County of Lee, Virginia

Financial Statements

For The Year Ended June 30, 2018

COUNTY OF LEE, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

		Page
List of Elected and Appointed Officials		1

FINANCIAL SECTION

	Exhibit	Page
Independent Auditors' Report		2-4
Basic Financial Statements:	**Exhibit**	**Page**
Government-wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	6	10
Statement of Fiduciary Net Position - Fiduciary Funds	7	11
Notes to Financial Statements		12-119
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund	8	120
Pension Plans:		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios:		
Primary Government	9	121
Component Unit - School Board (nonprofessional)	10	122
Schedule of Employer's Share of Net Pension Liability - VRS Teacher Retirement Plan	11	123
Schedule of Employer Contributions	12	124
Notes to Required Supplementary Information	13	125
Other Postemployment Benefits Plan - Health Insurance:		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios:		
Primary Government - County	14	126
Primary Government - DSS	15	127
Component Unit - School Board	16	128
Notes to Required Supplementary Information	17	129
Other Postemployment Benefits Plan - Group Life Insruance Program:		
Schedule of County's Share of Net OPEB Liability	18	130
Schedule of Employer Contributions - County	19	131
Schedule of School Board Nonprofessional's Share of Net OPEB Liability	20	132
Schedule of Employer Contributions - School Board Nonprofessional	21	133
Schedule of School Board Professional's Share of Net OPEB Liability	22	134
Schedule of Employer Contributions - School Board Professional	23	135
Notes to Required Supplementary Information	24	136-137

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Required Supplementary Information: (continued)		
Other Postemployment Benefits Plan - Health Insurance Credit Program:		
Schedule of Changes in School Board Nonprofessional's Net OPEB Liability and Related Ratios	25	138
Schedule of Employer Contributions - School Board Nonprofessional	26	139
Notes to Required Supplementary Information	27	140
Other Postemployment Benefits Plan - Teacher Health Insurance Credit Program:		
Schedule of School Board's Share of Net OPEB Liability	28	141
Schedule of Employer Contributions	29	142
Notes to Required Supplementary Information	30	143
Other Postemployment Benefits Plan - Line of Duty Act Program (LODA):		
Schedule of Employer's Share of Net LODA OPEB Liability	31	144
Schedule of Employer Contributions	32	145
Notes to Required Supplementary Information	33	146
Other Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Capital Projects Fund - Airport Project	34	147
Capital Projects Fund - Capital Improvements	35	148
Nonmajor Special Revenue Fund - Coal Road Improvement	36	149
Statement of Changes in Assets and Liabilities - Agency Funds	37	150
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet	38	151
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	39	152
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual	40	153
Statement of Net Position - Internal Service Fund	41	154
Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Fund	42	155
Statement of Cash Flows - Internal Service Fund	43	156
Supporting Schedules:	**Schedule**	**Page**
Schedule of Revenues - Budget and Actual - Governmental Funds	1	157-161
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	162-166
Other Statistical Information:	**Table**	**Page**
Government-wide Information:		
Government-wide Expenses by Function	1	167
Government-wide Revenues	2	168
Fund Information:		
General Governmental Expenditures by Function	3	169
General Governmental Revenues by Source	4	170
Property Tax Levies and Collections	5	171
Assessed Value of Taxable Property	6	172
Property Tax Rates	7	173
Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	8	174
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	175

TABLE OF CONTENTS (continued)

COMPLIANCE SECTION

	Page
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*	176-177
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	178-179
Schedule of Expenditures of Federal Awards	180-181
Schedule of Findings and Questioned Costs	182-184

INTRODUCTORY SECTION

County of Lee, Virginia

BOARD OF SUPERVISORS

Robert Smith, Chair

D. D. Leonard	Nathan Cope
Larry Mosley	Charles Slemp, Jr.

COUNTY SCHOOL BOARD

Mike Kidwell, Chair

Pam Fannon	Ty Harber, Jr.
Debbie Jessee	Rob Hines

COUNTY WELFARE BOARD

Noel Hall, Chair

Joanne Eldridge	Linda Wampler
Michelle Warner	Chanda Cope

OTHER OFFICIALS

Clerk of the Circuit Court	Rene Lamey
Commonwealth's Attorney	Harrison Fuller Cridlin
Commissioner of the Revenue	Christopher Jones
Treasurer	Rita McCann
Sheriff	Gary B. Parsons
Superintendent of Schools	Brian Austin
Director of Social Services	Trevor Hensley
County Administrator	Dane Poe
County Attorney	Stacy E. Munsey

FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, 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 the County of Lee, 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 Lee, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lee County Public Service Authority, Lee County Industrial Development Authority or the Lee County Hospital Authority, which, in aggregate, represents 81% of the total assets of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar, as it relates to the amounts included for the Lee County Public Service Authority, Lee County Industrial Development Authority and the Lee County Hospital Authority, is based on the reports 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 units, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 26 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 26 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 budgetary comparison information and schedules related to pension and OPEB funding on pages 120 and 121-146, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the County of Lee, 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 solely is 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 Lee, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Lee, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 15, 2019

Basic Financial Statements

County of Lee, Virginia
Statement of Net Position
As of June 30, 2018

	Primary Government	Component Units			
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority	Hospital Authority
ASSETS					
Cash and cash equivalents	$ 9,371,367	$ 886,795	$ 241,586	$ 38,326	$ 37,442
Cash held at school cafeterias	-	14,793	-	-	-
Investments	25,553	-			
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,285,189	-	-	-	-
Accounts receivable	322,440	-	560,870	-	-
Notes receivable	1,919,375	-	-	113,387	-
Due from primary government	-	1,156,958	-	-	-
Due from other governmental units	1,502,928	715,277	21,588	2,366,000	-
Prepaid items	-	73,810	-	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	592,813	2,938,078	551,751	-	-
Net pension asset	-	-	197,681	-	-
Capital assets (net of accumulated depreciation):					
Land	859,692	528,889	76,843	769,351	-
Buildings and improvements	14,938,911	5,800,557	50,145,179	2,570,317	-
Machinery and equipment	1,636,487	1,499,474	-	-	-
Construction in progress	939,120	100,000	12,000	675,182	-
Total assets	$ 44,393,875	$ 13,714,631	$ 51,807,498	$ 6,532,563	$ 37,442
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	$ 696,350	$ 4,675,437	$ 16,161	$ -	$ -
OPEB related items	80,962	371,684	2,998	-	-
Total deferred outflows of resources	$ 777,312	$ 5,047,121	$ 19,159	$ -	$ -
LIABILITIES					
Accounts payable	$ 550,438	$ 558,830	$ 145,577	$ 272,720	$ 10,357
Accrued liabilities	-	1,669,515	23,754	-	-
Customers' deposits	-	-	136,484	-	-
Accrued interest payable	68,372	-	35,259	-	-
Due to component unit	1,156,958	-	-	-	-
Long-term liabilities:					
Due within one year	1,132,018	1,135,713	791,286	903,025	-
Due in more than one year	11,078,642	50,554,797	17,560,737	3,111,586	-
Total liabilities	$ 13,986,428	$ 53,918,855	$ 18,693,097	$ 4,287,331	$ 10,357
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	$ 10,944,338	$ -	$ -	$ -	$ -
Deferred revenue - prepaid taxes	54,973	-	-	-	-
Pension related items	642,570	4,507,490	56,849	-	-
OPEB related items	200,110	489,345	5,000	-	-
Total deferred inflows of resources	$ 11,841,991	$ 4,996,835	$ 61,849	$ -	$ -
NET POSITION					
Net investment in capital assets	$ 12,837,294	$ 7,928,920	$ 32,046,127	$ 2,094,276	$ -
Restricted:					
Imagination library	172	-	-	-	-
Community development	511,497	-	-	-	-
Cafeteria operations	-	853,669	-	-	-
Health Insurance	-	2,662,261	-	-	-
Retirement	-	24,889	-	-	-
Headstart program	-	16,547	-	-	-
Coal road expenses	6,184	-	-	-	-
Debt service	-	-	603,932	-	-
Unrestricted	5,987,621	(51,640,224)	421,652	150,956	27,085
Total net position	$ 19,342,768	$ (40,153,938)	$ 33,071,711	$ 2,245,232	$ 27,085

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government	Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority	Hospital Authority
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	$ 1,345,920	$ 63,723	$ 260,197	$ -	$ (1,022,000)	$ -	$ -	$ -	$ -
Judicial administration	1,054,513	4,963	851,110	-	(198,440)	-	-	-	-
Public safety	5,784,987	105,721	2,036,512	-	(3,642,754)	-	-	-	-
Public works	2,290,057	170,315	45,818	614,633	(1,459,291)	-	-	-	-
Health and welfare	7,888,474	-	6,423,232	-	(1,465,242)	-	-	-	-
Education	3,266,541	-	-	-	(3,266,541)	-	-	-	-
Parks, recreation, and cultural	457,539	6,463	-	-	(451,076)	-	-	-	-
Community development	1,220,391	11,609	-	-	(1,208,782)	-	-	-	-
Interest on long-term debt	178,167	-	-	-	(178,167)	-	-	-	-
Total governmental activities	$ 23,486,589	$ 362,794	$ 9,616,869	$ 614,633	$ (12,892,293)	$ -	$ -	$ -	$ -
Total primary government	$ 23,486,589	$ 362,794	$ 9,616,869	$ 614,633	$ (12,892,293)	$ -	$ -	$ -	$ -
COMPONENT UNIT:									
School Board	$ 36,606,349	$ 160,266	$ 34,385,599	$ -	$ -	$ (2,060,484)	$ -	$ -	$ -
Public Service Authority	5,690,870	3,530,670	-	734,414	-	-	(1,425,786)	-	-
Industrial Development Authority	191,091	-	249,000	-	-	-	-	57,909	-
Hospital Authority	421,350	-	-	282,990	-	-	-	-	(138,360)
Total component unit	$ 42,909,660	$ 3,690,936	$ 34,634,599	$ 1,017,404	$ -	$ (2,060,484)	$ (1,425,786)	$ 57,909	$ (138,360)
General revenues:									
General property taxes					$ 9,401,036	$ -	$ -	$ -	$ -
Other local taxes:									
Local sales and use taxes					1,259,066	-	-	-	-
Consumer's utility taxes					434,135	-	-	-	-
Bank Stock taxes					86,970	-	-	-	-
Motor vehicle licenses					589,651	-	-	-	-
Taxes on recordation and wills					55,785	-	-	-	-
Other local taxes					12,836	-	-	-	-
Unrestricted revenues from use of money and property					102,684	16,325	498	3,698	-
Miscellaneous					96,512	97,450	16,327	11,159	-
Contributions from Lee County					-	3,247,201	-	-	-
Grants and contributions not restricted to specific programs					1,874,132	-	-	-	-
Gain (loss) on disposal of capital assets					-	-	-	-	519,448
Total general revenues					$ 13,912,807	$ 3,360,976	$ 16,825	$ 14,857	$ 519,448
Change in net position					$ 1,020,514	$ 1,300,492	$ (1,408,961)	$ 72,766	$ 381,088
Net position - beginning, as restated					18,322,254	(41,454,430)	34,480,672	2,172,466	(354,003)
Net position - ending					$ 19,342,768	$ (40,153,938)	$ 33,071,711	$ 2,245,232	$ 27,085

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

Exhibit 3

County of Lee, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2018

	General	Airport Project	Capital Improvements	Nonmajor Coal Road Improvement	Total
ASSETS					
Cash and cash equivalents	$ 8,581,590	$ 588,868	$ 195,480	$ 5,429	$ 9,371,367
Investments	25,553	-	-	-	25,553
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,285,189	-	-	-	12,285,189
Accounts receivable	321,685	-	-	755	322,440
Due from other governmental units	1,492,486	-	10,442	-	1,502,928
Notes receivable	1,919,375	-	-	-	1,919,375
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	592,813	-	-	-	592,813
Total assets	$ 25,218,691	$ 588,868	$ 205,922	$ 6,184	$ 26,019,665
LIABILITIES					
Accounts payable	$ 539,996	$ -	$ 10,442	$ -	$ 550,438
Due to component unit	1,156,958	-	-	-	1,156,958
Total liabilities	$ 1,696,954	$ -	$ 10,442	$ -	$ 1,707,396
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	$ 12,089,997	$ -	$ -	$ -	$ 12,089,997
Unavailable revenue - prepaid taxes	54,973	-	-	-	54,973
Unavailable revenue - tipping fees	12,161	-	-	-	12,161
Total deferred inflows of resources	$ 12,157,131	$ -	$ -	$ -	$ 12,157,131
FUND BALANCES					
Nonspendable:					
Notes receivable	$ 1,919,375	$ -	$ -	$ -	$ 1,919,375
Restricted:					
Coal road expenses	-	-	-	6,184	6,184
Community development	511,497	-	-	-	511,497
Emergency equipment projects	592,813	-	-	-	592,813
Imagination library	172	-	-	-	172
Assigned:					
County capital projects funds	-	588,868	9,917	-	598,785
School capital projects funds	-	-	185,563	-	185,563
Unassigned	8,340,749	-	-	-	8,340,749
Total fund balances	$ 11,364,606	$ 588,868	$ 195,480	$ 6,184	$ 12,155,138
Total liabilities, deferred inflows of resources, and fund balances	$ 25,218,691	$ 588,868	$ 205,922	$ 6,184	$ 26,019,665

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

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

Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	12,155,138
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land	$	859,692		
Buildings and improvements		14,938,911		
Machinery and equipment		1,636,487		
Construction in progress		939,120		18,374,210
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.				
Unearned revenue - tipping fees	$	12,161		
Unavailable revenue - property taxes		1,145,659		1,157,820
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the funds.				
Pension related items	$	696,350		
OPEB related items		80,962		777,312
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	$	(1,968,000)		
Lease revenue bonds		(2,366,000)		
Unamortized bond premium		(127,386)		
Capital leases		(1,668,343)		
Accrued interest payable		(68,372)		
Net pension liability		(3,094,222)		
Landfill closure and postclosure liability		(78,304)		
Compensated absences		(547,366)		
Net OPEB liabilities		(2,361,039)		(12,279,032)
Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds.				
Pension related items	$	(642,570)		
OPEB related items		(200,110)		(842,680)
Net position of governmental activities			$	19,342,768

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

Exhibit 5

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

	General	Airport Project	Capital Improvements	Nonmajor Coal Road Improvement	Total
REVENUES					
General property taxes	$ 9,346,137	$ -	$ -	$ -	$ 9,346,137
Other local taxes	2,433,311	-	-	5,132	2,438,443
Permits, privilege fees, and regulatory licenses	73,612	-	-	-	73,612
Fines and forfeitures	628	-	-	-	628
Revenue from the use of money and property	102,684	-	-	-	102,684
Charges for services	276,393	-	-	-	276,393
Miscellaneous	96,512	-	-	-	96,512
Recovered costs	209,374	-	-	-	209,374
Intergovernmental:					
Commonwealth	7,630,301	-	-	-	7,630,301
Federal	3,860,700	-	614,633	-	4,475,333
Total revenues	$ 24,029,652	$ -	$ 614,633	5,132	$ 24,649,417
EXPENDITURES					
Current:					
General government administration	$ 1,592,446	$ -	$ -	$ -	$ 1,592,446
Judicial administration	1,111,986	-	-	-	1,111,986
Public safety	6,340,021	-	-	-	6,340,021
Public works	1,745,603	-	-	2,408	1,748,011
Health and welfare	7,988,986	-	-	-	7,988,986
Education	3,217,779	-	-	-	3,217,779
Parks, recreation, and cultural	303,273	-	-	-	303,273
Community development	605,875	-	614,633	-	1,220,508
Nondepartmental	20,884	-	-	-	20,884
Capital projects	501,347	-	-	-	501,347
Debt service:					
Principal retirement	473,314	-	-	-	473,314
Interest and other fiscal charges	183,665	-	-	-	183,665
Total expenditures	$ 24,085,179	$ -	$ 614,633	$ 2,408	$ 24,702,220
Excess (deficiency) of revenues over (under) expenditures	$ (55,527)	$ -	$ -	$ 2,724	$ (52,803)
OTHER FINANCING SOURCES (USES)					
Transfers in	$ -	$ -	$ 79,369	$ -	$ 79,369
Transfers out	(79,369)	-	-	-	(79,369)
Issuance of capital leases	1,174,801	-	-	-	1,174,801
Total other financing sources (uses)	$ 1,095,432	$ -	$ 79,369	$ -	$ 1,174,801
Net change in fund balances	$ 1,039,905	$ -	$ 79,369	$ 2,724	$ 1,121,998
Fund balances - beginning	10,324,701	588,868	116,111	3,460	11,033,140
Fund balances - ending	$ 11,364,606	$ 588,868	$ 195,480	$ 6,184	$ 12,155,138

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

Exhibit 6

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

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ 1,121,998
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 capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 1,553,911	
Depreciation expenses	(1,175,163)	378,748
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(35,504)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase (decrease) in unavailable revenue - property taxes	$ 54,899	
Increase (decrease) in unavailable revenue - tipping fees	12,161	67,060
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.		
Debt issued or incurred:		
Issuance of capital leases	$ (1,174,801)	
Increase in landfill closure and postclosure liability	(9,370)	
Principal repayments:		
General obligation bonds	44,000	
Lease revenue bonds	54,000	
Capital leases	375,314	(710,857)
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.		
Decrease (increase) in compensated absences	$ (18,860)	
Decrease (increase) in premiums	26,522	
Decrease (increase) in accrued interest payable	(21,024)	
Pension expense	293,188	
OPEB expense	(80,757)	199,069
Change in net position of governmental activities		$ 1,020,514

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

Exhibit 7

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

		Agency Funds
ASSETS		
Cash and cash equivalents	$	65,729
Total assets	$	65,729
LIABILITIES		
Amounts held for Social Services clients	$	65,729
Total liabilities	$	65,729

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

Note 1-Summary of Significant Accounting Policies:

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

Blended component units - 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 component units are reported in separate columns to emphasize that they are legally separate from the County.

The Lee County School Board operates the elementary and secondary public schools in the County. School Board members are elected by popular vote. 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 Lee County Public Service Authority provides water and sewer service to residents of Lee County. The County provides support to the Authority and appoints all of the Authority's Board members. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 830, Jonesville, VA 24263.

The Lee County Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 912, Jonesville, VA 24263.

The Lee County Hospital Authority provides hospital services to the County. The Hospital Authority board members are appointed by the Board of Supervisors. The Hospital obtained a short-term loan from the County of $1,700,000 to purchase a hospital building. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 912, Jonesville, VA 24263.

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

A. Financial Reporting Entity (continued)

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations:

The County and other localities participate in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, the County contributed $222,082 to the Library.

The County, along with the Counties of Wise and Scott and the City of Norton participate in supporting the Planning District I Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, the County contributed $109,350 to the Community Services Board.

The County, along with a number of other localities, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, the County paid $2,211,281 to the Authority for inmate per diem charges.

The County and other localities participate in supporting the Appalachian Juvenile Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, the County contributed $257,388 to the Commission.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental 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.

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.

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

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

The 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.

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

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

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

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

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

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

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

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

<u>Note 1-Summary of Significant Accounting Policies</u>: (continued)

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts and reports for 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 Virginia Public Assistance, Juror, Garage, Debt Service and Children's Services Act Funds.

The Capital Improvements and Airport Project funds are reported as major *capital projects funds*. Both funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

The County reports the following nonmajor governmental fund:

The Coal Road Improvement fund is reported as the County's only nonmajor *special revenue fund.* Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Additionally, the County reports the following fund types:

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. The Special Welfare Fund is reported as an agency fund.

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

1. Cash and cash equivalents

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

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, if any, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. 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 $367,516 at June 30, 2018 and is comprised of $353,794 in property taxes and $13,722 in tipping fees.

5. 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.

6. Prepaid items

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

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

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

7. Capital assets

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

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

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

8. Compensated absences

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

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

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

9. 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.

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

10. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Lee, Virginia evaluated its funds at June 30, 2018 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed -items that have been committed, modified, or rescinded by formal action by the entity's "highest level of decision-making authority"; which the County of Lee, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Lee, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

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

The County has $1,919,375 of nonspendable fund balance at year end that is related to notes receivable.

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

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

11. 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.

12. 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.

13. Pensions

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

14. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

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

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

14. Other Postemployment Benefits (OPEB) (continued)

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.

Line of Duty Act Program

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

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

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

15. 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 (expenditure/expense) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

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 April 1st, 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 non-fiduciary funds have legally adopted budgets.
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 departmental 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, and the General Capital Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. 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

For fiscal year 2018, no department expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2018, there were no funds with a deficit balance.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

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	$ 25,553

Note 3-Deposits and Investments: (continued)

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.

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.

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
SNAP	$ 25,553	$ 25,553

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Sales tax	$ -	$ 441,521
Categorical aid-shared expenses	211,799	-
Noncategorical aid	188,723	-
Virginia public assistance funds	187,938	-
Other categorical aid	465,575	-
Federal Government:		
Categorical aid	255,958	-
Prison funds	192,935	-
School grants	-	273,756
Totals	$ 1,502,928	$ 715,277

Note 5-Interfund/Component-Unit Obligations:

Component unit obligations at June 30, 2018 consisted of the following:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	$ 1,156,958	$ -
Component Unit:		
School Board:		
School Operating Fund	$ -	$ 1,156,958

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

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 79,369
Capital Improvements Fund	79,369	-
Total	$ 79,369	$ 79,369

The amounts above do not include notes receivable supported by a promissory note as described in Note 12.

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	As Restated, Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	$ 2,012,000	$ -	$ (44,000)	$ 1,968,000
Premium on general obligation bond	153,908	-	(26,522)	127,386
Lease revenue bonds (1)	2,420,000	-	(54,000)	2,366,000
Net pension liability	3,845,582	2,558,042	(3,309,402)	3,094,222
Net OPEB liabilities	2,475,300	188,668	(302,929)	2,361,039
Capital leases	868,856	1,174,801	(375,314)	1,668,343
Landfill closure and postclosure liability	68,934	9,370	-	78,304
Compensated absences	528,506	415,240	(396,380)	547,366
Total	$ 12,373,086	$ 4,346,121	$ (4,508,547)	$ 12,210,660

(1) The lease revenue bond issued in fiscal year 2016 was issued through the Lee County Industrial Development Authority and is shown as due from other governments and is offset as a long-term liability in the Lee County IDA audit report.

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

Year Ending	General Obligation Bonds		Lease Revenue Bond	
June 30,	Principal	Interest	Principal	Interest
2019	$ 116,000	$ 81,613	$ 58,000	$ 78,874
2020	123,000	76,421	58,000	76,916
2021	130,000	70,547	63,000	74,874
2022	137,000	64,341	62,000	72,765
2023	140,000	57,909	67,000	70,588
2024-2028	557,000	202,453	591,000	302,586
2029-2033	625,000	81,481	767,000	184,832
2034-2037	140,000	2,485	700,000	48,263
Totals	$ 1,968,000	$ 637,250	$ 2,366,000	$ 909,698

Note 6-Long-term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
$1,920,000 VPSA general obligation bond issued May 2013 maturing annually in principal installments varying from $60,000 to $140,000. Interest is payable annually at rates varying from and interest installments 3.05% to 5.05% through 2034.	$ 1,660,000	$ 70,000
$409,000 public facility bond issued May 2016 maturing annually in principal installments varying from $44,000 to $57,000. Interest is payable annually at 4.000% through 2024.	308,000	46,000
Subtotal	$ 1,968,000	$ 116,000
Plus: Premium on general obligation bond	127,386	24,239
Total General Obligation Bonds	$ 2,095,386	$ 140,239
Lease Revenue Bonds:		
$2,491,000 lease revenue refunding bond issued May 2016 maturing annually in principal installments varying from $71,000 to $184,000. Interest is payable annually at 3.375% through 2037.	$ 2,366,000	$ 58,000
Other Obligations:		
Capital Leases (Note 15)	$ 1,668,343	$ 523,254
Landfill Closure and Postclosure Liability	78,304	-
Net Pension Liability	3,094,222	-
Net OPEB Liabilities	2,361,039	-
Compensated Absences	547,366	410,525
Total Other Obligations	$ 7,749,274	$ 933,779
Total Long-Term Obligations	$ 12,210,660	$ 1,132,018

Note 6-Long-term Obligations: (continued)

Discretely Presented Component Unit-School Board-Obligations:

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

	As Restated, Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Net pension liability	$ 39,670,651	$ 6,985,223	$ (11,162,493)	$ 35,493,381
Net OPEB liabilities	14,597,194	874,483	(1,464,834)	14,006,843
Early retirement incentive plan liability	2,174,551	-	(829,605)	1,344,946
Compensated absences	819,678	640,421	(614,759)	845,340
Total	$ 57,262,074	$ 8,500,127	$ (14,071,691)	$ 51,690,510

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Net pension liability	$ 35,493,381	$ -
Net OPEB liabilities	14,006,843	-
Early retirement incentive plan liability	1,344,946	501,708
Compensated absences	845,340	634,005
Total Long-Term Obligations	$ 51,690,510	$ 1,135,713

Note 7-Pension Plan:

Plan Description

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

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

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

Note 7-Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
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.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
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.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• School division employees
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

Note 7-Pension Plan: (continued)

Plan Description (continued)

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

Note 7-Pension Plan: (continued)

Plan Description (continued)

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

Note 7-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. **Defined Contribution Component:** 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. Members are always 100% vested in the contributions that they make.

Note 7-Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Vesting (Cont.)</td><td>Vesting (Cont.)</td><td>Vesting (Cont.)
<u>Defined Contribution Component:</u> (Cont.)
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.
• After two years, a member is 50% vested and may withdraw 50% of employer contributions.
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.</td></tr>
<tr><td>Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1.</td></tr>
</table>

Note 7-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. 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. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 7-Pension Plan: (continued)

Plan Description (continued)

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

Note 7-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** 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. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** 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%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 7-Pension Plan: (continued)

Plan Description (continued)

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

Note 7-Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</td><td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</td><td>Disability Coverage
Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

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.</td></tr>
<tr><td>Purchase of Prior Service
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</td><td>Purchase of Prior Service
Same as Plan 1.</td><td>Purchase of Prior Service
<u>Defined Benefit Component:</u>
Same as Plan 1, with the following exceptions:
• Hybrid Retirement Plan members are ineligible for ported service.

<u>Defined Contribution Component:</u>
Not applicable.</td></tr>
</table>

Note 7-Pension Plan: (continued)

Pension Plan Data

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	118	166
Inactive members:		
Vested inactive members	16	9
Non-vested inactive members	24	25
Inactive members active elsewhere in VRS	37	39
Total inactive members	77	73
Active members	140	103
Total covered employees	335	342

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.

<u>Note 7-Pension Plan</u>: (continued)

Contributions (continued)

The County's contractually required contribution rate for the year ended June 30, 2018 was 9.46% 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 $463,207 and $455,072 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 28.62% 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 Lee County School Board's nonprofessional employees were $560,718 and $539,130 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, 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 7-Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 7-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%

Note 7-Pension Plan: (continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

<u>Note 7-Pension Plan</u>: (continued)

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

Mortality rates: (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:

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Note 7-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 7-Pension Plan: (continued)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 26,673,390	$ 22,827,808	$ 3,845,582
Changes for the year:			
Service cost	$ 553,015	$ -	$ 553,015
Interest	1,814,713	-	1,814,713
Assumption changes	115,569	-	115,569
Differences between expected and actual experience	212,734	-	212,734
Contributions - employer	-	455,072	(455,072)
Contributions - employee	-	260,932	(260,932)
Net investment income	-	2,750,162	(2,750,162)
Benefit payments, including refunds	(1,497,842)	(1,497,842)	-
Administrative expenses	-	(16,354)	16,354
Other changes	-	(2,421)	2,421
Net changes	$ 1,198,189	$ 1,949,549	$ (751,360)
Balances at June 30, 2017	$ 27,871,579	$ 24,777,357	$ 3,094,222

Note 7-Pension Plan: (continued)

Changes in Net Pension Liability

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 14,660,853	$ 7,590,202	$ 7,070,651
Changes for the year:			
Service cost	$ 179,744	$ -	$ 179,744
Interest	990,523	-	990,523
Assumption changes	92,928	-	92,928
Differences between expected and actual experience	(28,640)	-	(28,640)
Contributions - employer	-	539,130	(539,130)
Contributions - employee	-	91,102	(91,102)
Net investment income	-	894,797	(894,797)
Benefit payments, including refunds	(1,021,060)	(1,021,060)	-
Administrative expenses	-	(5,414)	5,414
Other changes	-	(790)	790
Net changes	$ 213,495	$ 497,765	$ (284,270)
Balances at June 30, 2017	$ 14,874,348	$ 8,087,967	$ 6,786,381

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's Net Pension Liability (Asset)	$ 6,513,514	$ 3,094,222	$ 243,094
Component Unit School Board's (nonprofessional) Net Pension Liability (Asset)	$ 8,325,978	$ 6,786,381	$ 5,475,785

Note 7-Pension Plan: (continued)

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

For the year ended June 30, 2018, the County and Lee County School Board (nonprofessional) recognized pension expense of $167,775 and $740,117, respectively. At June 30, 2018, the County and Lee County School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 151,072	$ 283,028	$ 39,995	$ 14,804
Change in assumptions	82,071	-	48,035	-
Net difference between projected and actual earnings on pension plan investments	-	359,542	-	101,686
Employer contributions subsequent to the measurement date	463,207	-	560,718	-
Total	$ 696,350	$ 642,570	$ 648,748	$ 116,490

$463,207 and $560,718 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	School Board (nonprofessional)
2019	$ (349,194)	$ (6,046)
2020	129,199	46,701
2021	46,616	6,360
2022	(236,048)	(75,475)
Thereafter	-	-

Note 7-Pension Plan: (continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,110,689 and $2,661,501 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 $28,707,000 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 .23343% as compared to .23262% at June 30, 2016.

Note 7-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of $1,687,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,032,000
Net difference between projected and actual earnings on pension plan investments	-	1,043,000
Change in assumptions	419,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	497,000	1,316,000
Employer contributions subsequent to the measurement date	3,110,689	-
Total	$ 4,026,689	$ 4,391,000

$3,110,689 is reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	$ (1,559,000)
2020	(319,000)
2021	(473,000)
2022	(1,031,000)
2023	(93,000)

<u>Note 7-Pension Plan</u>: (continued)

<u>Component Unit School Board (professional)</u> (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	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

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

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

Note 7-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):

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

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

Note 7-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

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

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

Note 7-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 42,869,000	$ 28,707,000	$ 16,992,000

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 8-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 859,692	$ -	$ -	$ 859,692
Construction in progress	-	939,120	-	939,120
Total capital assets not being depreciated	$ 859,692	$ 939,120	$ -	$ 1,798,812
Capital assets, being depreciated:				
Buildings and improvements	$ 25,509,110	$ 5,100	$ -	$ 25,514,210
Machinery and equipment	4,491,988	609,691	(249,622)	4,852,057
Total capital assets being depreciated	$ 30,001,098	$ 614,791	$ (249,622)	$ 30,366,267
Accumulated depreciation:				
Buildings and improvements	$ (9,794,172)	$ (781,127)	$ -	$ (10,575,299)
Machinery and equipment	(3,035,652)	(394,036)	214,118	(3,215,570)
Total accumulated depreciation	$ (12,829,824)	$ (1,175,163)	$ 214,118	$ (13,790,869)
Total capital assets being depreciated, net	$ 17,171,274	$ (560,372)	$ (35,504)	$ 16,575,398
Governmental activities capital assets, net	$ 18,030,966	$ 378,748	$ (35,504)	$ 18,374,210

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

Governmental activities:	
General government administration	$ 39,429
Public safety	214,747
Public works	568,903
Health and welfare	143,956
Education	48,762
Parks, recreation, and culture	159,366
Total depreciation expense-primary government	$ 1,175,163

Note 8-Capital Assets: (continued)

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

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 528,889	$ -	$ -	$ 528,889
Construction in progress	-	100,000	-	100,000
Total capital assets not being depreciated	$ 528,889	$ 100,000	$ -	$ 628,889
Capital assets, being depreciated:				
Buildings and improvements	$ 20,681,288	$ -	$ (9,985)	$ 20,671,303
Machinery and equipment	7,238,726	751,731	(960,384)	7,030,073
Total capital assets being depreciated	$ 27,920,014	$ 751,731	$ (970,369)	$ 27,701,376
Accumulated depreciation:				
Buildings and improvements	$ (14,404,394)	$ (476,337)	$ 9,985	$ (14,870,746)
Machinery and equipment	(6,138,933)	(347,588)	955,922	(5,530,599)
Total accumulated depreciation	$ (20,543,327)	$ (823,925)	$ 965,907	$ (20,401,345)
Total capital assets being depreciated, net	$ 7,376,687	$ (72,194)	$ (4,462)	$ 7,300,031
Governmental activities capital assets, net	$ 7,905,576	$ 27,806	$ (4,462)	$ 7,928,920

All depreciation above was charged to the education function of the Component Unit-School Board.

Note 9-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 and its component unit-School Board participate with other localities in a public entity risk pool for their coverage of building, crime, general liability and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit-School Board remit 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 10-Commitments and Contingencies:

Commitments

At June 30, 2018, the School Board had the following outstanding construction commitment:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
Roof replacements	$ 652,715	$ 607,915	$ 44,800	$ -

Contingencies

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Uniform Guidance. Pursuant to these provisions 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, future disallowances of current grant program expenditures, if any, would be immaterial.

Note 11-Surety Bonds:

Primary Government:

Travelers Casualty and Surety Company of America	
Rene Lamey, Clerk of the Circuit Court	$ 500,000
Rita McCann, Treasurer	400,000
Christopher Jones, Commissioner of the Revenue	3,000
Gary Parsons, Sheriff	30,000

Note 12-Notes Receivable:

Due From:	Amount Outstanding:	Interest Rate:	Security:
Lee County Medical Center, LLC	$ 1,500,000	0.00%	Building and equipment
Lee County IDA*	386,875	0.00%	None
Lee County PSA*	32,500	0.00%	None
Total	$ 1,919,375		

*Notes receivable are due from discretely presented component units.

Note 13-Landfill Closure and Postclosure Liability:

State and federal laws and regulations required the County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County has closed its landfill. The $78,304 liability is the total estimated post closure care liability at June 30, 2018 and represents what it would cost to perform all postclosure care in 2018. This liability also includes the estimated closure costs for the transfer station. Actual costs for 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 postclosure costs.

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 14-Unavailable/Deferred Revenue:

Unavailable/deferred 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.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	$ -	$ 1,145,659
2nd half assessments due in December 2018	10,944,338	10,944,338
Prepaid property taxes due in December 2018 but paid in advance by taxpayers	54,973	54,973
Unavailable tipping fees representing uncollected billings that are not available for funding of current expenditures.	-	12,161
	$ 10,999,311	$ 12,157,131

Note 15-Capital Leases:

Primary Government:

The County has entered into lease agreements to finance the acquisition of the following equipment: four 2018 Ford Explorers for the Sheriff's department, five 2017 Ford Taurus for the Sheriff's department, five 2015 Chevrolet Impalas for the Sheriff's department, four 2016 Ford Taurus Police Interceptors for the Sheriff's department, a 2016 Peterbilt 320 packer truck, and emergency tower improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The School Board has issued a lease purchase agreement to pay for supplies and non-capitalized energy management equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception. Assets acquired through the School Board lease were not capitalized based on the School Board's asset capitalization policy.

The capital assets acquired through capital leases are as follows:

	Governmental Activities
Capital Assets:	
Vehicles	$ 664,631
Emergency Tower Improvements*	499,347
Less: Accumulated depreciation	(221,203)
Total net capital assets	$ 942,775

*The 2018 lease for emergency tower improvements was deposited into an escrow account and while the project is in process, the County had $592,813 in funds on hand at year end reported as restricted cash.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Vehicle Leases	Emergency Tower Leases	Energy Savings Lease	Total
2019	$ 155,727	$ 241,722	$ 178,815	$ 576,264
2020	91,017	241,722	178,815	511,554
2021	28,929	241,722	92,897	363,548
2022	-	241,722	-	241,722
2023	-	119,599	-	119,599
Total minimum lease payments	$ 275,673	$ 1,086,487	$ 450,527	$ 1,812,687
Less: amount representing interest	(11,319)	(97,701)	(35,324)	(144,344)
Present value of minimum lease payments	$ 264,354	$ 988,786	$ 415,203	$ 1,668,343

Note 16-Other Postemployment Benefits – County Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the County administers a single-employer defined benefit healthcare plan, The Lee County Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the County. To be eligible, the employee must be 50 with 10 years of service of 55 with 5 years of service.

Plan Membership

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

Total active employees with coverage	88
Total retirees with coverage	3
Total	91

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was $17,415.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 and June 30, 2018
Salary Increases	2.50% per year as of June 30, 2017 and June 30, 2018
Discount Rate	3.50% as of June 30, 2017
	3.87% as of June 30, 2018

Note 16-Other Postemployment Benefits – County Health Insurance: (continued)

Actuarial Assumptions (continued)

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rate was 3.50% for June 30, 2017 and 3.87% for June 30, 2018. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	$	498,266
Changes for the year:		
Service cost		32,443
Interest		18,273
Changes in assumptions		(16,717)
Benefit payments		(17,415)
Net changes	$	16,584
Balances at June 30, 2018	$	514,850

Note 16-Other Postemployment Benefits - County Health Insurance: (continued)

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

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

	Rate	
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 561,496	$ 514,850	$ 472,750

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.30% decreasing to an ultimate rate of 3.20%) or one percentage point higher (8.30% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.30% decreasing to 3.20%)	Healthcare Cost Trend (7.30% decreasing to 4.20%)	1% Increase (8.30% decreasing to 5.20%)
$ 454,667	$ 514,850	$ 586,256

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of $47,783. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 13,784
Total	$ -	$ 13,784

Note 16-Other Postemployment Benefits – County Health Insurance: (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Year Ended June 30		
2019	$	(2,933)
2020		(2,933)
2021		(2,933)
2022		(2,933)
2023		(2,052)

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

Note 17-Other Postemployment Benefits – Department of Social Services (DSS) Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the DSS administers a single-employer defined benefit healthcare plan, The Lee County Social Services Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the DSS's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the DSS. To be eligible, the employee must be 50 with 10 years of service of 55 with 5 years of service.

Plan Membership

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

Total active employees with coverage	46
Total retirees with coverage	1
Total	47

Note 17-Other Postemployment Benefits – Department of Social Services (DSS) Health Insurance: (continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2018 was $6,596.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 and June 30, 2018
Salary Increases	2.50% per year as of June 30, 2017 and June 30, 2018
Discount Rate	3.50% as of June 30, 2017
	3.87% as of June 30, 2018

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rate was 3.50% for June 30, 2017 and 3.87% for June 30, 2018. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Note 17-Other Postemployment Benefits – Department of Social Services (DSS) Health Insurance: (continued)

Changes in Total OPEB Liability

		Primary Government-DSS Total OPEB Liability
Balances at June 30, 2017	$	209,034
Changes for the year:		
Service cost		12,319
Interest		7,633
Changes in assumptions		(4,201)
Benefit payments		(6,596)
Net changes	$	9,155
Balances at June 30, 2018	$	218,189

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

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

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 229,554	$ 218,189	$ 206,962

Note 17-Other Postemployment Benefits – Department of Social Services (DSS) Health Insurance: (continued)

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

The following presents the total OPEB liability of the DSS, 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 (6.20% decreasing to an ultimate rate of 3.20%) or one percentage point higher (8.20% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.20% decreasing to 3.20%)	Healthcare Cost Trend (7.20% decreasing to 4.20%)	1% Increase (8.20% decreasing to 5.20%)
$ 198,747	$ 218,189	$ 240,402

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

For the year ended June 30, 2018, the DSS Board recognized OPEB expense in the amount of $19,077. At June 30, 2018, the DSS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 3,326
Total	$ -	$ 3,326

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

Year Ended June 30	
2019	$ (875)
2020	(875)
2021	(875)
2022	(701)
2023	-

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

Note 18-Other Postemployment Benefits – School Board Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the School Board administers a single-employer defined benefit healthcare plan, The Lee County Public Schools Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the School Board. To be eligible, the employee must be 50 with 20 years of service of 65 with 5 years of service.

Plan Membership

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

Total active employees with coverage	557
Total retirees with coverage	54
Total spouse of retirees with coverage	5
Total	616

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2018 was $600,038.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 and June 30, 2018
Salary Increases	2.50% per year as of June 30, 2017 and June 30, 2018
Discount Rate	3.50% as of June 30, 2017
	3.87% as of June 30, 2018

Note 18-Other Postemployment Benefits - School Board Health Insurance: (continued)

Actuarial Assumptions (continued)

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rate was 3.50% for June 30, 2017 and 3.87% for June 30, 2018. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

		Component Unit-School Board Total OPEB Liability
Balances at June 30, 2017	$	9,513,194
Changes for the year:		
Service cost		254,040
Interest		331,443
Changes in assumptions		(312,796)
Benefit payments		(600,038)
Net changes	$	(327,351)
Balances at June 30, 2018	$	9,185,843

Note 18-Other Postemployment Benefits - School Board Health Insurance: (continued)

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

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

	Rate	
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 10,056,394	$ 9,185,843	$ 8,395,387

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing to an ultimate rate of 3.30%) or one percentage point higher (8.50% decreasing to an ultimate rate of 5.30%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.50% decreasing to 3.30%)	Healthcare Cost Trend (7.50% decreasing to 4.30%)	1% Increase (8.50% decreasing to 5.30%)
$ 8,137,411	$ 9,185,843	$ 10,435,181

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of $535,032. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 262,345
Total	$ -	$ 262,345

Note 18-Other Postemployment Benefits - School Board Health Insurance: (continued)

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

Year Ended June 30		
2019	$	(50,451)
2020		(50,451)
2021		(50,451)
2022		(50,451)
2023		(50,451)
Thereafter		(10,090)

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

Plan Description (Continued)

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Plan Description (Continued)

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

Contributions

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

Contributions to the Group Life Insurance Program from the County were $26,162 and $25,516 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 $10,325 and $10,081 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 $97,842 and $95,746 for the years ended June 30, 2018 and June 30, 2017, respectively.

<u>Note 19—Group Life Insurance (GLI) Program (OPEB Plan)</u>: (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 Group Life Insurance Program

At June 30, 2018, the entity reported a liability of $401,000 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 0.0266% as compared to 0.02725% at June 30, 2016.

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

Component Unit School Board (nonprofessional) Group Life Insurance Program

At June 30, 2018, the entity reported a liability of $158,000 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 0.01051% as compared to 0.01020% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $3,000. 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) Group Life Insurance Program

At June 30, 2018, the entity reported a liability of $1,502,000 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 0.0998% as compared to 0.09917% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $19,000. 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.

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

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

	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	$ -	$ 9,000	$ -	$ 4,000	$ -	$ 33,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	15,000	-	6,000	-	57,000
Change in assumptions	-	21,000	-	8,000	-	77,000
Changes in proportion	-	9,000	4,000	-	9,000	-
Employer contributions subsequent to the measurement date	26,162	-	10,325	-	97,842	-
Total	$ 26,162	$ 54,000	$ 14,325	$ 18,000	$ 106,842	$ 167,000

$26,162, $10,325, and $97,842 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	$ (11,000)	$ (3,000)	$ (32,000)
2020	(11,000)	(3,000)	(32,000)
2021	(11,000)	(3,000)	(32,000)
2022	(11,000)	(3,000)	(32,000)
2023	(6,000)	(2,000)	(19,000)
Thereafter	(4,000)	-	(11,000)

Note 19—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)

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 19—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 19—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 19—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 19—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.

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – JRS 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	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.

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (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 Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (continued)

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

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

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

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

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

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

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

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

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

NET GLI OPEB Liability

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

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

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

Note 19—Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 19—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	$ 518,000	$ 401,000	$ 305,000
Component Units School Board's (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 205,000	$ 158,000	$ 121,000
Component Units School Board's (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,943,000	$ 1,502,000	$ 1,145,000

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 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – 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. • **Disability Retirement**- 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.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (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:

	Number
Inactive members or their beneficiaries currently receiving benefits	47
Active members	103
Total covered employees	150

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 Component Unit School Board (nonprofessional)'s contractually required employer contribution rate for the year ended June 30, 2018 was 0.99% 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 Component Unit School Board (nonprofessional) to the Health Insurance Credit Program were $19,374 and $19,157 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Net HIC OPEB Liability

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

Actuarial Assumptions

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

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

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

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

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

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Actuarial Assumptions: (continued)

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

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

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

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

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

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

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total 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.

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 291,000	$ 70,000	$ 221,000
Changes for the year:			
Service cost	$ 4,000	$ -	$ 4,000
Interest	20,000	-	20,000
Benefit changes	-	-	-
Differences between expected			-
and actual experience	-	-	-
Assumption changes	(5,000)	-	(5,000)
Contributions - employer	-	19,000	(19,000)
Net investment income	-	8,000	(8,000)
Benefit payments	(23,000)	(23,000)	-
Net changes	$ (4,000)	$ 4,000	$ (8,000)
Balances at June 30, 2017	$ 287,000	$ 74,000	$ 213,000

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (continued)

Sensitivity of the School Board's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board's (nonprofessional) Net HIC OPEB Liability	$ 238,000	$ 213,000	$ 191,000

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 School Board recognized Health Insurance Credit Program OPEB expense of $17,000. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 2,000
Change in assumptions	-	4,000
Employer contributions subsequent to the measurement date	19,374	-
Total	$ 19,374	$ 6,000

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional): (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)

$19,374 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(2,000)
2020		(2,000)
2021		(2,000)
2022		-
2023		-

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.

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

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.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 21—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 $231,143 and $203,547 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $2,948,000 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 0.23236% as compared to 0.23260% 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 $237,000. 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.

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 5,000
Change in assumptions	-	31,000
Employer contributions subsequent to the measurement date	231,143	-
Total	$ 231,143	$ 36,000

$231,143 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (6,000)
2020	(6,000)
2021	(6,000)
2022	(6,000)
2023	(5,000)
Thereafter	(7,000)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions

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

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

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

Mortality Rates – Teachers

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

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

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

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 21—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	$ 3,290,000	$ 2,948,000	$ 2,657,000

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.

Note 22—Line of Duty Act (LODA) Program:

Plan Description

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

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

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).

Benefit Amounts

The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:

- **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  - $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  - $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  - An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
  - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
  - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Note 22—Line of Duty Act (LODA) Program: (continued)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were $47,800 and $50,354 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of $1,227,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.46688% as compared to 0.46397% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $109,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

Note 22—Line of Duty Act (LODA) Program: (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on LODA OPEB plan investments	$ -	$ 2,000
Change in assumptions	-	127,000
Change in proportion	7,000	-
Employer contributions subsequent to the measurement date	47,800	-
Total	$ 54,800	$ 129,000

$47,800 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (15,000)
2020	(15,000)
2021	(15,000)
2022	(15,000)
2023	(15,000)
Thereafter	(47,000)

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions: (continued)

Mortality rates – General State Employees

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

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

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

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

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

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions: (continued)

Mortality rates – SPORS Employees

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

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

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

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

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

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions: (continued)

Mortality rates – VaLORS Employees

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

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

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

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

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

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions: (continued)

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

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

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

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

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

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

Note 22—Line of Duty Act (LODA) Program: (continued)

Actuarial Assumptions: (continued)

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

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

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

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

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

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

Note 22—Line of Duty Act (LODA) Program: (continued)

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

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

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

Net LODA OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

Note 22—Line of Duty Act (LODA) Program: (continued)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

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

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
County's proportionate share of the total LODA Net OPEB Liability	$ 1,391,000	$ 1,227,000	$ 1,089,000

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

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

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	$ 1,041,000	$ 1,227,000	$ 1,457,000

Note 22—Line of Duty Act (LODA) Program: (continued)

LODA OPEB Fiduciary Net Position

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

Note 23-Self Health Insurance:

The Lee County School Board established a limited risk management program for health insurance. Premiums are paid into the Anthem health plan account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2018, a total of $4,364,708 was paid in benefits and administrative costs. Claims for the fiscal year totaled $4,373,185. Incurred but not reported claims of $275,817 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2017-18	$ 267,340	$ 4,373,185	$ (4,364,708)	$ 275,817
2016-17	406,908	4,021,896	(4,161,464)	267,340
2015-16	479,017	4,187,210	(4,259,319)	406,908

As of June 30, 2018, the School Board held funds totaling $2,938,078 for the payment of claims and costs associated with the self-health insurance program. These funds are reported as restricted cash in the accompanying financial statements.

Note 24-School Board Early Retirement Incentive Plan:

Lee County School Board offers an early retirement incentive plan to all full-time employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have reached a specified age and years of service, as detailed in the individual plan, to participate. The School Board has offered various incentive plans, all offering different benefit options to the retiree. As of June 30, 2018, the balance owed to retired employees was $1,344,946 and same has been recorded as a liability in the government-wide financial statements of the School Board.

Note 25-Commitments and Contingencies:

Construction Commitments

The Component Unit School Board was involved in a construction project during the fiscal year, as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2018
Roof Replacement	$ 625,715	$ 607,915

Note 26-Adoption of Accounting Principles:

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

	Governmental Actvities	Component Unit-School Board
Net Position, July 1, 2017, as previously stated	$ 20,308,290	$ (27,185,767)
GASB 75 implementation	(1,986,036)	(14,268,663)
Net Position, July 1, 2017, as restated	$ 18,322,254	$ (41,454,430)

Note 27-Subsequent Event:

In January 2019, Lee Hospital Authority revoked the purchase agreement of the hospital with one company and entered into another agreement with a different company. After the change, the Lee County Hospital Authority owns the hospital building and the County's $1,500,000 note receivable is due from the Lee County Hospital Authority.

Note 28-Litigation:

At June 30, 2018, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County. At June 30, 2018, the School Board is the defendant in a claim of $35,750 plus interest over a contract dispute. This matter has not progressed to the discovery phase and the County is unable to estimate the outcome of the claim.

Note 29-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.

Note 29-Upcoming Pronouncements: (continued)

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

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

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

Required Supplementary Information

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

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
General property taxes	$ 9,465,250	$ 9,465,250	$ 9,346,137	$ (119,113)
Other local taxes	2,501,556	2,501,556	2,433,311	(68,245)
Permits, privilege fees, and regulatory licenses	51,400	54,172	73,612	19,440
Fines and forfeitures	2,900	2,900	628	(2,272)
Revenue from the use of money and property	87,657	87,657	102,684	15,027
Charges for services	293,500	293,500	276,393	(17,107)
Miscellaneous	35,700	163,448	96,512	(66,936)
Recovered costs	349,655	391,517	209,374	(182,143)
Intergovernmental:				
Commonwealth	8,661,301	8,708,965	7,630,301	(1,078,664)
Federal	3,853,853	4,217,929	3,860,700	(357,229)
Total revenues	$ 25,302,772	$ 25,886,894	$ 24,029,652	$ (1,857,242)
EXPENDITURES				
Current:				
General government administration	$ 1,531,265	$ 1,828,749	$ 1,592,446	$ 236,303
Judicial administration	1,094,447	1,153,866	1,111,986	41,880
Public safety	6,370,277	6,758,647	6,340,021	418,626
Public works	1,824,121	1,883,588	1,745,603	137,985
Health and welfare	9,773,043	9,863,043	7,988,986	1,874,057
Education	4,180,294	4,180,294	3,217,779	962,515
Parks, recreation, and cultural	306,121	316,267	303,273	12,994
Community development	301,516	401,516	605,875	(204,359)
Nondepartmental	50,000	67,554	20,884	46,670
Capital projects	105,000	105,000	501,347	(396,347)
Debt service:				
Principal retirement	475,000	475,000	473,314	1,686
Interest and other fiscal charges	71,736	195,179	183,665	11,514
Total expenditures	$ 26,082,820	$ 27,228,703	$ 24,085,179	$ 3,143,524
Excess (deficiency) of revenues over (under) expenditures	$ (780,048)	$ (1,341,809)	$ (55,527)	$ 1,286,282
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (79,369)	$ (79,369)
Issuance of capital leases	-	-	1,174,801	1,174,801
Total other financing sources (uses)	$ -	$ -	$ 1,095,432	$ 1,095,432
Net change in fund balances	$ (780,048)	$ (1,341,809)	$ 1,039,905	$ 2,381,714
Fund balances - beginning	780,048	1,341,809	10,324,701	8,982,892
Fund balances - ending	$ -	$ -	$ 11,364,606	$ 11,364,606

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 553,015	$ 523,986	$ 519,855	$ 497,545
Interest	1,814,713	1,779,690	1,755,642	1,696,544
Differences between expected and actual experience	212,734	(366,190)	(556,334)	-
Changes in assumptions	115,569	-	-	-
Benefit payments, including refunds of employee contributions	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Net change in total pension liability	$ 1,198,189	$ 560,997	$ 344,417	$ 869,169
Total pension liability - beginning	26,673,390	26,112,393	25,767,976	24,898,807
Total pension liability - ending (a)	$ 27,871,579	$ 26,673,390	$ 26,112,393	$ 25,767,976
Plan fiduciary net position				
Contributions - employer	$ 455,072	$ 593,517	$ 583,877	$ 577,169
Contributions - employee	260,932	250,978	240,822	239,677
Net investment income	2,750,162	390,544	1,024,065	3,117,027
Benefit payments, including refunds of employee contributions	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Administrative expense	(16,354)	(14,461)	(14,367)	(17,085)
Other	(2,421)	(168)	(215)	164
Net change in plan fiduciary net position	$ 1,949,549	$ (156,079)	$ 459,436	$ 2,592,032
Plan fiduciary net position - beginning	22,827,808	22,983,887	22,524,451	19,932,419
Plan fiduciary net position - ending (b)	$ 24,777,357	$ 22,827,808	$ 22,983,887	$ 22,524,451
County's net pension liability - ending (a) - (b)	$ 3,094,222	$ 3,845,582	$ 3,128,506	$ 3,243,525
Plan fiduciary net position as a percentage of the total pension liability	88.90%	85.58%	88.02%	87.41%
Covered payroll	$ 4,902,120	$ 4,896,347	$ 4,792,290	$ 4,782,254
County's net pension liability as a percentage of covered payroll	63.12%	78.54%	65.28%	67.82%

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

Exhibit 10

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 179,744	$ 173,589	$ 182,298	$ 176,934
Interest	990,523	948,050	944,384	932,718
Differences between expected and actual experience	(28,640)	484,389	(92,679)	-
Changes in assumptions	92,928	-	-	-
Benefit payments, including refunds of employee contributions	(1,021,060)	(977,492)	(985,772)	(900,230)
Net change in total pension liability	$ 213,495	$ 628,536	$ 48,231	$ 209,422
Total pension liability - beginning	14,660,853	14,032,317	13,984,086	13,774,664
Total pension liability - ending (a)	$ 14,874,348	$ 14,660,853	$ 14,032,317	$ 13,984,086
Plan fiduciary net position				
Contributions - employer	$ 539,130	$ 520,334	$ 498,642	$ 412,585
Contributions - employee	91,102	89,193	86,145	83,036
Net investment income	894,797	126,337	347,642	1,098,282
Benefit payments, including refunds of employee contributions	(1,021,060)	(977,492)	(985,772)	(900,230)
Administrative expense	(5,414)	(4,950)	(5,081)	(6,222)
Other	(790)	(56)	(77)	58
Net change in plan fiduciary net position	$ 497,765	$ (246,634)	$ (58,501)	$ 687,509
Plan fiduciary net position - beginning	7,590,202	7,836,836	7,895,337	7,207,828
Plan fiduciary net position - ending (b)	$ 8,087,967	$ 7,590,202	$ 7,836,836	$ 7,895,337
School Division's net pension liability - ending (a) - (b)	$ 6,786,381	$ 7,070,651	$ 6,195,481	$ 6,088,749
Plan fiduciary net position as a percentage of the total pension liability	54.38%	51.77%	55.85%	56.46%
Covered payroll	$ 1,929,643	$ 1,833,085	$ 1,753,809	$ 1,661,330
School Division's net pension liability as a percentage of covered payroll	351.69%	385.72%	353.26%	366.50%

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

Exhibit 11

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.2334%	0.2326%	0.2407%	0.0234%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 28,707,000	$ 32,600,000	$ 30,289,000	$ 28,300,000
Employer's Covered Payroll	18,154,850	17,634,275	17,714,196	17,188,687
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	158.12%	184.87%	170.99%	164.64%
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.

Exhibit 12

County of Lee, 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)
Primary Government					
2018	$ 463,207	$ 463,207	$ -	$ 5,023,489	9.22%
2017	455,072	455,072	-	4,902,120	9.28%
2016	593,517	593,517	-	4,896,347	12.12%
2015	583,877	583,877	-	4,792,290	12.18%
2014	577,169	577,169	-	4,782,254	12.07%
2013	550,634	550,634	-	4,584,800	12.01%
2012	371,629	371,629	-	4,461,330	8.33%
2011	376,910	376,910	-	4,524,728	8.33%
2010	361,103	361,103	-	4,430,717	8.15%
2009	361,078	361,078	-	4,430,401	8.15%
Component Unit School Board (nonprofessional)					
2018	$ 560,718	$ 560,718	$ -	$ 1,978,801	28.34%
2017	539,130	539,130	-	1,929,643	27.94%
2016	520,334	520,334	-	1,833,085	28.39%
2015	498,642	498,642	-	1,753,809	28.43%
2014	412,585	412,585	-	1,661,330	24.83%
2013	404,244	404,244	-	1,628,048	24.83%
2012	427,876	427,876	-	1,645,044	26.01%
2011	461,780	461,780	-	1,775,394	26.01%
2010	471,425	471,425	-	1,886,453	24.99%
2009	452,959	452,959	-	1,812,562	24.99%
Component Unit School Board (professional)					
2018	$ 3,110,689	$ 3,110,689	$ -	$ 18,792,032	16.55%
2017	2,661,501	2,661,501	-	18,154,850	14.66%
2016	2,479,379	2,479,379	-	17,634,275	14.06%
2015	2,490,616	2,490,616	-	17,714,196	14.06%
2014	1,984,637	1,984,637	-	17,188,687	11.55%
2013	2,103,701	2,103,701	-	18,042,034	11.66%
2012	1,213,014	1,213,014	-	19,162,934	6.33%
2011	791,571	791,571	-	20,116,158	3.94%
2010	1,834,986	1,834,986	-	20,828,449	8.81%
2009	1,817,241	1,817,241	-	20,627,028	8.81%

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Exhibit 14

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

		2018
Total OPEB liability		
Service cost	$	32,443
Interest		18,273
Changes in assumptions		(16,717)
Benefit payments		(17,415)
Net change in total OPEB liability	$	16,584
Total OPEB liability - beginning		498,266
Total OPEB liability - ending	$	514,850
Covered payroll	$	3,155,900
County's total OPEB liability (asset) as a percentage of covered payroll		16.31%

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

Exhibit 15

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

		2018
Total OPEB liability		
Service cost	$	12,319
Interest		7,633
Changes in assumptions		(4,201)
Benefit payments		(6,596)
Net change in total OPEB liability	$	9,155
Total OPEB liability - beginning		209,034
Total OPEB liability - ending	$	218,189
Covered payroll	$	1,466,200
DSS's total OPEB liability (asset) as a percentage of covered payroll		14.88%

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

Exhibit 16

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

		2018
Total OPEB liability		
Service cost	$	254,040
Interest		331,443
Changes in assumptions		(312,796)
Benefit payments		(600,038)
Net change in total OPEB liability	$	(327,351)
Total OPEB liability - beginning		9,513,194
Total OPEB liability - ending	$	9,185,843
Covered payroll	$	19,788,600
School Board's total OPEB liability (asset) as a percentage of covered payroll		46.42%

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

County of Lee, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

County, DSS, and School Board

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2017 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017 and June 30, 2018
Healthcare Trend Rate - County	The healthcare trend rate assumption starts at 7.30% for 2018 decreasing to an ultimate rate of 4.20% over 73 years
Healthcare Trend Rate - DSS	The healthcare trend rate assumption starts at 7.20% for 2018 decreasing to an ultimate rate of 4.20% over 75 years
Healthcare Trend Rate - School Board	The healthcare trend rate assumption starts at 7.50% for 2018 decreasing to an ultimate rate of 4.30% over 69 years
Participation Percentage - County and DSS	30% of future retirees are assumed to elect medical coverage upon retirement and 30% of future retirees are assumed to include their spouse in coverage.
Participation Percentage - School Board	60% of future retirees are assumed to elect medical coverage upon retirement if they are enrolled in the School Board Early Retirement Incentive Program (ERIP). 30% of future retirees are assumed to elect medical coverage upon retirement if they are not. 20% of future retirees are assumed to include their spouse in coverage.
Retirement Age	For VRS Plan 1 employees the average age is 65. For Plan 2 and Hybrid employees the average age of retirement is estimated based on probability of retirement. The participation percentage is 35% when the retiree's age and years of service total 90.
Mortality Rates	The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

Exhibit 18

County of Lee, 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	0.0266%	$ 401,000	$ 4,907,011	8.17%	48.86%

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

Exhibit 19

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 26,162	$ 26,162	$ -	$ 5,023,489	0.52%
2017	25,516	25,516	-	4,907,011	0.52%
2016	23,502	23,502	-	4,896,347	0.48%
2015	23,026	23,026	-	4,797,165	0.48%
2014	22,988	22,988	-	4,789,096	0.48%
2013	22,007	22,007	-	4,584,800	0.48%
2012	12,542	12,542	-	4,479,255	0.28%
2011	12,688	12,688	-	4,531,515	0.28%
2010	8,996	8,996	-	3,331,860	0.27%
2009	11,998	11,998	-	4,443,677	0.27%

Exhibit 20

County of Lee, 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	0.0105%	$ 158,000	$ 1,938,562	8.15%	48.86%

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

Exhibit 21

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 10,325	$ 10,325	$ -	$ 1,978,801	0.52%
2017	10,081	10,081	-	1,938,562	0.52%
2016	8,799	8,799	-	1,833,085	0.48%
2015	8,418	8,418	-	1,753,809	0.48%
2014	7,996	7,996	-	1,665,820	0.48%
2013	7,869	7,869	-	1,639,274	0.48%
2012	4,624	4,624	-	1,651,454	0.28%
2011	4,998	4,998	-	1,785,009	0.28%
2010	3,759	3,759	-	1,392,265	0.27%
2009	4,906	4,906	-	1,817,190	0.27%

Exhibit 22

County of Lee, Virginia
Schedule of School Board Professional'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	0.0998%	$ 1,502,000	$ 18,412,748	8.16%	48.86%

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

Exhibit 23

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 97,842	$ 97,842	$ -	$ 18,847,785	0.52%
2017	95,746	95,746	-	18,412,748	0.52%
2016	85,537	85,537	-	17,820,171	0.48%
2015	86,241	86,241	-	17,966,977	0.48%
2014	82,592	82,592	-	17,206,573	0.48%
2013	86,392	86,392	-	17,998,370	0.48%
2012	53,576	53,576	-	19,134,130	0.28%
2011	56,407	56,407	-	20,145,204	0.28%
2010	40,208	40,208	-	14,891,980	0.27%
2009	55,663	55,663	-	20,615,994	0.27%

County of Lee, 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 Lee, 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%

Exhibit 25

County of Lee, Virginia
Schedule of Changes in the School Board Nonprofessional'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	$	4,000
Interest		20,000
Changes in assumptions		(5,000)
Benefit payments		(23,000)
Net change in total HIC OPEB liability	$	(4,000)
Total HIC OPEB Liability - beginning		291,000
Total HIC OPEB Liability - ending (a)	$	287,000
Plan fiduciary net position		
Contributions - employer	$	19,000
Net investment income		8,000
Benefit payments		(23,000)
Net change in plan fiduciary net position	$	4,000
Plan fiduciary net position - beginning		70,000
Plan fiduciary net position - ending (b)	$	74,000
School Board's net HIC OPEB liability - ending (a) - (b)	$	213,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability		25.78%
Covered payroll	$	1,929,643
School Board's net HIC OPEB liability as a percentage of covered payroll		11.04%

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.

Exhibit 26

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 19,374	$ 19,374	$ -	$ 1,978,801	0.98%
2017	19,157	19,157	-	1,929,643	0.99%
2016	17,048	17,048	-	1,833,085	0.93%
2015	16,310	16,310	-	1,753,809	0.93%
2014	17,278	17,278	-	1,661,330	0.00%
2013	16,829	16,829	-	1,618,132	0.00%
2012	18,594	18,594	-	1,660,184	0.00%
2011	19,835	19,835	-	1,770,966	0.00%
2010	37,379	37,379	-	1,887,836	0.00%
2009	36,049	36,049	-	1,820,631	0.00%

Exhibit 27

County of Lee, 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%

Exhibit 28

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.2324%	$ 2,948,000	$ 18,337,536	16.08%	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 Lee, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 231,143	$ 231,143	$ -	$ 18,828,086	1.23%
2017	203,547	203,547	-	18,337,536	1.11%
2016	188,003	188,003	-	17,736,164	1.06%
2015	189,655	189,655	-	17,891,981	1.06%
2014	190,094	190,094	-	17,125,567	1.11%
2013	217,080	217,080	-	19,556,732	1.11%
2012	114,978	114,978	-	19,162,934	0.60%
2011	120,697	120,697	-	20,116,158	0.60%
2010	154,240	154,240	-	14,830,739	1.04%
2009	222,772	222,772	-	20,627,028	1.08%

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

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

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

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

Exhibit 31

County of Lee, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered-Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.4669%	$ 1,227,000	N/A	N/A	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Exhibit 32

County of Lee, Virginia
Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered-Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	$ 47,800	$ 47,800	$ -	N/A	N/A
2017	50,354	50,354	-	N/A	N/A
2016	45,269	45,269	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only two years of data are available. However, additional years will be included as they become available.

County of Lee, Virginia
Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

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

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

General State Employees

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

SPORS Employees

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

VaLORS Employees

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Other Supplementary Information

County of Lee, Virginia
Capital Projects Fund - Airport Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Airport Project Fund			
	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental:				
Commonwealth	$ -	$ -	$ -	$ -
Federal	-	-	-	-
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Capital projects	$ -	$ -	$ -	$ -
Total expenditures	$ -	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	588,868	588,868
Fund balances - ending	$ -	$ -	$ 588,868	$ 588,868

Exhibit 35

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

	Capital Improvements Fund			
	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental:				
Federal	$ 797,500	$ 797,500	$ 614,633	$ (182,867)
Total revenues	$ 797,500	$ 797,500	$ 614,633	$ (182,867)
EXPENDITURES				
Current:				
Community development	$ 797,500	$ 797,500	$ 614,633	$ 182,867
Total expenditures	$ 797,500	$ 797,500	$ 614,633	$ 182,867
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 79,369	$ 79,369
Net change in fund balances	$ -	$ -	$ 79,369	$ 79,369
Fund balances - beginning	-	-	116,111	116,111
Fund balances - ending	$ -	$ -	$ 195,480	$ 195,480

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

	Coal Road Improvement Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Other local taxes	$ -	$ 2,408	$ 5,132	$ 2,724
Total revenues	$ -	$ 2,408	$ 5,132	$ 2,724
EXPENDITURES				
Current:				
Public works	$ -	$ 2,408	$ 2,408	$ -
Total expenditures	$ -	$ 2,408	$ 2,408	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 2,724	$ 2,724
Net change in fund balances	$ -	$ -	$ 2,724	$ 2,724
Fund balances - beginning	-	-	3,460	3,460
Fund balances - ending	$ -	$ -	$ 6,184	$ 6,184

Exhibit 37

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

	Agency Funds			
	Balance July 1, 2017	**Additions**	**Deductions**	**Balance June 30, 2018**
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	$ 58,907	$ 52,350	$ (45,528)	$ 65,729
Total assets	$ 58,907	$ 52,350	$ (45,528)	$ 65,729
LIABILITIES				
Amounts held for others:				
Social Services clients	$ 58,907	$ 52,350	$ (45,528)	$ 65,729
Total liabilities	$ 58,907	$ 52,350	$ (45,528)	$ 65,729

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 Lee, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2018

	School Operating Fund	School Head Start Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 870,248	$ 16,547	$ 886,795
Cash held at school cafeterias	14,793	-	14,793
Due from primary government	1,156,958	-	1,156,958
Due from other governmental units	715,277	-	715,277
Prepaid items	73,810	-	73,810
Total assets	$ 2,831,086	$ 16,547	$ 2,847,633
LIABILITIES			
Accounts payable	$ 283,013	$ -	$ 283,013
Accrued liabilities	1,669,515	-	1,669,515
Total liabilities	$ 1,952,528	$ -	$ 1,952,528
FUND BALANCES			
Nonspendable	$ 73,810	$ -	$ 73,810
Restricted:			
Head Start program	-	16,547	16,547
Cafeteria operations	853,669	-	853,669
Retirement	24,889	-	24,889
Unassigned	(73,810)	-	(73,810)
Total fund balances	$ 878,558	$ 16,547	$ 895,105
Total liabilities and fund balances	$ 2,831,086	$ 16,547	$ 2,847,633

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total fund balances per above		$ 895,105
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 528,889	
Construction in progress	100,000	
Buildings and improvements	5,800,557	
Machinery and equipment	1,499,474	7,928,920
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		2,662,261
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the funds.		
Pension related items	$ 4,675,437	
OPEB related items	371,684	5,047,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (845,340)	
Early retirement incentive plan liability	(1,344,946)	
Net pension liability	(35,493,381)	
Net OPEB liabilities	(14,006,843)	(51,690,510)
Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds.		
Pension related items	$ (4,507,490)	
OPEB related items	(489,345)	(4,996,835)
Net position of governmental activities		$ (40,153,938)

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

	School Operating Fund	School Head Start Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ 3,621	$ -	$ 3,621
Charges for services	160,266	-	160,266
Miscellaneous	88,275	9,175	97,450
Recovered costs	896,384	15	896,399
Intergovernmental:			
Local government	3,198,439	-	3,198,439
Commonwealth	27,248,892	-	27,248,892
Federal	5,595,364	1,541,343	7,136,707
Total revenues	$ 37,191,241	$ 1,550,533	$ 38,741,774
EXPENDITURES			
Current:			
Education	$ 38,791,538	$ 1,548,464	$ 40,340,002
Total expenditures	$ 38,791,538	$ 1,548,464	$ 40,340,002
Excess (deficiency) of revenues over (under) expenditures	$ (1,600,297)	$ 2,069	$ (1,598,228)
Net change in fund balances	$ (1,600,297)	$ 2,069	$ (1,598,228)
Fund balances - beginning	2,478,855	14,478	2,493,333
Fund balances - ending	$ 878,558	$ 16,547	$ 895,105

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		$ (1,598,228)
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 capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 851,731	
Depreciation expenses	(823,925)	27,806
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase net assets.		(4,462)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase) Decrease in compensated absences	$ (25,662)	
(Increase) Decrease in early retirement incentive plan liability	829,605	
Pension expense	1,229,642	
OPEB expense	144,159	2,177,744
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		697,632
Change in net position of governmental activities		$ 1,300,492

County of Lee, 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				School Head Start Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ 6,300	$ 6,300	$ 3,621	$ (2,679)	$ -	$ -	$ -	$ -
Charges for services	53,000	53,000	160,266	107,266	-	-	-	-
Miscellaneous	13,600	13,600	88,275	74,675	-	-	9,175	9,175
Recovered costs	867,000	867,000	896,384	29,384	-	-	15	15
Intergovernmental:								
Local government	4,266,701	4,266,701	3,198,439	(1,068,262)	-	-	-	-
Commonwealth	27,055,462	27,055,462	27,248,892	193,430	-	-	-	-
Federal	4,698,300	4,698,300	5,595,364	897,064	1,550,261	1,550,261	1,541,343	(8,918)
Total revenues	$ 36,960,363	$ 36,960,363	$ 37,191,241	$ 230,878	$ 1,550,261	$ 1,550,261	$ 1,550,533	$ 272
EXPENDITURES								
Current:								
Education	$ 37,924,488	$ 37,924,488	$ 38,791,538	$ (867,050)	$ 1,550,261	$ 1,550,261	$ 1,548,464	$ 1,797
Total expenditures	$ 37,924,488	$ 37,924,488	$ 38,791,538	$ (867,050)	$ 1,550,261	$ 1,550,261	$ 1,548,464	$ 1,797
Excess (deficiency) of revenues over (under) expenditures	$ (964,125)	$ (964,125)	$ (1,600,297)	$ (636,172)	$ -	$ -	$ 2,069	$ 2,069
Net change in fund balances	$ (964,125)	$ (964,125)	$ (1,600,297)	$ (636,172)	$ -	$ -	$ 2,069	$ 2,069
Fund balances - beginning	964,125	964,125	2,478,855	1,514,730	-	-	14,478	14,478
Fund balances - ending	$ -	$ -	$ 878,558	$ 878,558	$ -	$ -	$ 16,547	$ 16,547

Exhibit 41

County of Lee, Virginia
Statement of Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
As of June 30, 2018

	Self-Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,938,078
Total assets	$ 2,938,078
LIABILITIES	
Current liabilities:	
Accounts payable	$ 275,817
Total liabilities	$ 275,817
NET POSITION	
Restricted	$ 2,662,261
Total net position	$ 2,662,261

Exhibit 42

County of Lee, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2018

	Self-Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	$ 5,049,636
Total operating revenues	$ 5,049,636
OPERATING EXPENSES	
Insurance claims and expenses	$ 4,364,708
Total operating expenses	$ 4,364,708
Operating income (loss)	$ 684,928
NONOPERATING REVENUES (EXPENSES)	
Investment income	$ 12,704
Change in net position	$ 697,632
Total net position - beginning	1,964,629
Total net position - ending	$ 2,662,261

Exhibit 43

County of Lee, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2018

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	$ 5,049,636
Payments for premiums	(4,356,231)
Net cash provided by (used for) operating activities	$ 693,405
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	$ 12,704
Net cash provided by (used for) investing activities	$ 12,704
Net increase (decrease) in cash and cash equivalents	$ 706,109
Cash and cash equivalents - beginning	2,231,969
Cash and cash equivalents - ending	$ 2,938,078
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	$ 684,928
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	$ 8,477
Total adjustments	$ 8,477
Net cash provided by (used for) operating activities	$ 693,405

Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 5,910,000	$ 5,910,000	$ 5,943,132	$ 33,132
Real and personal public service corporation taxes	560,000	560,000	571,183	11,183
Personal property taxes	1,802,000	1,802,000	1,833,538	31,538
Mobile home taxes	91,250	91,250	85,941	(5,309)
Machinery and tools taxes	517,500	517,500	352,475	(165,025)
Merchant's capital	68,500	68,500	68,727	227
Business personal property	201,000	201,000	204,533	3,533
Penalties	150,000	150,000	141,363	(8,637)
Interest	165,000	165,000	145,245	(19,755)
Total general property taxes	$ 9,465,250	$ 9,465,250	$ 9,346,137	$ (119,113)
Other local taxes:				
Local sales and use taxes	$ 1,385,601	$ 1,385,601	$ 1,259,066	$ (126,535)
Consumers' utility and consumption taxes	436,000	436,000	434,135	(1,865)
Oil and gas severance taxes	5,000	5,000	6,153	1,153
Motor vehicle licenses	568,800	568,800	589,651	20,851
Bank stock taxes	57,000	57,000	86,970	29,970
Taxes on recordation and wills	47,200	47,200	55,785	8,585
Hotel and motel room taxes	1,800	1,800	1,522	(278)
Amusement tax	155	155	29	(126)
Total other local taxes	$ 2,501,556	$ 2,501,556	$ 2,433,311	$ (68,245)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 1,300	$ 1,300	$ 2,523	$ 1,223
Zoning and subdivision permits	3,000	3,000	4,538	1,538
Transfer fees	800	800	840	40
Gun permits	2,800	4,680	2,479	(2,201)
Contractor's licenses	3,500	3,500	10,569	7,069
Building permits	40,000	40,892	52,663	11,771
Total permits, privilege fees, and regulatory licenses	$ 51,400	$ 54,172	$ 73,612	$ 19,440
Fines and forfeitures:				
Court fines and forfeitures	$ 2,900	$ 2,900	$ 628	$ (2,272)
Revenue from use of money and property:				
Revenue from use of money	$ 25,500	$ 25,500	$ 39,830	$ 14,330
Revenue from use of property	62,157	62,157	62,854	697
Total revenue from use of money and property	$ 87,657	$ 87,657	$ 102,684	$ 15,027
Charges for services:				
Charges for excess clerk fees	$ 1,500	$ 1,500	$ 1,486	$ (14)
Charges for courthouse maintenance	5,500	5,500	4,688	(812)
Charges for courthouse security	30,000	30,000	30,399	399
Charges for Commonwealth's Attorney	3,000	3,000	2,849	(151)
Charges for inmates	1,500	1,500	1,710	210
Charges for aviation fuel	22,000	22,000	11,609	(10,391)
Charges for sanitation, waste removal and recycling	150,000	150,000	138,973	(11,027)
Charges for parks and recreation	6,000	6,000	6,463	463
Charges for administration fee of prison water billings	62,000	62,000	62,296	296
Charges for garage services	10,000	10,000	14,493	4,493
Other charges for services	2,000	2,000	1,427	(573)
Total charges for services	$ 293,500	$ 293,500	$ 276,393	$ (17,107)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 35,700	$ 48,784	$ 27,592	$ (21,192)
Contributions	-	14,664	12,389	(2,275)
Economic development	-	100,000	56,531	(43,469)
Total miscellaneous	$ 35,700	$ 163,448	$ 96,512	$ (66,936)
Recovered costs:				
Health department	$ -	$ -	$ 24,488	$ 24,488
Insurance recovery	24,792	54,867	56,179	1,312
Welfare refunds and recoveries	-	-	37,912	37,912
School resource officer	36,000	36,000	36,000	-
Regional jail	210,563	210,563	-	(210,563)
Delinquent tax collection fees	11,300	18,291	13,219	(5,072)
Other recovered costs	67,000	71,796	41,576	(30,220)
Total recovered costs	$ 349,655	$ 391,517	$ 209,374	$ (182,143)
Total revenue from local sources	$ 12,787,618	$ 12,960,000	$ 12,538,651	$ (421,349)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	$ 100,000	$ 100,000	$ 99,088	$ (912)
Mobile home titling tax	65,000	65,000	83,069	18,069
Motor vehicle rental tax	5,200	5,200	5,572	372
Telecommunications taxes	405,000	405,000	384,896	(20,104)
Grantor's tax	12,000	12,000	13,546	1,546
State recordation tax	22,452	22,452	17,210	(5,242)
Personal property tax relief funds	798,646	798,646	798,646	-
Total noncategorical aid	$ 1,408,298	$ 1,408,298	$ 1,402,027	$ (6,271)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 385,814	$ 387,199	$ 407,182	$ 19,983
Sheriff	1,586,539	1,586,539	1,482,693	(103,846)
Commissioner of revenue	125,785	125,785	124,107	(1,678)
Treasurer	91,939	91,939	90,129	(1,810)
Registrar/electoral board	42,786	42,786	40,577	(2,209)
Clerk of the Circuit Court	301,022	301,022	320,627	19,605
Total shared expenses	$ 2,533,885	$ 2,535,270	$ 2,465,315	$ (69,955)
Other categorical aid:				
Public assistance and welfare administration	$ 2,562,131	$ 2,562,131	$ 2,343,318	$ (218,813)
Children's services act	1,644,014	1,644,014	799,822	(844,192)
Law enforcement grants	17,763	17,763	17,112	(651)
Litter control grant	10,500	10,500	10,318	(182)
Fire programs	73,483	74,183	149,185	75,002
Records preservation grant	-	21,215	21,215	-
Commissioner of revenue grant	-	2,692	5,384	2,692
Victim-witness grant	57,927	57,927	21,910	(36,017)
Four-for-life payments	19,700	26,675	18,996	(7,679)
VDOT litter grant	30,000	39,040	35,500	(3,540)
E-911 wireless grant	192,000	192,000	195,297	3,297

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Asset forfeitures	$ -	$ 2,834	$ 35,858	$ 33,024
Sheriff grants	-	2,823	-	(2,823)
Emergency management grant	111,600	111,600	109,044	(2,556)
Total other categorical aid	$ 4,719,118	$ 4,765,397	$ 3,762,959	$ (1,002,438)
Total categorical aid	$ 7,253,003	$ 7,300,667	$ 6,228,274	$ (1,072,393)
Total revenue from the Commonwealth	$ 8,661,301	$ 8,708,965	$ 7,630,301	$ (1,078,664)
Revenue from the federal government:				
Payments in lieu of taxes	$ 174,000	$ 174,000	$ 207,106	$ 33,106
Categorical aid:				
Public assistance and welfare administration	$ 3,507,897	$ 3,597,897	$ 3,208,312	$ (389,585)
Children's services act	71,780	71,780	71,780	-
Victim witness grant	80,176	80,176	80,176	-
COPs grant	-	264,999	264,999	-
State and community highway safety	20,000	29,077	28,327	(750)
Total categorical aid	$ 3,679,853	$ 4,043,929	$ 3,653,594	$ (390,335)
Total revenue from the federal government	$ 3,853,853	$ 4,217,929	$ 3,860,700	$ (357,229)
Total General Fund	$ 25,302,772	$ 25,886,894	$ 24,029,652	$ (1,857,242)
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	$ -	$ 2,408	$ 5,132	$ 2,724
Total revenue from local sources	$ -	$ 2,408	$ 5,132	$ 2,724
Total Coal Road Improvement Fund	$ -	$ 2,408	$ 5,132	$ 2,724
Capital Improvements Fund:				
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	$ 684,000	$ 684,000	$ 534,507	$ (149,493)
ARC grants	113,500	113,500	80,126	(33,374)
Total categorical aid	$ 797,500	$ 797,500	$ 614,633	$ (182,867)
Total revenue from the federal government	$ 797,500	$ 797,500	$ 614,633	$ (182,867)
Total Capital Improvements Fund	$ 797,500	$ 797,500	$ 614,633	$ (182,867)
Total Primary Government	$ 26,100,272	$ 26,686,802	$ 24,649,417	$ (2,037,385)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 6,300	$ 6,300	$ 3,621	$ (2,679)
Charges for services:				
Charges for education	$ 8,000	$ 8,000	$ 25	$ (7,975)
Cafeteria sales	-	-	81,738	81,738
Payments from other localities	35,000	35,000	57,568	22,568
Transportation of pupils	10,000	10,000	20,935	10,935
Total charges for services	$ 53,000	$ 53,000	$ 160,266	$ 107,266
Miscellaneous:				
Other miscellaneous	$ 13,600	$ 13,600	$ 88,275	$ 74,675
Recovered costs:				
JROTC revenues	$ 102,000	$ 102,000	$ 81,351	$ (20,649)
Medicaid reimbursements	250,000	250,000	336,285	86,285
Insurance reimbursements	-	-	7,110	7,110
E-rate reimbursements	495,000	495,000	322,248	(172,752)
Other recovered costs	20,000	20,000	149,390	129,390
Total recovered costs	$ 867,000	$ 867,000	$ 896,384	$ 29,384
Total revenue from local sources	$ 939,900	$ 939,900	$ 1,148,546	$ 208,646
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	$ 4,266,701	$ 4,266,701	$ 3,198,439	$ (1,068,262)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 3,615,394	$ 3,615,394	$ 3,422,584	$ (192,810)
Basic school aid	12,776,523	12,776,523	12,786,335	9,812
VPSA school security grant	197,757	197,757	237,706	39,949
Gifted and talented	121,497	121,497	121,635	138
Remedial education	635,330	635,330	636,051	721
Special education	2,442,603	2,442,603	2,478,361	35,758
Textbook payment	277,875	277,875	278,190	315
Vocational standards of quality payments	-	-	6,512	6,512
Vocational adult education	-	-	26,615	26,615
Social security-instructional	865,669	865,669	866,651	982
Retirement-instructional	1,986,988	1,986,988	1,989,242	2,254
Group life	58,217	58,217	58,284	67
State lottery payments	693,851	693,851	695,272	1,421
Special education foster children	44,721	44,721	23,415	(21,306)
Special education homebound	70,463	70,463	57,938	(12,525)
Early reading intervention	102,972	102,972	121,941	18,969
Career and technology	61,800	61,800	37,285	(24,515)
School food programs	25,400	25,400	24,747	(653)
Vocational education	723,922	723,922	724,743	821
GED prep program	15,717	15,717	16,587	870
At risk payments	784,887	784,887	789,488	4,601
Alternative education	191,159	191,159	191,159	-
Primary class size	783,850	783,850	787,101	3,251

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
VPSA technology	$ 398,800	$ 398,800	$ 682,800	$ 284,000
Mentor teacher program	4,634	4,634	4,550	(84)
Standards of Learning algebra readiness	71,253	71,253	71,399	146
English as a second language	6,526	6,526	6,254	(272)
Other state funds	44,233	44,233	46,365	2,132
Breakfast after the bell	-	-	6,261	6,261
Early reading specialists initative	53,421	53,421	53,421	-
Total categorical aid	$ 27,055,462	$ 27,055,462	$ 27,248,892	$ 193,430
Total revenue from the Commonwealth	$ 27,055,462	$ 27,055,462	$ 27,248,892	$ 193,430
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	$ 64,300	$ 64,300	$ 79,105	$ 14,805
Title I	1,680,300	1,680,300	1,545,337	(134,963)
Title VI-B, special education flow-through	825,000	825,000	1,033,785	208,785
Vocational education	76,900	76,900	64,888	(12,012)
Student support	-	-	6,845	6,845
Title VI-B, special education pre-school	17,700	17,700	24,461	6,761
School food programs	1,824,600	1,824,600	2,668,299	843,699
Forest reserve funds	2,000	2,000	20,481	18,481
Improving teacher quality	207,500	207,500	152,163	(55,337)
Total categorical aid	$ 4,698,300	$ 4,698,300	$ 5,595,364	$ 897,064
Total revenue from the federal government	$ 4,698,300	$ 4,698,300	$ 5,595,364	$ 897,064
Total School Operating Fund	$ 36,960,363	$ 36,960,363	$ 37,191,241	$ 230,878
Special Revenue Fund:				
School Head Start Fund:				
Revenue from local sources:				
Miscellaneous:				
Contributions	$ -	$ -	$ 9,175	$ 9,175
Recovered costs:				
Other recovered costs	$ -	$ -	$ 15	$ 15
Total revenue from local sources	$ -	$ -	$ 9,190	$ 9,190
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Head Start	$ 1,550,261	$ 1,550,261	$ 1,404,575	$ (145,686)
USDA	-	-	136,768	136,768
Total categorical aid	$ 1,550,261	$ 1,550,261	$ 1,541,343	$ (8,918)
Total revenue from the federal government	$ 1,550,261	$ 1,550,261	$ 1,541,343	$ (8,918)
Total School Head Start Fund	$ 1,550,261	$ 1,550,261	$ 1,550,533	$ 272
Total Discretely Presented Component Unit - School Board	$ 38,510,624	$ 38,510,624	$ 38,741,774	$ 231,150

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 97,219	$ 267,219	$ 82,452	$ 184,767
Housing authority	3,000	3,000	2,650	350
RADA	1,940	1,940	809	1,131
Total legislative	$ 102,159	$ 272,159	$ 85,911	$ 186,248
General and financial administration:				
County administrator	$ 144,198	$ 144,613	$ 144,663	$ (50)
Audit services	68,600	68,600	70,650	(2,050)
Legal services	24,273	24,273	20,184	4,089
Commissioner of revenue	319,842	322,534	310,694	11,840
Central purchasing	31,786	31,786	31,209	577
Treasurer	274,339	274,339	273,137	1,202
Delinquent tax collections	36,000	47,177	43,757	3,420
Central accounting	53,626	53,626	53,108	518
Central garage	138,028	138,028	136,467	1,561
Data processing	94,134	94,134	78,139	15,995
Reassessment	129	129	129	-
Total general and financial administration	$ 1,184,955	$ 1,199,239	$ 1,162,137	$ 37,102
Board of elections:				
Electoral board and officials	$ 118,158	$ 231,358	$ 224,490	$ 6,868
Registrar	125,993	125,993	119,908	6,085
Total board of elections	$ 244,151	$ 357,351	$ 344,398	$ 12,953
Total general government administration	$ 1,531,265	$ 1,828,749	$ 1,592,446	$ 236,303
Judicial administration:				
Courts:				
Circuit court	$ 63,645	$ 72,284	$ 61,959	$ 10,325
General district court	4,900	4,900	3,382	1,518
Clerk of the circuit court	435,966	457,793	444,935	12,858
Juvenile and domestic relations court	1,860	1,860	1,697	163
Victim and witness assistance	102,057	102,057	87,678	14,379
Special magistrates	1,010	1,010	767	243
Total courts	$ 609,438	$ 639,904	$ 600,418	$ 39,486
Commonwealth's attorney:				
Commonwealth's attorney	$ 485,009	$ 513,962	$ 511,568	$ 2,394
Total judicial administration	$ 1,094,447	$ 1,153,866	$ 1,111,986	$ 41,880
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 2,330,849	$ 2,404,680	$ 2,376,928	$ 27,752
Domestic violence	43,300	47,294	40,205	7,089
Courtroom security	27,313	27,313	13,090	14,223
E-911	692,358	729,048	549,095	179,953
School resource officer	88,550	88,550	85,761	2,789
Total law enforcement and traffic control	$ 3,182,370	$ 3,296,885	$ 3,065,079	$ 231,806

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	$ 250,285	$ 250,285	$ 231,057	$ 19,228
Emergency medical services	92,975	100,650	90,376	10,274
Emergency services	250,794	515,793	295,720	220,073
Total fire and rescue services	$ 594,054	$ 866,728	$ 617,153	$ 249,575
Correction and detention:				
Jail operations	$ 2,145,900	$ 2,145,900	$ 2,211,281	$ (65,381)
Juvenile probation and detention	257,388	257,388	257,388	-
Total correction and detention	$ 2,403,288	$ 2,403,288	$ 2,468,669	$ (65,381)
Inspections:				
Building	$ 82,196	$ 83,377	$ 83,324	$ 53
Other protection:				
Animal control	$ 107,869	$ 107,869	$ 105,376	$ 2,493
Medical examiner	500	500	420	80
Total other protection	$ 108,369	$ 108,369	$ 105,796	$ 2,573
Total public safety	$ 6,370,277	$ 6,758,647	$ 6,340,021	$ 418,626
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	$ 500	$ 500	$ -	$ 500
Sanitation and waste removal:				
Waste collection	$ 870,870	$ 877,570	$ 804,274	$ 73,296
Waste disposal	506,500	506,500	498,177	8,323
Landfill	50,000	102,767	84,208	18,559
Litter control	123,015	123,015	120,356	2,659
Total sanitation and waste removal	$ 1,550,385	$ 1,609,852	$ 1,507,015	$ 102,837
Maintenance of general buildings and grounds:				
General properties	$ 273,236	$ 273,236	$ 238,588	$ 34,648
Total public works	$ 1,824,121	$ 1,883,588	$ 1,745,603	$ 137,985
Health and welfare:				
Health:				
Supplement of local health department	$ 247,081	$ 247,081	$ 222,851	$ 24,230
Mental health and mental retardation:				
Community services board	$ 109,350	$ 109,350	$ 109,350	$ -
Welfare:				
Public assistance and welfare administration	$ 9,115,712	$ 9,205,712	$ 7,355,667	$ 1,850,045
Tax relief for the elderly	250,000	250,000	250,218	(218)
Other welfare services and contributions	50,900	50,900	50,900	-
Total welfare	$ 9,416,612	$ 9,506,612	$ 7,656,785	$ 1,849,827
Total health and welfare	$ 9,773,043	$ 9,863,043	$ 7,988,986	$ 1,874,057

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	$ 19,793	$ 19,793	$ 19,340	$ 453
Contribution to County School Board	4,160,501	4,160,501	3,198,439	962,062
Total education	$ 4,180,294	$ 4,180,294	$ 3,217,779	$ 962,515
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	$ 37,500	$ 37,500	$ 37,500	$ -
Tourism	18,580	18,580	5,650	12,930
Thomas Walker pool	27,959	38,105	38,041	64
Total parks and recreation	$ 84,039	$ 94,185	$ 81,191	$ 12,994
Library:				
Lonesome Pine Regional Library	$ 222,082	$ 222,082	$ 222,082	$ -
Total parks, recreation, and cultural	$ 306,121	$ 316,267	$ 303,273	$ 12,994
Community development:				
Planning and community development:				
Lenowisco	$ 41,878	$ 41,878	$ 41,878	$ -
IDA	6,786	106,786	105,737	1,049
Board of zoning appeals	3,760	3,760	2,132	1,628
Planning commission	3,833	3,833	2,570	1,263
Community development	102,369	102,369	52,351	50,018
Contribution to Lee Hospital Authority	-	-	282,990	(282,990)
Lee County Airport	49,865	49,865	44,636	5,229
Public Service Authority	3,233	3,233	2,587	646
Total planning and community development	$ 211,724	$ 311,724	$ 534,881	$ (223,157)
Environmental management:				
Contribution to soil and water district	$ 31,000	$ 31,000	$ 31,000	$ -
Cooperative extension program:				
Extension office	$ 58,792	$ 58,792	$ 39,994	$ 18,798
Total community development	$ 301,516	$ 401,516	$ 605,875	$ (204,359)
Nondepartmental:				
General expenses	$ -	$ 40,553	$ 16,873	$ 23,680
Refunds	-	892	892	-
Miscellaneous	50,000	26,109	3,119	22,990
Total nondepartmental	$ 50,000	$ 67,554	$ 20,884	$ 46,670
Capital projects:				
Registrar renovations	$ -	$ -	$ 2,000	$ (2,000)
Courthouse renovations	105,000	105,000	-	105,000
E911 Towers	-	-	499,347	(499,347)
Total capital projects	$ 105,000	$ 105,000	$ 501,347	$ (396,347)

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	$ 475,000	$ 475,000	$ 473,314	$ 1,686
Interest and other fiscal charges	71,736	195,179	183,665	11,514
Total debt service	$ 546,736	$ 670,179	$ 656,979	$ 13,200
Total General Fund	$ 26,082,820	$ 27,228,703	$ 24,085,179	$ 3,143,524
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	$ -	$ 2,408	$ 2,408	$ -
Total Coal Road Improvement Fund	$ -	$ 2,408	$ 2,408	$ -
Capital Improvements Fund:				
Community development:				
Planning and community development:				
Water and sewer contributions	$ 797,500	$ 797,500	$ 614,633	$ 182,867
Total Capital Improvements Fund	$ 797,500	$ 797,500	$ 614,633	$ 182,867
Total Primary Government	$ 26,880,320	$ 28,028,611	$ 24,702,220	$ 3,326,391
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	$ 2,323,977	$ 2,323,977	$ 2,937,409	$ (613,432)
Instruction costs:				
Instruction	$ 26,310,788	$ 26,310,788	$ 25,256,869	$ 1,053,919
Operating costs:				
Pupil transportation	$ 2,203,914	$ 2,203,914	$ 2,444,875	$ (240,961)
Operation and maintenance of school plant	3,605,216	3,605,216	4,279,037	(673,821)
Food services and non-instructional operations	1,989,700	1,989,700	2,829,355	(839,655)
Facilities	200,000	200,000	106,331	93,669
Technology	1,290,893	1,290,893	937,662	353,231
Total operating costs	$ 9,289,723	$ 9,289,723	$ 10,597,260	$ (1,307,537)
Total education	$ 37,924,488	$ 37,924,488	$ 38,791,538	$ (867,050)
Total School Operating Fund	$ 37,924,488	$ 37,924,488	$ 38,791,538	$ (867,050)

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board (continued)				
Special Revenue Fund:				
School Head Start Fund:				
Education:				
Operating costs:				
Operation of Head Start program	$ 1,550,261	$ 1,550,261	$ 1,548,464	$ 1,797
Total School Head Start Fund	$ 1,550,261	$ 1,550,261	$ 1,548,464	$ 1,797
Total Discretely Presented Component Unit - School Board	$ 39,474,749	$ 39,474,749	$ 40,340,002	$ (865,253)

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2008-09	$ 1,123,200	$ 1,222,940	$ 4,039,816	$ 2,338,333	$ 8,149,399	$ 3,912,437	$ 307,986	$ 343,616	$ 403,879	$ 21,841,606
2009-10	1,207,079	1,152,898	3,728,917	2,498,973	7,309,349	8,994,488	295,114	1,454,559	321,221	26,962,598
2010-11	1,100,035	1,181,231	3,761,689	2,179,475	6,434,758	4,266,223	402,555	327,909	261,726	19,915,601
2011-12	1,050,608	1,082,249	3,704,950	2,277,945	6,348,443	3,993,991	422,822	1,196,362	244,797	20,322,167
2012-13	1,147,160	1,067,011	4,321,233	2,253,377	6,580,988	4,805,659	456,913	407,271	192,257	21,231,869
2013-14	1,370,313	1,042,801	4,835,366	2,235,440	6,878,761	4,214,884	509,961	587,108	215,432	21,890,066
2014-15	1,674,667	1,032,393	4,797,009	2,598,554	7,868,449	4,785,003	529,431	377,682	164,480	23,827,668
2015-16	1,236,676	908,855	5,273,487	2,164,068	7,994,289	2,861,708	546,643	455,125	213,702	21,654,553
2016-17	1,280,155	1,031,469	5,440,000	2,264,130	8,210,746	5,167,171	572,794	388,366	184,699	24,539,530
2017-18	1,345,920	1,054,513	5,784,987	2,290,057	7,888,474	3,266,541	457,539	1,220,391	178,167	23,486,589

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2008-09	$ 368,012	$ 9,507,496	$ 845,418	$ 8,758,438	$ 3,172,765	$ 125,842	$ 460,635	$ 1,004,111	$ 24,242,717
2009-10	335,615	8,369,233	1,218,655	8,731,893	2,446,316	100,507	409,219	1,737,741	23,349,179
2010-11	345,714	8,678,963	807,259	9,247,438	2,596,805	70,945	177,251	1,679,537	23,603,912
2011-12	398,845	7,631,406	1,002,907	9,141,747	3,067,356	89,498	57,975	1,686,729	23,076,463
2012-13	466,567	7,867,563	470,920	8,977,620	2,656,106	90,635	103,975	1,792,153	22,425,539
2013-14	387,988	8,434,498	3,000	9,035,889	2,410,385	83,584	64,424	1,677,730	22,097,498
2014-15	391,806	9,174,855	17,000	9,284,419	2,437,621	88,767	130,475	1,583,800	23,108,743
2015-16	304,439	9,286,956	545,415	9,413,541	2,433,363	91,731	154,560	1,588,283	23,818,288
2016-17	409,602	9,501,413	238,883	9,416,374	2,348,716	93,411	180,866	1,598,415	23,787,680
2017-18	362,794	9,616,869	614,633	9,401,036	2,438,443	102,684	96,512	1,874,132	24,507,103

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental (3)	Capital Projects	Debt Service	Total
2008-09	$ 1,347,515	$ 1,236,003	$ 4,324,096	$ 1,913,309	$ 8,250,829	$ 41,642,557	$ 256,764	$ 285,096	$ -	$ 2,869,181	$ 1,700,772	$ 63,826,122
2009-10	1,260,470	1,155,756	4,653,431	2,004,130	7,452,220	41,728,782	249,240	232,726	-	1,734,350	2,126,951	62,598,056
2010-11	1,196,698	1,191,147	4,404,622	1,735,871	6,628,546	38,993,294	280,748	248,688	25,575	927,691	597,032	56,229,912
2011-12	1,222,492	1,099,211	4,273,367	1,791,908	6,440,926	37,624,941	294,434	394,103	18,282	656,386	709,698	54,525,748
2012-13	1,340,114	1,080,177	4,385,599	1,739,984	6,586,407	35,969,716	311,964	409,339	12,615	568,813	2,817,438	55,222,166
2013-14	1,397,440	1,043,375	4,752,870	1,941,712	7,013,740	35,239,555	309,377	463,198	19,114	230,365	574,858	52,985,604
2014-15	1,816,613	1,070,181	4,861,877	2,114,023	7,945,407	36,103,450	337,321	376,291	19,883	106,284	537,961	55,289,291
2015-16	1,405,618	960,385	5,462,812	1,863,565	8,201,547	35,313,755	357,867	463,243	30,429	1,311,379	2,167,141	57,537,741
2016-17	1,379,545	1,051,408	5,830,341	1,669,848	8,295,771	39,650,960	377,744	389,926	32,662	92,354	722,420	59,492,979
2017-18	1,592,446	1,111,986	6,340,021	1,748,011	7,988,986	40,359,342	303,273	1,220,508	20,884	501,347	656,979	61,843,783

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
(3) Transfer of grant proceeds.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2008-09	$ 9,204,997	$ 3,172,765	$ 35,095	$ 13,631	$ 127,859	$ 933,709	$ 580,723	$ 1,340,376	$ 48,143,652	$ 63,552,807
2009-10	8,794,311	2,446,316	34,963	12,773	101,760	892,241	501,443	1,572,932	47,404,594	61,761,333
2010-11	8,872,816	2,596,805	29,075	10,365	89,504	812,361	217,799	2,585,373	43,791,720	59,005,818
2011-12	8,943,118	3,067,356	29,189	2,679	90,715	858,542	131,316	1,722,766	41,153,310	55,998,991
2012-13	8,974,349	2,656,106	31,861	2,957	91,606	912,199	209,358	1,115,623	38,934,262	52,928,321
2013-14	8,903,972	2,410,385	36,071	3,784	84,596	716,628	573,487	1,325,166	39,425,164	53,479,253
2014-15	9,356,898	2,437,621	65,553	2,557	89,609	670,028	163,916	1,243,334	41,532,295	55,561,811
2015-16	9,133,324	2,433,363	53,901	3,754	94,557	453,485	171,130	1,253,055	41,467,802	55,064,371
2016-17	9,793,770	2,348,716	60,884	1,065	98,251	714,165	328,744	1,517,237	45,463,161	60,325,993
2017-18	9,346,137	2,438,443	73,612	628	106,305	436,659	193,962	1,105,773	46,491,233	60,192,752

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

County of Lee, 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	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2008-09	$ 9,041,126	$ 8,418,889	93.12%	$ 614,071	$ 9,032,960	99.91%	$ 1,304,221	14.43%
2009-10	8,630,941	8,126,279	94.15%	409,561	8,535,840	98.90%	1,315,201	15.24%
2010-11	8,656,848	7,982,430	92.21%	603,009	8,585,439	99.18%	1,304,876	15.07%
2011-12	8,806,899	8,232,502	93.48%	433,804	8,666,306	98.40%	1,369,817	15.55%
2012-13	8,832,738	8,184,060	92.66%	507,811	8,691,871	98.41%	1,431,419	16.21%
2013-14	8,726,504	7,917,499	90.73%	528,092	8,445,591	96.78%	1,685,412	19.31%
2014-15	8,840,676	8,058,024	91.15%	789,531	8,847,555	100.08%	1,556,832	17.61%
2015-16	8,846,998	8,172,731	92.38%	499,254	8,671,985	98.02%	1,761,686	19.91%
2016-17	8,970,226	8,319,766	92.75%	888,007	9,207,773	102.65%	1,424,410	15.88%
2017-18	9,021,487	8,344,811	92.50%	464,500	8,809,311	97.65%	1,533,230	17.00%

(1) Exclusive of penalties and interest.
(2) Adjusted for tax supplements and exonerations

Table 6

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

Fiscal Year	Real Estate (2) (4)	Personal Property and Mobile Homes (3)	Machinery and Tools	Merchant's Capital	Public Utility (1) Real Estate and Personal Property	Total
2008-09	$ 731,569,173	$ 171,073,559	$ 38,699,260	$ 6,067,485	$ 55,408,083	$ 1,002,817,560
2009-10	743,692,758	156,055,503	44,210,965	4,909,268	54,291,139	1,003,159,633
2010-11	869,405,405	152,842,581	31,162,330	4,828,599	68,718,093	1,126,957,008
2011-12	870,493,305	162,370,950	38,771,386	5,311,700	65,596,616	1,142,543,957
2012-13	877,247,929	150,930,178	39,381,465	5,506,494	69,780,906	1,142,846,972
2013-14	880,347,436	150,961,628	36,979,868	5,611,004	61,492,523	1,135,392,459
2014-15	893,516,153	157,875,864	35,105,052	5,005,906	67,704,281	1,159,207,256
2015-16	894,666,051	157,268,434	31,980,335	4,795,659	77,899,412	1,166,609,891
2016-17	943,846,489	162,526,640	24,656,658	4,974,615	88,010,662	1,224,015,064
2017-18	946,739,182	162,526,640	26,069,337	4,762,661	90,332,400	1,230,430,220

(1) Assessed values are established by the State Corporation Commission.
(2) Includes minerals.
(3) Includes business property.
(4) Original assessments presented above.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2008-09	$ 0.75	$ 2.00	$ 2.00	$ 1.25
2009-10	0.75	2.00	2.00	1.41
2010-11	0.65	2.00	2.00	1.41
2011-12	0.65	2.00	2.00	1.41
2012-13	0.65	2.00	2.00	1.41
2013-14	0.65	2.00	2.00	1.41
2014-15	0.65	2.00	2.00	1.41
2015-16	0.65	2.00	2.00	1.41
2016-17	0.62	2.00	2.00	1.41
2017-18	0.62	2.00	2.00	1.41

(1) Per $100 of assessed value.

Table 8

County of Lee, 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)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	$ 23,589	$ 1,002,818	$ 1,935,162	$ 1,935,162	0.19%	$ 82
2009-10	23,589	1,003,160	1,968,610	1,968,610	0.20%	83
2010-11	25,587	1,126,957	1,815,576	1,815,576	0.16%	71
2011-12	25,587	1,142,544	1,690,000	1,690,000	0.15%	66
2012-13	25,474	1,142,847	3,570,000	3,570,000	0.31%	140
2013-14	25,474	1,135,392	3,716,951	3,716,951	0.33%	146
2014-15	25,474	1,159,207	3,578,907	3,578,907	0.31%	140
2015-16	25,587	1,166,610	2,321,827	2,321,827	0.20%	91
2016-17	25,587	1,224,015	2,165,908	2,165,908	0.18%	85
2017-18	25,587	1,230,430	2,095,386	2,095,386	0.17%	82

(1) Bureau of the Census.
(2) 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 Lee, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded Debt to
Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2008-09	$ 1,202,282	$ 498,490	$ 1,700,772	$ 63,826,122	2.66%
2009-10	1,808,388	318,563	2,126,951	62,598,056	3.40%
2010-11	341,966	255,066	597,032	56,229,912	1.06%
2011-12	591,884	247,753	839,637	54,525,748	1.54%
2012-13	2,616,243	201,195	2,817,438	55,222,166	5.10%
2013-14	349,153	225,705	574,858	52,985,604	1.08%
2014-15	338,578	199,383	537,961	55,289,291	0.97%
2015-16	1,901,338	237,595	2,138,933	57,537,741	3.72%
2016-17	535,454	186,966	722,420	59,492,979	1.21%
2017-18	473,314	183,665	656,979	61,843,783	1.06%

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

COMPLIANCE SECTION

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

To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, 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 Lee, 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 Lee, Virginia's basic financial statements, and have issued our report thereon dated March 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit – Lee County Public Service Authority, the discretely presented component unit – Lee County Industrial Development Authority, and the discretely presented component unit – Lee County Hospital Authority, as described in our report on the County of Lee, 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 the County of Lee, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lee, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Lee, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness [2018-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lee, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-002.

County of Lee, Virginia's Response to Findings

County of Lee, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Lee, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 15, 2019

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

To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, Virginia

Report on Compliance for Each Major Federal Program

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

The County of Lee, Virginia's basic financial statements include the operations of the Lee County Public Service Authority, Lee County Industrial Development Authority, and Lee County Hospital Authority, which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the Lee County Public Service Authority, Lee County Industrial Development Authority, or Lee County Hospital Authority because the component units engaged other auditors to perform their audit in accordance with the *Uniform Guidance*, if applicable.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
March 15, 2019

County of Lee, 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:						
Direct Payments:						
Head Start	93.600	Not applicable			$ 1,404,575	
Pass Through Payments:						
Department of Social Services:						
Promoting Safe and Stable Families	93.556	0950116, 0950117			21,323	
Temporary Assistance for Needy Families	93.558	0400117, 0400118			491,020	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117, 0500118			654	
Low-Income Home Energy Assistance	93.568	0600417, 0600418			62,892	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117, 0900118			1,555	
Social Services Block Grant	93.667	1000117, 1000118			460,310	
Chafee Foster Care Independence Program	93.674	9150117, 9150118			4,974	
Chafee Education and Training Vouchers Program	93.599	9160117, 9160118			4,286	
Children's Health Insurance Program	93.767	0540117, 0540118			19,363	
Medical Assistance Program	93.778	1200117, 1200118			501,169	
Foster Care - Title IV-E	93.658	1100117, 1100118			469,540	
Adoption Assistance	93.659	1100117, 1100118			680,685	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117, 0760118			73,010	
Total Department of Health and Human Services					$ 4,195,356	
Department of Agriculture:						
Direct Payments:						
Child and Adult Care Food Program	10.558	Not applicable			$ 1,165,508	
Pass Through Payments:						
Child Nutrition Cluster:						
Department of Agriculture:						
Food Distribution (Note C)	10.555	Not available	$ 117,537			
Department of Education:						
National School Lunch Program	10.555	APE40254	1,038,047	$ 1,155,584		
School Breakfast Program	10.553	APE40253		424,624	1,580,208	
Fresh Fruit and Vegetable Program	10.582	APE40252			5,166	
Child Nutrition Discretionary Grants Limited Availability	10.579	APE40622			54,185	
Schools and Roads - Grants to States	10.665	APE43841			20,481	
Department of Social Services:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117, 0010118 0040117, 0040118			489,311	
Total Department of Agriculture					$ 3,314,859	
Department of Justice:						
Pass Through Payments:						
Department of Criminal Justice Service:						
Crime Victim Assistance	16.575	16VAGX0039			$ 80,176	
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0558			264,999	
Total Department of Justice					$ 345,175	
Department of Transportation:						
Pass Through Payments:						
National Priority Safety Programs	20.616	M6OT-2018-58349-8349			$ 28,327	
Department of Housing and Urban Development:						
Pass Through Payments:						
Department of Housing and Community Development:						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790			$ 534,507	$ 534,507

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures	Subrecipient Expenditures
Department of Education:					
Pass Through Payments:					
Department of Education:					
Career and Technical Education - Basic Grants to States	84.048	APE61095		$ 64,888	
Student Support and Academic Achievement	84.424	APE60281		6,845	
Rural Education	84.358	APE43481		79,105	
Supporting Effective Instruction State Grant	84.367	APE61480		152,163	
Title I: Grants to Local Educational Agencies	84.010	APE42901		1,545,337	
Special Education Cluster (IDEA)					
Special Education - Grants to States	84.027	APE43071	$ 1,033,785		
Special Education - Preschool Grants	84.173	APE62521	24,461	1,058,246	
Total Department of Education				$ 2,906,584	
Appalachian Regional Commission (ARC):					
Direct Payments:					
Appalachian Area Development	23.002	HCD49301		$ 80,126	$ 80,126
Total Expenditures of Federal Awards				$ 11,404,934	$ 614,633

Notes to the Schedule of 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 Lee, 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 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 the Uniform Guidance , wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

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 Lee County School Board had food commodities totaling $0 in inventory.

Note D -- Outstanding Balance of Federal Loans

The County did note have any loans or loan guarantees which are subject to reproting requirements for the current year.

Note E -- Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	$ 3,860,700
Payments in Lieu of Taxes	(207,106)
Capital Improvements Fund	614,633
Total primary government	$ 4,268,227
Component Unit School Board:	
School Operating Fund	$ 5,595,364
School Head Start Fund	1,541,343
Total Component Unit School Board	$ 7,136,707
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	$ 11,404,934

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
14.228	Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii
84.010	Title I: Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster

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

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

Section II - Financial Statement Findings

2018-001

Criteria:	Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County and School Board do not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the County's or School Board's internal controls over financial reporting.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2018-002

Criteria:	The County and its volunteer agencies participate in the Virginia Retirement System Line of Duty Act (LODA) Plan. The LODA Plan requires covered employees be eligible as specified in Plan documents.
Condition:	The County includes volunteer agencies in the LODA Plan but was unable to document the eligiblity of any of the volunteer members.
Cause of Condition:	The County has difficulty obtaining up to date enrollment and position reports from the volunteer agencies and rolls forward prior listings for each annual renewal.
Effect of Condition:	The County has 221 volunteers included in its 250 individuals covered in the LODA Plan and therefore a majority of the participants may or may not be eligible for the Plan.

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

Section II - Financial Statement Findings (continued)

2018-002 (continued)

Recommendation:	Management should obtain an accurate position listing for each volunteer agency prior to allowing them to continue participating in the VRS LODA Plan. Further, the listing should include required census (full name, gender, date of birth, agency, and personnel type) information to allow for testing in accordance with the Auditor of Public Accounts' (APA) *Specifications for Counties, Cities, and Towns*.
Management's Response:	Management will attempt to obtain updated and complete information from the volunteer agencies to ensure only eligible participants are included.

Section III - Federal Award Findings

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

Section IV - Status of Prior Audit Findings

Prior year finding 2017-002 was corrected and 2017-001 reoccured as 2018-001.