Accounts receivables, net of allowances for uncollectibles	14,747	1,150,558	1,165,305
Inventories	5,890	-	5,890
Total assets	<u>20,637</u>	<u>5,016,506</u>	<u>5,037,143</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	24,041	-	24,041
Estimate of incurred but unreported health claims	-	1,268,500	1,268,500
Due to other funds	22,043	-	22,043
Total liabilities	<u>46,084</u>	<u>1,268,500</u>	<u>1,314,584</u>
<b>NET POSITION</b>			
Restricted for health insurance claims	-	3,748,006	3,748,006
Unrestricted	(25,447)	-	(25,447)
Total net position	<u>\$ (25,447)</u>	<u>\$ 3,748,006</u>	<u>\$ 3,722,559</u>



County of Pittsylvania, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2018

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Materials and supplies	\$ 399,007	\$ -	\$ 399,007
Insurance premiums	-	12,614,185	12,614,185
Total operating revenues	<u>399,007</u>	<u>12,614,185</u>	<u>13,013,192</u>
<b>OPERATING EXPENSES</b>			
Supplies, insurance and telephone	433,268	-	433,268
Insurance claims and expenses	-	13,604,437	13,604,437
Total operating expenses	<u>433,268</u>	<u>13,604,437</u>	<u>14,037,705</u>
Operating income (loss)	<u>(34,261)</u>	<u>(990,252)</u>	<u>(1,024,513)</u>
Total net position - beginning	8,814	4,738,258	4,747,072
Total net position - ending	<u>\$ (25,447)</u>	<u>\$ 3,748,006</u>	<u>\$ 3,722,559</u>

County of Pittsylvania, Virginia  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2018

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts for materials and supplies	\$ 397,971	\$ -	\$ 397,971
Receipts for insurance premiums	-	12,615,687	12,615,687
Payments to suppliers	(397,971)	-	(397,971)
Payments for premiums	-	(13,457,837)	(13,457,837)
Net cash provided by (used for) operating activities	<u>-</u>	<u>(842,150)</u>	<u>(842,150)</u>
Net increase (decrease) in cash and cash equivalents	-	(842,150)	(842,150)
Cash and cash equivalents - beginning	-	4,708,098	4,708,098
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ 3,865,948</u>	<u>\$ 3,865,948</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	<u>\$ (34,261)</u>	<u>\$ (990,252)</u>	<u>\$ (1,024,513)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	(1,036)	1,502	466
(Increase) decrease in inventories	1,820	-	1,820
Increase (decrease) in accounts payable	13,828	146,600	160,428
Increase (decrease) in due to other funds	19,649	-	19,649
Total adjustments	<u>34,261</u>	<u>148,102</u>	<u>182,363</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ (842,150)</u>	<u>\$ (842,150)</u>

## **FIDUCIARY FUNDS**

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

Cash Bond Fund - The Cash Bond fund accounts for those escrow funds received from developers or contractors which, upon satisfactory project completion, are returned to the developer or contractor.

Sheriff Inmate Trust and Canteen Funds - The Sheriff Inmate Trust and Canteen funds account for the inmate commissary, inmate trust, and inmate monitoring funds.

Land Sales Fund - The County's attorneys have established an account to account for funds received as the result of land sales for delinquent taxes. Funds are kept in this account until transferred to the County's Clerk's office for processing.

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

	Agency Funds				Total
	<u>Special Welfare</u>	<u>Cash Bond Fund</u>	<u>Land Sales Fund</u>	<u>Sheriff's Inmate Trust and Canteen Account Fund</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,952	\$ 332,565	\$ -	\$ -	\$ 347,517
Cash in custody of others	-	-	64,434	12,252	76,686
Total assets	<u>14,952</u>	<u>332,565</u>	<u>64,434</u>	<u>12,252</u>	<u>424,203</u>
<b>LIABILITIES</b>					
Amounts held for social services clients	14,952	-	-	-	14,952
Amounts held for developers	-	332,565	-	-	332,565
Amounts held for land sales	-	-	64,434	-	64,434
Amounts held for inmates	-	-	-	12,252	12,252
Total liabilities	<u>\$ 14,952</u>	<u>\$ 332,565</u>	<u>\$ 64,434</u>	<u>\$ 12,252</u>	<u>\$ 424,203</u>

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

	Agency Funds			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 34,554	\$ 84,099	\$ 103,701	\$ 14,952
Cash Bond Fund	332,565	15,493	15,493	332,565
Land Sales Fund	66,285	29,948	31,799	64,434
Cash in Custody of Others:				
Sheriff Inmate Trust Fund	3,600	174,094	173,241	4,453
Sheriff Canteen Fund	8,679	62,376	63,256	7,799
Total assets	<u>\$ 445,683</u>	<u>\$ 366,010</u>	<u>\$ 387,490</u>	<u>\$ 424,203</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 34,554	\$ 84,099	\$ 103,701	\$ 14,952
Amounts held for developers	332,565	15,493	15,493	332,565
Amounts held for land sales	66,285	29,948	31,799	64,434
Amounts held for inmates	12,279	236,470	236,497	12,252
Total liabilities	<u>\$ 445,683</u>	<u>\$ 366,010</u>	<u>\$ 387,490</u>	<u>\$ 424,203</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

**MAJOR GOVERNMENTAL FUNDS**

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

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

		School Operating Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,294,622
Receivables (net of allowance for uncollectibles):		
Accounts receivable		58,429
Due from primary government		1,417,520
Due from other governmental units		2,447,166
Total assets		<u>5,217,737</u>
<b>LIABILITIES</b>		
Accounts payable		1,298,242
Salaries payable		2,599,821
Total liabilities		<u>3,898,063</u>
<b>FUND BALANCES</b>		
Restricted:		
School cafeteria		1,319,674
Total fund balances		<u>1,319,674</u>
Total liabilities and fund balances		<u>\$ 5,217,737</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,319,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,709,971
Buildings and improvements		32,854,825
Machinery and equipment		2,990,579
		<u>38,555,375</u>
Other long-term assets are not available to pay for current period expenditures, and, therefore are reported as unavailable revenue in the funds.		
Prepaid items		843,443
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	9,203,643
OPEB related items		1,367,188
		<u>10,570,831</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$	(65,183,821)
Net OPEB liabilities		(18,712,000)
Compensated absences		(1,683,975)
		<u>(85,579,796)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(8,258,937)
OPEB related items		(540,000)
		<u>(8,798,937)</u>
Net position of governmental activities		<u>\$ (43,089,410)</u>

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

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 36,763
Charges for services	1,709,976
Miscellaneous	1,588,681
Recovered costs	572,290
Intergovernmental	86,267,045
Total revenues	<u>90,174,755</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>89,869,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>305,277</u>
Net change in fund balances	305,277
Fund balances - beginning	1,014,397
Fund balances - ending	<u>\$ 1,319,674</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	\$ 305,277
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital asset additions in the current period.	
Capital asset additions	\$ 386,836
Depreciation expense	<u>(2,113,080)</u> (1,726,244)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets.	(21,755)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ (96,472)
Pension expense	2,514,284
OPEB expense	<u>214,351</u> 2,632,163
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
Change in prepaid items	(104,677)
Change in net position of governmental activities	<u>\$ 1,084,764</u>



County of Pittsylvania, 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		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 6,950	\$ 30,950	\$ 36,763	\$ 5,813
Charges for services	5,361,630	5,361,630	1,709,976	(3,651,654)
Miscellaneous	1,076,586	1,493,558	1,588,681	95,123
Recovered costs	254,858	567,545	572,290	4,745
Intergovernmental	86,752,917	89,870,520	86,267,045	(3,603,475)
Total revenues	<u>93,452,941</u>	<u>97,324,203</u>	<u>90,174,755</u>	<u>(7,149,448)</u>
<b>EXPENDITURES</b>				
Current:				
Education	93,452,941	97,324,203	89,869,478	7,454,725
Excess (deficiency) of revenues over (under) expenditures	-	-	305,277	305,277
Net change in fund balances	-	-	305,277	305,277
Fund balances - beginning	-	-	1,014,397	1,014,397
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,674</u>	<u>\$ 1,319,674</u>

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

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 23,049,134	\$ 23,049,134	\$ 24,354,997	\$ 1,305,863
Real and Personal PSC Tax	2,581,168	2,581,168	2,727,801	146,633
Personal Property Tax	7,242,800	7,242,800	7,720,685	477,885
Mobile Home Tax	253,983	253,983	248,690	(5,293)
Machinery and Tools Tax	1,712,161	1,712,161	1,868,272	156,111
Merchants Capital	355,294	355,294	407,389	52,095
Penalties	332,200	332,200	414,555	82,355
Interest	290,000	290,003	350,475	60,472
Total general property taxes	<u>\$ 35,816,740</u>	<u>\$ 35,816,743</u>	<u>\$ 38,092,864</u>	<u>\$ 2,276,121</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,300,000	\$ 2,300,000	\$ 2,359,342	\$ 59,342
Consumers' Utility Tax	1,300,000	1,300,000	1,301,781	1,781
Consumption Taxes	200,000	200,000	205,763	5,763
Franchise License Tax	-	-	34,210	34,210
Business License Tax	1,000	1,000	750	(250)
Meals Tax	800,000	800,000	749,838	(50,162)
Motor Vehicle Licenses	2,392,400	2,392,400	2,333,397	(59,003)
Bank Stock Tax	70,000	70,000	79,151	9,151
Taxes on Recordation and Wills	322,500	322,500	311,699	(10,801)
Total other local taxes	<u>\$ 7,385,900</u>	<u>\$ 7,385,900</u>	<u>\$ 7,375,931</u>	<u>\$ (9,969)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 80,000	\$ 80,000	\$ 89,437	\$ 9,437
Cellular tower fees	21,000	21,000	21,900	900
Animal licenses	20,000	20,000	27,861	7,861
Permits and other licenses	17,200	17,200	18,178	978
Total permits, privilege fees, and regulatory licenses	<u>\$ 138,200</u>	<u>\$ 138,200</u>	<u>\$ 157,376</u>	<u>\$ 19,176</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 185,000	\$ 185,000	\$ 205,021	\$ 20,021
Revenue from use of money and property:				
Revenue from use of money	\$ 240,000	\$ 240,128	\$ 176,545	\$ (63,583)
Revenue from use of property	133,956	133,956	156,166	22,210
Total revenue from use of money and property	<u>\$ 373,956</u>	<u>\$ 374,084</u>	<u>\$ 332,711</u>	<u>\$ (41,373)</u>
Charges for services:				
Charges for courthouse security	\$ 50,000	\$ 50,000	\$ 62,485	\$ 12,485
Charges for parks and recreation	45,000	45,000	51,638	6,638
Charges for jail inmates	24,700	24,700	69,671	44,971
Charges for administration	44,500	44,500	42,113	(2,387)
Charges for library	8,000	8,000	28,378	20,378
Charges for sanitation and waste removal	285,000	285,000	307,114	22,114
Charges for courthouse maintenance	-	-	12,678	12,678
Charges for law library	8,000	8,000	9,450	1,450
Charges for fire prevention	3,500	3,500	4,625	1,125
Charges for commonwealth's attorney	3,000	3,000	4,511	1,511
Charges for law enforcement	5,000	5,000	4,913	(87)
Charges for animal control	3,000	3,000	75	(2,925)
Other charges for services	8,100	8,100	11,501	3,401
Total charges for services	<u>\$ 487,800</u>	<u>\$ 487,800</u>	<u>\$ 609,152</u>	<u>\$ 121,352</u>

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

Schedule 1  
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Tax sales	\$ -	\$ -	\$ 2,178	\$ 2,178
Miscellaneous other	141,450	225,239	179,212	(46,027)
Gifts and donations	12,000	162,160	141,297	(20,863)
City of Danville, Virginia revenue sharing	40,000	40,000	42,795	2,795
Total miscellaneous	<u>\$ 193,450</u>	<u>\$ 427,399</u>	<u>\$ 365,482</u>	<u>\$ (61,917)</u>
Recovered costs:				
Jail reimbursements	\$ 248,365	\$ 248,365	\$ 314,606	\$ 66,241
Sheriffs extra duty	140,000	140,000	124,982	(15,018)
Soil and water conservation district	119,575	119,575	102,286	(17,289)
School resource officer	103,516	103,516	108,372	4,856
City of Danville, Virginia	40,000	40,000	28,942	(11,058)
Health department	40,000	40,000	186,929	146,929
Social Services	59,625	59,625	60,418	793
Other recovered costs	50,862	330,965	383,729	52,764
Total recovered costs	<u>\$ 801,943</u>	<u>\$ 1,082,046</u>	<u>\$ 1,310,264</u>	<u>\$ 228,218</u>
Total revenue from local sources	<u>\$ 45,382,989</u>	<u>\$ 45,897,172</u>	<u>\$ 48,448,801</u>	<u>\$ 2,551,629</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 90,000	\$ 90,000	\$ 88,404	\$ (1,596)
Mobile home titling tax	75,000	75,000	60,451	(14,549)
Motor vehicle rental tax	6,000	6,000	3,305	(2,695)
State recordation tax	80,000	80,000	73,555	(6,445)
State communications tax	2,275,000	2,275,000	2,076,147	(198,853)
Personal property tax relief act funds	4,139,277	4,139,277	4,139,277	-
Total noncategorical aid	<u>\$ 6,665,277</u>	<u>\$ 6,665,277</u>	<u>\$ 6,441,139</u>	<u>\$ (224,138)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	\$ 585,557	\$ 585,557	\$ 582,918	\$ (2,639)
Sheriff	4,303,586	4,303,586	4,195,298	(108,288)
Commissioner of Revenue	161,335	161,335	159,600	(1,735)
Treasurer	173,138	173,138	174,575	1,437
Registrar/electoral board	46,000	46,000	47,278	1,278
Clerk of the Circuit Court	427,424	427,424	439,306	11,882
Circuit Court	73,000	73,000	64,014	(8,986)
Total Shared Expenses	<u>\$ 5,770,040</u>	<u>\$ 5,770,040</u>	<u>\$ 5,662,989</u>	<u>\$ (107,051)</u>
Other categorical aid:				
Victim witness grant	\$ 28,011	\$ 25,813	\$ 30,590	\$ 4,777
VJCCA grant	41,765	41,765	41,764	(1)
Records preservation grant	6,500	9,092	9,092	-
Law enforcement grants	3,440	3,440	-	(3,440)
E-911 grants	613,899	613,899	193,523	(420,376)
Criminal history grants	11,000	11,000	-	(11,000)
VDOT revenue sharing grants	-	-	29,258	29,258
EMS grants	75,000	75,000	64,777	(10,223)
Fire program funds	201,000	201,000	202,972	1,972
Library grants	154,711	158,296	158,296	-
Litter control grants	20,220	20,220	16,078	(4,142)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Public assistance	\$ 1,973,581	\$ 2,001,411	\$ 1,311,719	\$ (689,692)
Children's Services Act	4,184,100	5,382,973	4,754,206	(628,767)
School resource officer	151,800	-	-	-
Total other categorical aid	<u>\$ 7,465,027</u>	<u>\$ 8,543,909</u>	<u>\$ 6,812,275</u>	<u>\$ (1,731,634)</u>
Total categorical aid	<u>\$ 13,235,067</u>	<u>\$ 14,313,949</u>	<u>\$ 12,475,264</u>	<u>\$ (1,838,685)</u>
Total revenue from the Commonwealth	<u>\$ 19,900,344</u>	<u>\$ 20,979,226</u>	<u>\$ 18,916,403</u>	<u>\$ (2,062,823)</u>
Revenue from the federal government:				
Noncategorical aid:				
QCEB interest rebate	\$ -	\$ -	\$ 93,599	\$ 93,599
Categorical aid:				
Transportation enhancement grant	\$ 111,512	\$ 111,512	\$ -	\$ (111,512)
Emergency management preparedness	22,806	22,806	22,803	(3)
Law enforcement block grants	239,422	235,632	30,228	(205,404)
Crime victim assistance	84,031	84,031	78,667	(5,364)
Bureau of justice assistance	100,000	100,000	-	(100,000)
Children's Services Act	-	-	565	565
Public assistance	2,556,238	2,564,232	2,721,108	156,876
Total categorical aid	<u>\$ 3,114,009</u>	<u>\$ 3,118,213</u>	<u>\$ 2,853,371</u>	<u>\$ (264,842)</u>
Total revenue from the federal government	<u>\$ 3,114,009</u>	<u>\$ 3,118,213</u>	<u>\$ 2,946,970</u>	<u>\$ (171,243)</u>
Total General Fund	<u>\$ 68,397,342</u>	<u>\$ 69,994,611</u>	<u>\$ 70,312,174</u>	<u>\$ 317,563</u>
Special Revenue Funds:				
Industrial Development Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Donations	\$ -	\$ 18,289	\$ 20,289	\$ 2,000
Recovered costs:				
Industrial Development Authority	\$ -	\$ -	\$ 35,282	\$ 35,282
Total revenue from local sources	<u>\$ -</u>	<u>\$ 18,289</u>	<u>\$ 55,571</u>	<u>\$ 37,282</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco indemnification funds	\$ 4,908,240	\$ 5,924,623	\$ 618,435	\$ (5,306,188)
Governor's opportunity funds	-	50,000	155,000	105,000
Total categorical aid	<u>\$ 4,908,240</u>	<u>\$ 5,974,623</u>	<u>\$ 773,435</u>	<u>\$ (5,201,188)</u>
Total revenue from the Commonwealth	<u>\$ 4,908,240</u>	<u>\$ 5,974,623</u>	<u>\$ 773,435</u>	<u>\$ (5,201,188)</u>
Total Industrial Development Fund	<u>\$ 4,908,240</u>	<u>\$ 5,992,912</u>	<u>\$ 829,006</u>	<u>\$ (5,163,906)</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds:</b>				
<b>Workforce Investment Act Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 251,000	\$ 251,002	\$ 197,546	\$ (53,456)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 12,068	\$ 55,318	\$ 28,908	\$ (26,410)
Revenue from the federal government:				
Categorical aid:				
WIA adult programs, youth activities, and dislocated workers	\$ 4,597,415	\$ 6,386,093	\$ 3,070,320	\$ (3,315,773)
<b>Total Workforce Investment Act Fund</b>	<b>\$ 4,860,483</b>	<b>\$ 6,692,413</b>	<b>\$ 3,296,774</b>	<b>\$ (3,395,639)</b>
<b>Nonmajor Special Revenue Funds:</b>				
<b>Forfeited Assets Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 300	\$ 300	\$ 360	\$ 60
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 17,284	\$ 17,284
<b>Total revenue from local sources</b>	<b>\$ 300</b>	<b>\$ 300</b>	<b>\$ 17,644</b>	<b>\$ 17,344</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ 7,000	\$ 7,000	\$ 61,527	\$ 54,527
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture funds	\$ 40,000	\$ 40,000	\$ 2,176	\$ (37,824)
<b>Total Forfeited Assets Fund</b>	<b>\$ 47,300</b>	<b>\$ 47,300</b>	<b>\$ 81,347</b>	<b>\$ 34,047</b>
<b>Total Primary Government</b>	<b>\$ 78,213,365</b>	<b>\$ 82,727,236</b>	<b>\$ 74,519,301</b>	<b>\$ (8,207,935)</b>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,203	\$ 5,203
Revenue from the use of property	6,950	30,950	31,560	610
Total revenue from use of money and property	<u>\$ 6,950</u>	<u>\$ 30,950</u>	<u>\$ 36,763</u>	<u>\$ 5,813</u>
Charges for services:				
School food	\$ 5,255,000	\$ 5,255,000	\$ 1,562,365	\$ (3,692,635)
Tuition and payments from other divisions	106,630	106,630	147,611	40,981
Total charges for services	<u>\$ 5,361,630</u>	<u>\$ 5,361,630</u>	<u>\$ 1,709,976</u>	<u>\$ (3,651,654)</u>
Miscellaneous:				
Other miscellaneous	\$ 1,076,586	\$ 1,493,558	\$ 1,588,681	\$ 95,123
Recovered costs:				
Other recovered costs	\$ 254,858	\$ 567,545	\$ 572,290	\$ 4,745
Total revenue from local sources	<u>\$ 6,700,024</u>	<u>\$ 7,453,683</u>	<u>\$ 3,907,710</u>	<u>\$ (3,545,973)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Pittsylvania, Virginia	\$ 16,986,709	\$ 19,637,948	\$ 16,341,263	\$ (3,296,685)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 10,070,955	\$ 10,070,955	\$ 9,518,350	\$ (552,605)
Basic Aid	29,688,410	29,136,410	28,938,247	(198,163)
Remedial summer education	253,633	216,367	216,367	-
Regular foster care	45,770	45,770	12,958	(32,812)
Gifted and talented	319,877	319,877	314,043	(5,834)
Remedial education	1,252,850	1,252,850	1,230,001	(22,849)
Special education	4,205,045	4,205,045	4,128,354	(76,691)
Textbook payment	731,584	718,242	718,242	-
Alternative education	207,324	212,324	212,324	-
Algebra readiness	160,274	160,274	157,929	(2,345)
Mentor teacher program	4,844	4,844	4,757	(87)
Social security fringe benefits	1,932,588	1,932,588	1,897,342	(35,246)
Group life	133,282	133,282	130,851	(2,431)
Retirement fringe benefits	4,438,288	4,438,288	4,357,343	(80,945)
Governor's school	-	17,630	17,630	-
Early reading intervention	235,437	213,133	214,034	901
Homebound education	105,490	105,490	117,577	12,087
Vocation education	1,133,905	1,158,799	1,130,339	(28,460)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Salary Supplement	\$ 308,888	\$ 308,888	\$ 303,272	\$ (5,616)
JROTC	279,084	225,494	218,900	(6,594)
Special education - foster children	-	-	28,613	28,613
At risk payments	1,280,554	1,280,554	1,301,757	21,203
Primary class size	1,585,135	1,585,135	1,486,762	(98,373)
Technology	628,400	728,400	1,254,790	526,390
At risk four-year olds	1,069,241	1,069,241	1,069,241	-
School Food	88,568	113,946	113,946	-
English as a second language	157,179	157,179	156,682	(497)
Extended Summer School	-	10,000	10,000	-
Other state funds	11,988	78,494	118,552	40,058
GED prep program	23,576	23,576	24,881	1,305
Lottery payments	1,826,762	1,826,762	1,795,081	(31,681)
Total categorical aid	<u>\$ 62,178,931</u>	<u>\$ 61,749,837</u>	<u>\$ 61,199,165</u>	<u>\$ (550,672)</u>
Total revenue from the Commonwealth	<u>\$ 62,178,931</u>	<u>\$ 61,749,837</u>	<u>\$ 61,199,165</u>	<u>\$ (550,672)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,946,386	\$ 2,520,047	\$ 2,366,124	\$ (153,923)
Special Education	1,837,465	1,911,491	1,930,008	18,517
Title VI-B, preschool	23,137	23,137	25,673	2,536
Vocational education	147,013	184,351	187,101	2,750
School food program	3,147,139	3,319,353	3,703,907	384,554
Adult Education	131,074	131,074	99,117	(31,957)
Title II	340,390	378,609	361,364	(17,245)
Language acquisition	14,673	14,673	19,144	4,471
Other federal funds	-	-	34,179	34,179
Total categorical aid	<u>\$ 7,587,277</u>	<u>\$ 8,482,735</u>	<u>\$ 8,726,617</u>	<u>\$ 243,882</u>
Total revenue from the federal government	<u>\$ 7,587,277</u>	<u>\$ 8,482,735</u>	<u>\$ 8,726,617</u>	<u>\$ 243,882</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 93,452,941</u>	<u>\$ 97,324,203</u>	<u>\$ 90,174,755</u>	<u>\$ (7,149,448)</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
<b>General government administration:</b>				
<b>Legislative:</b>				
Board of supervisors	\$ 210,767	\$ 205,842	\$ 195,164	\$ 10,678
<b>General and financial administration:</b>				
County administrator	\$ 712,284	\$ 760,421	\$ 755,569	\$ 4,852
Legal services	203,924	219,905	211,307	8,598
Independent auditor	84,000	87,100	78,204	8,896
Human Resources	100,717	108,796	107,501	1,295
Commissioner of revenue	659,214	679,681	624,348	55,333
Reassessment	501,214	501,214	443,447	57,767
Treasurer	734,173	743,986	675,880	68,106
Central accounting	446,528	464,954	451,200	13,754
Management information systems	426,541	470,266	465,350	4,916
Total general and financial administration	<u>\$ 3,868,595</u>	<u>\$ 4,036,323</u>	<u>\$ 3,812,806</u>	<u>\$ 223,517</u>
<b>Board of elections:</b>				
Electoral board	\$ 137,549	\$ 274,628	\$ 269,097	\$ 5,531
Registrar	143,255	-	-	-
Total board of elections	<u>\$ 280,804</u>	<u>\$ 274,628</u>	<u>\$ 269,097</u>	<u>\$ 5,531</u>
Total general government administration	<u>\$ 4,360,166</u>	<u>\$ 4,516,793</u>	<u>\$ 4,277,067</u>	<u>\$ 239,726</u>
<b>Judicial administration:</b>				
<b>Courts:</b>				
Circuit court	\$ 144,894	\$ 147,993	\$ 129,848	\$ 18,145
General district court	11,706	13,251	11,517	1,734
Special magistrates	4,500	4,500	3,714	786
Juvenile and domestic relations court	22,550	20,050	13,928	6,122
Clerk of the circuit court	687,676	715,523	696,296	19,227
Sheriff - courts	124,000	130,834	140,846	(10,012)
Law Library	23,000	23,000	9,505	13,495
Victim and witness assistance	112,042	109,843	104,802	5,041
Commissioner of accounts	1,850	1,850	1,844	6
Total courts	<u>\$ 1,132,218</u>	<u>\$ 1,166,844</u>	<u>\$ 1,112,300</u>	<u>\$ 54,544</u>
<b>Commonwealth's attorney:</b>				
Commonwealth's attorney	\$ 767,629	\$ 786,885	\$ 760,216	\$ 26,669
Total judicial administration	<u>\$ 1,899,847</u>	<u>\$ 1,953,729</u>	<u>\$ 1,872,516</u>	<u>\$ 81,213</u>
<b>Public safety:</b>				
<b>Law enforcement and traffic control:</b>				
Sheriff - law enforcement	\$ 6,444,938	\$ 7,219,585	\$ 7,218,235	\$ 1,350
Sheriff - grants	529,212	445,888	62,494	383,394
Sheriff - E911 system	613,899	619,336	164,874	454,462
Total law enforcement and traffic control	<u>\$ 7,588,049</u>	<u>\$ 8,284,809</u>	<u>\$ 7,445,603</u>	<u>\$ 839,206</u>
<b>Fire and rescue services:</b>				
Fire marshal	\$ 85,432	\$ 102,946	\$ 101,734	\$ 1,212
Volunteer fire department	2,212,850	2,518,330	2,468,694	49,636
Ambulance and rescue services	75,000	75,000	57,731	17,269
Total fire and rescue services	<u>\$ 2,373,282</u>	<u>\$ 2,696,276</u>	<u>\$ 2,628,159</u>	<u>\$ 68,117</u>
<b>Correction and detention:</b>				
Sheriff - correction and detention	\$ 4,769,670	\$ 4,801,864	\$ 4,747,746	\$ 54,118
Court services unit	427,727	428,487	409,185	19,302
Other correction and detention	26,100	110,158	110,240	(82)
Total correction and detention	<u>\$ 5,223,497</u>	<u>\$ 5,340,509</u>	<u>\$ 5,267,171</u>	<u>\$ 73,338</u>



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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building inspections	\$ 328,843	\$ 338,548	\$ 302,667	\$ 35,881
Other protection:				
Animal control	\$ 546,761	\$ 615,042	\$ 530,495	\$ 84,547
Medical examiner	2,500	2,500	1,080	1,420
E911 System	1,240,002	1,207,564	1,213,722	(6,158)
Emergency management	22,806	24,806	22,180	2,626
Emergency Services	-	3,370	-	3,370
Total other protection	\$ 1,812,069	\$ 1,853,282	\$ 1,767,477	\$ 85,805
Total public safety	\$ 17,325,740	\$ 18,513,424	\$ 17,411,077	\$ 1,102,347
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 1,132,267	\$ 1,451,934	\$ 1,188,922	\$ 263,012
Refuse disposal	998,968	912,908	859,458	53,450
Total sanitation and waste removal	\$ 2,131,235	\$ 2,364,842	\$ 2,048,380	\$ 316,462
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 1,045,780	\$ 1,089,934	\$ 948,829	\$ 141,105
Fleet management	172,286	170,965	143,667	27,298
Total maintenance of general buildings and grounds	\$ 1,218,066	\$ 1,260,899	\$ 1,092,496	\$ 168,403
Total public works	\$ 3,349,301	\$ 3,625,741	\$ 3,140,876	\$ 484,865
Health and welfare:				
Health:				
Local health department	\$ 507,570	\$ 507,570	\$ 507,570	\$ -
Mental health and mental retardation:				
Mental health and mental retardation	\$ 325,102	\$ 325,102	\$ 325,102	\$ -
Welfare:				
Welfare administration	\$ 4,478,942	\$ 4,478,942	\$ 4,076,998	\$ 401,944
Public assistance	1,009,000	1,044,824	839,790	205,034
Children's Services Act	5,972,044	7,548,633	6,584,704	963,929
Total welfare	\$ 11,459,986	\$ 13,072,399	\$ 11,501,492	\$ 1,570,907
Total health and welfare	\$ 12,292,658	\$ 13,905,071	\$ 12,334,164	\$ 1,570,907
Education:				
Other instructional costs:				
Contribution to local school board	\$ 16,986,709	\$ 19,637,948	\$ 16,341,263	\$ 3,296,685
Contributions to community college	9,774	9,774	9,774	-
Total education	\$ 16,996,483	\$ 19,647,722	\$ 16,351,037	\$ 3,296,685
Parks, recreation, and cultural:				
Parks and recreation:				
Administration of parks and recreation	\$ 443,980	\$ 528,262	\$ 380,100	\$ 148,162
State Forestry	33,600	33,600	33,521	79
Total parks and recreation	\$ 477,580	\$ 561,862	\$ 413,621	\$ 148,241
Library:				
Library administration	\$ 1,336,054	\$ 1,425,943	\$ 1,407,012	\$ 18,931
Total parks, recreation, and cultural	\$ 1,813,634	\$ 1,987,805	\$ 1,820,633	\$ 167,172

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
<b>Community development:</b>				
<b>Planning and community development:</b>				
Planning commission	\$ 56,781	\$ 56,781	\$ 56,682	\$ 99
Community development	363,646	403,310	399,793	3,517
Zoning board	256,221	256,221	199,745	56,476
Economic development	973,051	1,026,538	977,841	48,697
Total planning and community development	<u>\$ 1,649,699</u>	<u>\$ 1,742,850</u>	<u>\$ 1,634,061</u>	<u>\$ 108,789</u>
<b>Environmental management:</b>				
Soil and water conservation district	\$ 119,575	\$ 119,575	\$ 102,698	\$ 16,877
Other environmental management	20,220	30,669	2,540	28,129
Total environmental management	<u>\$ 139,795</u>	<u>\$ 150,244</u>	<u>\$ 105,238</u>	<u>\$ 45,006</u>
<b>Cooperative extension program:</b>				
Cooperative extension program	\$ 151,951	\$ 151,951	\$ 144,333	\$ 7,618
Total community development	<u>\$ 1,941,445</u>	<u>\$ 2,045,045</u>	<u>\$ 1,883,632</u>	<u>\$ 161,413</u>
<b>Nondepartmental:</b>				
Other nondepartmental	\$ 901,025	\$ 601,285	\$ 17,203	\$ 584,082
<b>Capital projects:</b>				
Animal shelter	\$ -	\$ 301,709	\$ 50,383	\$ 251,326
Mt. Hermon Library Renovations	-	848,446	710,691	137,755
E911 Towers	-	2,000,000	632,086	1,367,914
School Bus Purchase	-	678,742	678,742	-
Courthouse Chiller	-	250,000	162,642	87,358
Landfill Equipment	-	565,000	217,500	347,500
Other capital projects	510,975	1,202,894	393,664	809,230
Total capital projects	<u>\$ 510,975</u>	<u>\$ 5,846,791</u>	<u>\$ 2,845,708</u>	<u>\$ 3,001,083</u>
<b>Debt service:</b>				
Principal retirement	\$ 8,424,520	\$ 8,424,520	\$ 16,984,514	\$ (8,559,994)
Interest and other fiscal charges	1,641,660	1,641,660	3,309,719	(1,668,059)
Total debt service	<u>\$ 10,066,180</u>	<u>\$ 10,066,180</u>	<u>\$ 20,294,233</u>	<u>\$ (10,228,053)</u>
Total General Fund	<u>\$ 71,457,454</u>	<u>\$ 82,709,586</u>	<u>\$ 82,248,146</u>	<u>\$ 461,440</u>
<b>Special Revenue Funds:</b>				
<b>Industrial Development Fund:</b>				
<b>Community development:</b>				
<b>Planning and community development:</b>				
Industrial development	\$ 1,496,814	\$ 1,936,349	\$ 814,235	\$ 1,122,114
Sova Vineyard Grant	-	786,384	18,356	768,028
Berry Hill Projects	5,452,125	5,452,125	490,818	4,961,307
Hurt Klopman Mills water and sewer improvements	5,808	5,808	-	5,808
Total planning and community development	<u>\$ 6,954,747</u>	<u>\$ 8,180,666</u>	<u>\$ 1,323,409</u>	<u>\$ 6,857,257</u>
<b>Capital projects:</b>				
Capital Projects	\$ -	\$ 1,287,798	\$ 47,859	\$ 1,239,939
Total Industrial Development Fund	<u>\$ 6,954,747</u>	<u>\$ 9,468,464</u>	<u>\$ 1,371,268</u>	<u>\$ 8,097,196</u>

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

Schedule 2  
 Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Workforce Investment Act Fund:				
Health and welfare:				
Welfare:				
Workforce investment act	\$ 4,862,274	\$ 6,693,727	\$ 3,290,026	\$ 3,403,701
Total Workforce Investment Act Fund	<u>\$ 4,862,274</u>	<u>\$ 6,693,727</u>	<u>\$ 3,290,026</u>	<u>\$ 3,403,701</u>
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 145,000	\$ 492,952	\$ 348,761	\$ 144,191
Total Forfeited Asset Fund	<u>\$ 145,000</u>	<u>\$ 492,952</u>	<u>\$ 348,761</u>	<u>\$ 144,191</u>
Total Primary Government	<u>\$ 83,419,475</u>	<u>\$ 99,364,729</u>	<u>\$ 87,258,201</u>	<u>\$ 12,106,528</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 3,370,527	\$ 3,715,471	\$ 3,698,537	\$ 16,934
Instruction costs:				
Instructional costs	\$ 63,991,523	\$ 66,538,711	\$ 63,991,167	\$ 2,547,544
Technology	2,824,445	3,154,697	3,409,432	(254,735)
Total instruction costs	<u>\$ 66,815,968</u>	<u>\$ 69,693,408</u>	<u>\$ 67,400,599</u>	<u>\$ 2,292,809</u>
Operating costs:				
Pupil transportation	\$ 6,634,246	\$ 6,347,226	\$ 5,836,289	\$ 510,937
Operation and maintenance of school plant	7,964,335	8,683,785	7,563,538	1,120,247
Food service and non-instructional	8,667,865	8,884,313	5,370,515	3,513,798
Total operating costs	<u>\$ 23,266,446</u>	<u>\$ 23,915,324</u>	<u>\$ 18,770,342</u>	<u>\$ 5,144,982</u>
Total education	<u>\$ 93,452,941</u>	<u>\$ 97,324,203</u>	<u>\$ 89,869,478</u>	<u>\$ 7,454,725</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 93,452,941</u>	<u>\$ 97,324,203</u>	<u>\$ 89,869,478</u>	<u>\$ 7,454,725</u>

## Other Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (2)	Health and Welfare	Education (1)	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2017-18	\$ 3,887,279	\$ 1,858,800	\$ 18,156,348	\$ 4,010,797	\$ 15,621,570	\$ 18,851,498	\$ 1,885,619	\$ 3,187,057	\$ 3,163,604	\$ 70,622,572
2016-17	3,481,098	1,728,160	16,607,010	3,681,562	15,056,995	16,754,289	2,279,169	2,639,500	3,723,137	65,950,920
2015-16	3,120,093	1,630,364	17,388,780	2,974,772	13,295,781	20,654,247	1,625,932	3,050,989	4,600,151	68,341,109
2014-15	2,761,239	1,570,134	15,971,461	4,208,049	11,762,632	20,144,745	1,653,432	4,328,560	4,156,131	66,556,383
2013-14	2,779,007	1,616,010	15,412,321	3,676,518	11,203,241	17,456,021	1,544,778	3,595,993	4,462,480	61,746,369
2012-13	3,151,761	1,577,467	14,150,804	1,367,550	11,742,309	17,610,398	1,519,663	4,541,281	5,044,241	60,705,474
2011-12	2,352,270	1,604,516	14,004,881	4,504,438	11,725,859	17,483,731	1,389,794	5,297,007	4,852,814	63,215,310
2010-11	2,317,903	1,521,622	13,492,424	5,199,400	15,013,208	16,068,919	1,212,790	6,009,715	5,052,047	65,888,028
2009-10	3,008,491	1,289,615	13,884,135	5,552,474	18,784,848	11,601,833	1,179,959	5,879,792	5,658,339	66,839,486
2008-09	2,953,224	1,579,879	13,399,420	4,495,239	15,855,096	13,030,727	1,163,559	6,642,658	4,706,088	63,825,890

(1) Debt financed assets are transferred to the School Board upon defeasance of debt.

This amounts includes assets (net of related depreciation) that were transferred to the School Board during the fiscal year.

(2) In FY 2012, the County implemented a Landfill Fund and in FY 2017 the County closed same to the General Fund.

All expenditures have been reported here in Public Works for comparability.

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services (2)	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes (1)	Unrestricted Investment Earnings	Miscellaneous (3)	Grants and Contributions Not Restricted to Specific Programs (1)	Total
2017-18	\$ 908,173	\$ 19,512,825	\$ 2,176	\$ 39,899,114	\$ 7,375,931	\$ 530,617	\$ 403,055	\$ 6,534,738	\$ 75,166,629	
2016-17	887,208	18,054,322	34,726	36,635,453	7,255,197	534,540	2,597,060	6,657,163	72,655,669	
2015-16	1,867,410	17,849,640	25,446	36,527,161	6,985,878	760,917	698,427	6,580,065	71,294,944	
2014-15	2,587,105	16,442,410	884,983	34,348,146	6,929,692	729,073	273,313	6,647,166	68,841,888	
2013-14	2,716,427	16,833,132	234,754	32,312,752	7,058,150	817,859	303,887	6,674,699	66,951,660	
2012-13	2,952,151	16,862,088	-	31,959,232	6,759,321	640,925	449,990	6,781,594	66,405,301	
2011-12	924,023	15,633,076	2,405,211	31,373,406	6,805,947	651,947	409,617	6,698,703	64,901,930	
2010-11	861,632	16,037,575	3,564,213	28,781,337	6,696,327	646,849	673,095	6,760,306	64,021,334	
2009-10	885,248	21,413,814	3,006,599	27,907,392	6,414,085	1,174,002	758,424	6,748,918	68,308,482	
2008-09	776,068	22,813,227	-	29,680,376	8,304,925	1,520,387	272,379	4,483,640	67,851,002	

(1) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.

(2) The Landfill fund created in fiscal year 2012 started billings in fiscal year 2013. These billings subsequently ended in fiscal year 2016.

(3) During fiscal year 2017 a local nonprofit donated a community center valued at \$2,306,900.

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2017-18 (4)	\$ 4,277,067	\$ 1,872,516	\$ 17,759,838	\$ 3,140,876	\$ 15,624,190	\$ 89,879,252	\$ 1,820,633	\$ 3,207,041	\$ 2,893,567	\$ 17,203	\$ 11,306,433	\$ 151,798,616
2016-17	3,885,062	1,742,237	15,612,859	4,060,175	15,405,524	86,583,587	1,853,468	2,658,745	5,917,781	-	13,168,887	150,888,325
2015-16 (4)	3,274,249	1,629,683	16,035,366	1,467,351	13,227,647	84,200,723	1,606,150	2,437,884	4,346,659	-	17,299,326	145,525,038
2014-15	3,165,000	1,565,244	15,181,758	1,380,874	11,818,253	86,172,273	1,635,900	4,456,982	939,715	-	11,896,121	138,212,120
2013-14	3,294,816	1,575,143	15,788,738	1,113,579	11,225,531	84,740,262	1,497,279	3,842,302	4,840,641	-	11,946,638	139,864,929
2012-13 (4)	3,495,374	1,566,578	14,763,371	1,300,429	11,927,840	84,680,673	1,509,918	7,586,932	5,794,131	-	9,450,033	142,075,279
2011-12	2,768,169	1,566,584	14,222,860	1,215,984	11,862,939	85,983,611	1,384,918	5,540,095	3,705,766	-	9,948,658	138,199,584
2010-11	2,784,289	1,494,085	13,806,655	3,244,763	12,690,342	82,087,870	1,178,396	6,502,580	398,872	-	9,436,325	133,624,177
2009-10 (4)	3,149,941	1,536,157	14,173,636	3,634,763	18,836,521	82,202,930	1,116,757	6,385,274	-	8,342	10,609,182	141,653,503
2008-09	3,138,333	1,610,990	14,046,712	3,867,606	16,044,417	85,614,779	1,101,641	11,053,679	-	14,414	9,655,047	146,147,618

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

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

(3) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenditures. In FY 2017, the Landfill Fund was merged back into the General Fund.

(4) Refunding debt excluded from Debt Service.

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

Fiscal Year	General Property Taxes	Other Local Taxes (4)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services (4)	Miscellaneous	Recovered Costs	Inter-governmental (2,3)	Total
2017-18	\$ 38,092,864	\$ 7,375,931	\$ 157,376	\$ 205,021	\$ 567,380	\$ 2,319,128	\$ 1,991,736	\$ 1,917,836	\$ 95,725,521	\$ 148,352,793
2016-17	36,433,274	7,255,197	157,900	200,936	555,870	2,505,571	1,959,508	1,996,942	92,762,102	143,827,300
2015-16	35,693,771	6,985,878	157,941	207,431	809,547	2,243,356	1,991,633	1,566,935	90,268,791	139,925,283
2014-15	34,603,292	6,929,692	153,455	174,184	771,975	2,079,998	1,530,400	1,959,553	89,836,994	138,039,543
2013-14	32,986,528	7,058,150	175,564	224,057	858,598	2,076,001	1,385,352	4,932,637	87,106,346	136,803,233
2012-13	31,732,883	6,759,321	188,607	197,581	638,443	2,509,379	1,250,731	7,523,537	87,096,527	137,897,009
2011-12	29,536,089	6,805,947	162,287	173,265	670,207	2,393,242	1,270,149	4,672,806	88,822,247	134,506,239
2010-11	29,100,604	6,696,327	178,650	170,237	688,107	2,877,131	1,173,698	5,320,326	88,957,513	135,162,593
2009-10	29,247,029	6,414,085	179,480	166,937	740,864	2,801,689	981,228	1,779,199	100,511,627	142,822,138
2008-09	28,538,436	8,304,925	187,789	76,900	728,070	2,778,471	413,763	5,608,484	97,486,830	144,123,668

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.  
 (2) Excludes contribution from Primary Government to Discretely Presented Component Unit.  
 (3) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.  
 (4) In fiscal year 2011-2012 the County implemented a Landfill fund and charges for those services were included in that fund.



Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 43,537,449	\$ 40,436,259	92.88%	\$ 1,030,852	\$ 41,467,111	95.24%	\$ 5,040,272	11.58%
2016-17	39,605,816	38,409,842	96.98%	1,343,284	39,753,126	100.37%	4,664,208	11.78%
2015-16	39,880,759	38,231,862	95.87%	1,601,186	39,833,048	99.88%	4,842,100	12.14%
2014-15	38,263,674	35,807,738	93.58%	2,291,993	38,099,731	99.57%	5,987,436	15.65%
2013-14	38,160,477	35,105,305	91.99%	1,417,570	36,522,875	95.71%	5,996,958	15.72%
2012-13	35,706,993	34,265,018	95.96%	908,882	35,173,900	98.51%	4,969,523	13.92%
2011-12	34,990,189	32,026,677	91.53%	1,158,500	33,185,177	94.84%	4,388,377	12.54%
2010-11	32,592,883	31,183,881	95.68%	1,432,717	32,616,598	100.07%	4,024,379	12.35%
2009-10	31,940,215	30,753,521	96.28%	2,000,871	32,754,392	102.55%	4,372,838	13.69%
2008-09	32,080,815	31,031,751	96.73%	1,055,873	32,087,624	100.02%	6,093,598	18.99%

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

Table 6

County of Pittsylvania, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Merchant's Capital (3)	Mobile Homes	Public Service (2)	Total
2017-18	\$ 4,220,028,900	\$ 137,754,840	\$ 38,436,500	\$ 15,126,580	\$ 41,331,258	\$ 430,745,366	\$ 4,883,423,444
2016-17	3,936,640,945	134,812,310	32,929,860	13,133,790	45,246,180	426,950,518	4,589,713,603
2015-16	3,944,880,745	129,084,080	30,643,700	18,824,710	44,879,870	399,383,840	4,567,696,945
2014-15	3,923,602,695	123,687,595	33,048,510	11,472,330	44,465,390	374,927,366	4,511,203,886
2013-14	3,880,009,003	122,969,818	39,320,240	9,880,649	44,322,009	355,616,806	4,452,118,525
2012-13	3,765,453,474	119,660,633	39,087,600	8,899,321	47,871,206	338,873,822	4,319,846,056
2011-12	3,701,567,643	116,972,188	35,378,260	8,856,290	46,913,277	316,586,962	4,226,274,620
2010-11	3,703,464,286	112,839,901	34,298,350	8,580,130	47,038,600	326,907,505	4,233,128,772
2009-10	3,658,961,545	111,212,898	30,661,670	8,358,600	46,670,090	302,840,801	4,158,705,604
2008-09	3,441,025,740	116,284,250	27,960,420	10,958,360	53,850,620	279,532,952	3,929,612,342

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

(2) Assessed values are established by the State Corporation Commission-includes all property types.

(3) In FY 2017, the County changed the tax assessment methodology for merchant's capital from 30% original cost to a tiered approach based on the total original cost. The tiers consist of 30%, 10% and 5% of original cost.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes	Generating Equipment (2)
2017-18	\$ 0.59/0.62	\$ 8.75/9.00	\$ 4.50	\$ 2.75	\$ 0.59/0.62	\$ 0.59/0.62
2016-17	0.59	8.75	4.50	2.75	0.59	0.59
2015-16	0.59	8.75	4.50	2.75	0.59	0.59
2014-15	0.59	8.75	4.50	2.75	0.59	0.59
2013-14	0.56/0.59	8.75	4.50	2.75	0.56/0.59	0.56/0.59
2012-13	0.56	8.75	4.50	2.75	0.56	0.56
2011-12	0.52/0.56	8.75	4.50	2.75	0.52/0.56	0.52/0.56
2010-11	0.52	8.50	4.50	2.75	0.52	0.52
2009-10	0.56/0.52	8.50	4.50	2.75	0.56/0.52	0.56/0.52
2008-09	0.53/0.56	7.75/8.50	4.50	2.75	0.53/0.56	0.53/0.56

(1) Per \$100 of assessed value. Property taxes are assessed on January 1 of each year and therefore, the rates for amounts due on December 5th, may be different from the rates for amounts due on June 5th.

(2) Included as part of Public Service Corporations in other schedules

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	63,506	\$ 4,883,423	\$ 65,594,489	\$ 65,594,489	1.34%	\$ 1,033
2016-17	63,506	4,589,714	69,495,208	69,495,208	1.51%	1,094
2015-16	63,506	4,567,697	76,753,162	76,753,162	1.68%	1,209
2014-15	63,506	4,511,204	89,007,609	89,007,609	1.97%	1,402
2013-14	63,506	4,452,119	95,451,194	95,451,194	2.14%	1,503
2012-13	63,506	4,319,846	101,616,973	101,616,973	2.35%	1,600
2011-12	63,506	4,226,275	107,562,022	107,562,022	2.55%	1,694
2010-11	63,506	4,233,129	110,332,166	110,332,166	2.61%	1,737
2009-10	61,745	4,158,706	114,021,227	114,021,227	2.74%	1,847
2008-09	61,745	3,929,612	116,514,098	116,514,098	2.97%	1,887

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2016-18 (2)	\$ 11,306,433	\$ 151,798,616	7.45%
2016-17	13,168,887	150,888,325	8.73%
2015-16 (2)	17,299,326	145,525,038	11.89%
2014-15	11,896,121	138,212,120	8.61%
2013-14	11,946,638	139,864,929	8.54%
2012-13 (2)	9,450,033	142,075,279	6.65%
2011-12	9,948,658	138,199,584	7.20%
2010-11	9,436,325	133,624,177	7.06%
2009-10 (2)	10,609,182	141,653,503	7.49%
2008-09	9,655,047	146,147,618	6.61%

- (1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.  
(2) Excludes refunding debt.

Table 10

County of Pittsylvania, Virginia  
Assessed Valuation of Top Ten Taxpayers  
Fiscal Year 2018

Taxpayer	Type of Business	2018 Assessed Valuation	Percentage of Total Assessed Valuation
Virginia Electric & Power	Electric Utility	\$ 129,884,675	2.92%
Appalachian Power Company	Electric Utility	78,679,845	1.77%
Transcontinental Gas Pipeline	Gas Utility	77,265,190	1.74%
IKEA	Manufacturer	32,610,390	0.73%
Colonial Pipeline	Gas Utility	30,656,297	0.69%
Intertape Polymer Corp	Electric Utility	28,149,560	0.63%
Mecklenburg Electric Coop, Inc.	Electric Utility	25,502,828	0.57%
Norfolk Southern	Rail Road	24,921,780	0.56%
Sartomer	Manufacturer	12,611,590	0.28%
DanChem Technologies	Manufacturer	8,328,510	0.19%
Total		\$ 448,610,665	10.08%
All Others		\$ 4,004,067,413	89.92%
Total Assessed Valuation		\$ 4,452,678,078	100.00%

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COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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*

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To the Board of Supervisors  
County of Pittsylvania, Virginia  
Chatham, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, 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 Pittsylvania, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2018. Our report includes a reference to other auditors who audited the financial statements of Pittsylvania County Service Authority and Pittsylvania County Industrial Development Authority, as described in our report on the County of Pittsylvania, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control over Financial Reporting

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

A handwritten signature in black ink that reads "Robinson, James, Cox Associates". The signature is written in a cursive, flowing style.

Blacksburg, Virginia  
November 27, 2018

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To the Board of Supervisors  
County of Pittsylvania, Virginia  
Chatham, Virginia

### Report on Compliance for Each Major Federal Program

We have audited County of Pittsylvania, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Pittsylvania, Virginia's major federal programs for the year ended June 30, 2018. County of Pittsylvania, Virginia's major federal programs are identified in the summary of auditor's 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.

#### *Auditor's Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

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

## Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia  
November 27, 2018

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950116, 0950117	\$ 23,043	
Temporary Assistance for Needy Families	93.558	0400117, 0400118	474,077	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117, 0500118	719	
Low-Income Home Energy Assistance	93.568	0600417, 0600418	66,708	
Child Care and Development Fund Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117, 0760118	78,724	
Chafee Education and Training Vouchers Program (ETV)	93.599	9160117	526	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117, 0900118	1,545	
Foster Care - Title IV-E	93.658	1100117, 1100118	396,343	
Adoption Assistance	93.659	1120117, 1120118	75,352	
Social Services Block Grant	93.667	1000117, 1000118	338,334	
Chafee Foster Care Independence Program	93.674	9150117, 9150118	3,509	
Children's Health Insurance Program	93.767	0540117, 0540118	27,430	
Medical Assistance Program	93.778	1200117, 1200118	638,522	
Total Department of Health and Human Services			<u>\$ 2,124,832</u>	
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture & Consumer Services: Food Distribution-Schools (Note C)	10.555	Not applicable	\$ 383,389	
Department of Education: National School Lunch Program	10.555	APE40254	2,379,436	\$2,762,825
Virginia Department of Agriculture & Consumer Services: Summer Food Service Program for Children (Note C)	10.559	Not applicable	1,243	
Department of Education: School Breakfast Program	10.553	APE40253	939,839	
Total Child Nutrition Cluster			<u>\$ 3,703,907</u>	
Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010117, 0010118, 0030117, 0030118, 0040117, 0040118, 0050117, 0050118	586,938	
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under Supplemental Nutrition Assistance Program (SNAP)	10.596	0060115	9,903	
Total Department of Agriculture			<u>\$ 4,300,748</u>	
Department of Treasury:				
Direct payments:				
Equitable Sharing Program	21.016	Not applicable	\$ 197,590	
Department of Justice:				
Direct payments:				
Equitable Sharing Program	16.922	Not applicable	\$ 73,886	
Pass Through Payments:				
Department of Criminal Justice Services:				
Bulletproof Vest Partnership Program	16.607	Not available	7,128	
Crime Victim Assistance	16.575	16VAGX0039	78,667	
Total Department of Justice			<u>\$ 159,681</u>	
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	154AL-2018-58282-8282	\$ 8,832	
Highway Safety Cluster:				
National Priority Safety Programs	20.616	M6OT-2017-57284-6933	\$ 3,852	
State and Community Highway Safety	20.600	FOP-2018-58305-8305	10,416	
Total Highway Safety Cluster		FSC-2018-58301-8301	<u>\$ 14,268</u>	
Total Department of Transportation			<u>\$ 23,100</u>	

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Labor:				
Pass Through Payments:				
Virginia Community College System:				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	534027	\$ 1,077,860	\$ 970,074
WIOA Dislocated Worker Formula Grants	17.278	534027	689,150	620,235
WIOA Youth Activities	17.259	534027	938,542	844,688
Total Workforce Innovation and Opportunity Act Cluster			<u>\$ 2,705,552</u>	
H-1B Job Training Grants	17.268	534027	145,999	
Workforce Innovation Fund	17.283	534027	218,769	
			<u>\$ 3,070,320</u>	
Total Department of Labor				
Department of Education:				
Pass Through Payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	APE42801	\$ 99,117	
Title I Grants to Local Educational Agencies	84.010	APE42901	2,366,124	
Special Education Cluster:				
Special Education: Grants to States	84.027	APE43071	\$ 1,930,008	
Special Education: Preschool Grants	84.173	APE62521	25,673	
Total Special Education Cluster			<u>1,955,681</u>	
Career and Technical Education Basic Grants to States	84.048	APE61095	187,101	
English Language Acquisition State Grants	84.365	APE60512	19,144	
Supporting Effective Instruction State Grant	84.367	APE61480	361,364	
Student Support and Academic Enrichment Program	84.424	APE60019	34,179	
			<u>\$ 5,022,710</u>	
Total Department of Education				
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Management:				
Emergency Management Performance Grants	97.042	0000110273	\$ 22,803	
Total Expenditures of Federal Awards				
			<u>\$ 14,921,784</u>	<u>\$ 2,434,997</u>

Notes to the Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Pittsylvania, Virginia and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note B -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.
- (4) The County did not have any outstanding loans at year end as described in 2 CFR section 200.502(b).
- (5) The County passed funds of \$2,434,997 to subrecipients as noted above.

Note C -- Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, The Pittsylvania County School Board had food commodities totaling \$0 in inventory.

Note D -- Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the County's financial statements (Schedule 1) as follows

Primary government:	
General Fund	\$ 2,946,970
Less: QCEB interest subsidy	(93,599)
Workforce Investment Act Fund	3,070,320
Forfeited Assets Fund	2,176
Plus: Use of federal Forfeited Assets fund balance	<u>269,300</u>
Total primary government:	<u>\$ 6,195,167</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 8,726,617</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards:	<u>\$ 14,921,784</u>

County of Pittsylvania, Virginia

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

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:  
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.173/84.027	Special Education Program Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year audit findings.