

COUNTY OF CHARLES CITY, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Floyd H. Miles, Sr., Chairperson

William G. Coada, Vice Chairperson

Gilbert Smith

Board of Social Services

Floyd H. Miles, Sr., Chairperson

Yvonne W. Bradby
Edna M. Bates

Sylvia A. Owens, Vice Chairperson
Sylvia B. Wynn

County School Board

Helen Payne-Jones, Chairperson

Martha Harris
Dr. Steve D. Fuhrmann

Herbert J. Johnson, Vice Chairperson
E. Preston Adkins

Other Officials

Chief Judge of the Circuit Court B. Elliott Bondurant
Clerk of the Circuit Court Victoria E. Washington
Commonwealth's Attorney Robert H. Tyler
Commissioner of the Revenue Denise B. Smith
Treasurer Mindy Bradby
Sheriff Alan M. Jones, Sr.
Superintendent of Schools Dr. David W. Gaston
Director of Social Services Elizabeth B. Holt
County Administrator Michelle Johnson
Chief Judge of the General District Court Colleen K. Killilea
Chief Judge of the Juvenile and Domestic Relations Court Wade A. Bowie
County Attorney B. Randolph Boyd

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Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 23 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 82, and 83-99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of County of Charles City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Charles City, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Charles City, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia

November 1, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Charles City County, Virginia

As management of the County of Charles City, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,799,644 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other uses in excess of revenues and other financing sources of \$1,793,907 (Exhibit 5) after making contributions totaling \$6,200,455 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$10,028,258, a decrease of \$1,793,907 in comparison with the prior year.
- < At the end of the current fiscal year, the unassigned fund balance was \$6,552,033, or 31% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,015,639 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements (Continued)

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

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Charles City, Virginia itself (known as the primary government), but also a legally separate school district and an industrial development authority for which the County of Charles City, Virginia is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Overview of the Financial Statements (Continued)

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

The Broadband fund provides broadband services to County residents.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is a custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension and OPEB funding schedules. Other supplementary information includes combining financial statements for the discretely presented component unit - School Board and financial statements for the Economic Development Authority. The School Board and Economic Development Authority do not issue separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,799,644 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Charles City, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,701,188	\$ 13,260,969	\$ 11,976	\$ 77,416	\$ 11,713,164	\$ 13,338,385
Capital assets	<u>10,770,471</u>	<u>8,036,321</u>	<u>5,960,128</u>	<u>5,000,405</u>	<u>16,730,599</u>	<u>13,036,726</u>
Total assets	<u>\$ 22,471,659</u>	<u>\$ 21,297,290</u>	<u>\$ 5,972,104</u>	<u>\$ 5,077,821</u>	<u>\$ 28,443,763</u>	<u>\$ 26,375,111</u>
Deferred outflows of resources	<u>\$ 320,105</u>	<u>\$ 322,892</u>	<u>\$ 19,920</u>	<u>\$ 22,123</u>	<u>\$ 340,025</u>	<u>\$ 345,015</u>
Current liabilities	\$ 874,567	\$ 702,643	\$ 116,982	\$ 96,494	\$ 991,549	\$ 799,137
Long-term liabilities outstanding	<u>4,751,585</u>	<u>5,808,259</u>	<u>1,549,936</u>	<u>1,508,901</u>	<u>6,301,521</u>	<u>7,317,160</u>
Total liabilities	<u>\$ 5,626,152</u>	<u>\$ 6,510,902</u>	<u>\$ 1,666,918</u>	<u>\$ 1,605,395</u>	<u>\$ 7,293,070</u>	<u>\$ 8,116,297</u>
Deferred inflows of resources	<u>\$ 664,883</u>	<u>\$ 553,933</u>	<u>\$ 26,191</u>	<u>\$ 9,758</u>	<u>\$ 691,074</u>	<u>\$ 563,691</u>
Net investment in capital assets	\$ 8,202,066	\$ 5,020,801	\$ 4,549,156	\$ 3,671,697	\$ 12,751,222	\$ 8,692,498
Restricted	942,027	902,360	-	-	942,027	902,360
Unrestricted (deficit)	<u>7,356,636</u>	<u>8,632,186</u>	<u>(250,241)</u>	<u>(186,906)</u>	<u>7,106,395</u>	<u>8,445,280</u>
Total net position	<u>\$ 16,500,729</u>	<u>\$ 14,555,347</u>	<u>\$ 4,298,915</u>	<u>\$ 3,484,791</u>	<u>\$ 20,799,644</u>	<u>\$ 18,040,138</u>

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Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net position increased by \$2,759,506. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,946,874	\$ 3,471,874	\$ 112,943	\$ 130,188	\$ 4,059,817	\$ 3,602,062
Operating grants and contributions	2,353,025	1,825,761	-	-	2,353,025	1,825,761
Capital grants and contributions	-	-	31,900	200,745	31,900	200,745
General revenues:						
General property taxes	10,071,186	9,468,127	-	-	10,071,186	9,468,127
Other local taxes	1,130,514	781,089	-	-	1,130,514	781,089
Grants and other contributions not restricted	866,052	1,150,010	-	-	866,052	1,150,010
Other general revenues	1,106,258	200,821	-	-	1,106,258	200,821
Contribution to the Broadband fund	-	-	-	-	-	-
Transfers	(1,439,965)	(714,228)	1,439,965	714,228	-	-
Total revenues	\$ 18,033,944	\$ 16,183,454	\$ 1,584,808	\$ 1,045,161	\$ 19,618,752	\$ 17,228,615
Expenses:						
General government						
administration	\$ 2,209,891	\$ 2,113,816	\$ -	\$ -	\$ 2,209,891	\$ 2,113,816
Judicial administration	779,591	808,465	-	-	779,591	808,465
Public safety	2,841,701	2,378,549	-	-	2,841,701	2,378,549
Public works	1,196,210	1,126,433	770,684	661,632	1,966,894	1,788,065
Health and welfare	1,856,170	1,498,555	-	-	1,856,170	1,498,555
Education	6,201,684	5,754,083	-	-	6,201,684	5,754,083
Parks, recreation, and cultural	732,912	654,913	-	-	732,912	654,913
Community development	197,844	228,622	-	-	197,844	228,622
Interest and other fiscal charges	72,559	52,743	-	-	72,559	52,743
Total expenses	\$ 16,088,562	\$ 14,616,179	\$ 770,684	\$ 661,632	\$ 16,859,246	\$ 15,277,811
Change in net position	\$ 1,945,382	\$ 1,567,275	\$ 814,124	\$ 383,529	\$ 2,759,506	\$ 1,950,804
Net position, beginning of year	14,555,347	12,988,072	3,484,791	3,101,262	18,040,138	16,089,334
Net position, end of year	\$ 16,500,729	\$ 14,555,347	\$ 4,298,915	\$ 3,484,791	\$ 20,799,644	\$ 18,040,138

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental fund reported fund balances of \$10,028,58, a decrease of \$1,793,907 in comparison with the prior year.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to a deficit of \$250,241. Net position increased by \$814,124. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues and other financing sources exceeded budgetary estimates by \$2,051,055. Expenditures and other uses were less than budgetary estimates by \$128,773. The combination of both resulted in a net positive variance of \$2,179,828.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounted to \$10,770,471 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$3,979,377. The County's debt is secured solely by specified revenue sources (i.e., lease/revenue bonds, capital leases and revenue bonds). During the current fiscal year, the County's total debt decreased by \$364,851. Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2020 fiscal year.

Requests for Information This financial report is designed to provide a general overview of the County of Charles City, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 10900 Courthouse Road, Charles City, Virginia, 23030.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Charles City, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	EDA
	<u>Activities</u>	<u>Activities</u>		<u>School Board</u>	<u>EDA</u>
ASSETS					
Cash and cash equivalents	\$ 9,927,823	\$ -	\$ 9,927,823	\$ 543,180	\$ 1,246,492
Receivables (net of allowance for uncollectibles):					
Taxes receivable	824,500	-	824,500	-	-
Accounts receivable	30,500	11,976	42,476	51,432	-
Due from other governmental units	454,169	-	454,169	377,877	-
Internal balances	45,253	(45,253)	-	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents restricted for debt	418,943	-	418,943	-	-
Net pension asset	-	-	-	296,052	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,549,410	7,819	1,557,229	263,786	-
Buildings and improvements	8,643,084	3,937,477	12,580,561	6,693,909	-
Machinery and equipment	457,472	74,069	531,541	754,909	-
Construction in progress	120,505	1,940,763	2,061,268	-	-
Total assets	<u>\$ 22,471,659</u>	<u>\$ 5,926,851</u>	<u>\$ 28,398,510</u>	<u>\$ 8,981,145</u>	<u>\$ 1,246,492</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 280,100	\$ 17,752	\$ 297,852	\$ 863,406	\$ -
OPEB related items	40,005	2,168	42,173	94,564	-
Total deferred outflows of resources	<u>\$ 320,105</u>	<u>\$ 19,920</u>	<u>\$ 340,025</u>	<u>\$ 957,970</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 770,844	\$ 70,389	\$ 841,233	\$ 260,290	\$ -
Accrued liabilities	-	-	-	688,350	-
Customers' deposits	-	1,340	1,340	-	-
Accrued interest payable	152	-	152	-	-
Performance bonds	103,571	-	103,571	-	-
Long-term liabilities:					
Due within one year	323,819	62,430	386,249	13,401	-
Due in more than one year	4,427,766	1,487,506	5,915,272	7,681,613	-
Total liabilities	<u>\$ 5,626,152</u>	<u>\$ 1,621,665</u>	<u>\$ 7,247,817</u>	<u>\$ 8,643,654</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 128,237	\$ -	\$ 128,237	\$ -	\$ -
Pension related items	509,021	24,428	533,449	1,333,815	-
OPEB related items	27,625	1,763	29,388	117,000	-
Total deferred inflows of resources	<u>\$ 664,883</u>	<u>\$ 26,191</u>	<u>\$ 691,074</u>	<u>\$ 1,450,815</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 8,202,066	\$ 4,549,156	\$ 12,751,222	\$ 7,712,604	\$ -
Restricted	942,027	-	942,027	-	-
Unrestricted (deficit)	7,356,636	(250,241)	7,106,395	(7,867,958)	1,246,492
Total net position	<u>\$ 16,500,729</u>	<u>\$ 4,298,915</u>	<u>\$ 20,799,644</u>	<u>\$ (155,354)</u>	<u>\$ 1,246,492</u>

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

County of Charles City, Virginia
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	Component Units	
			Grants and Contributions	Capital Grants and Contributions				School Board	EDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,209,891	\$ -	\$ 202,513	\$ -	\$ (2,007,378)	\$ -	\$ (2,007,378)	\$ -	\$ -
Judicial administration	779,591	50,801	308,126	-	(420,664)	-	(420,664)	-	-
Public safety	2,841,701	259,873	649,032	-	(1,932,796)	-	(1,932,796)	-	-
Public works	1,196,210	3,612,168	-	-	2,415,958	-	2,415,958	-	-
Health and welfare	1,856,170	-	1,182,648	-	(673,522)	-	(673,522)	-	-
Education	6,201,684	-	-	-	(6,201,684)	-	(6,201,684)	-	-
Parks, recreation, and cultural	732,912	24,032	4,500	-	(704,380)	-	(704,380)	-	-
Community development	197,844	-	6,206	-	(191,638)	-	(191,638)	-	-
Interest on long-term debt	72,559	-	-	-	(72,559)	-	(72,559)	-	-
Total governmental activities	\$ 16,088,562	\$ 3,946,874	\$ 2,353,025	\$ -	\$ (9,788,663)	\$ -	\$ (9,788,663)	\$ -	\$ -
Business-type activities:									
Sanitary District	\$ 725,027	\$ 106,943	\$ -	\$ 31,900	\$ -	\$ (586,184)	\$ (586,184)	\$ -	\$ -
Broadband	45,657	6,000	-	-	-	(39,657)	(39,657)	-	-
Total business-type activities	\$ 770,684	\$ 112,943	\$ -	\$ 31,900	\$ -	\$ (625,841)	\$ (625,841)	\$ -	\$ -
Total primary government	\$ 16,859,246	\$ 4,059,817	\$ 2,353,025	\$ 31,900	\$ (9,788,663)	\$ (625,841)	\$ (10,414,504)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 10,528,089	\$ 83,235	\$ 4,460,017	\$ -	\$ -	\$ -	\$ (5,984,837)	\$ -	\$ -
Economic Development Authority	24,154	54,938	-	-	-	-	-	-	30,784
Total component units	\$ 10,552,243	\$ 138,173	\$ 4,460,017	\$ -	\$ -	\$ -	\$ (5,984,837)	\$ -	\$ 30,784
General revenues:									
General property taxes					\$ 10,071,186	\$ -	\$ 10,071,186	\$ -	\$ -
Local sales and use taxes					851,629	-	851,629	-	-
Consumer's utility taxes					155,933	-	155,933	-	-
Other local taxes					122,952	-	122,952	-	-
Unrestricted revenues from use of money and property					48,356	-	48,356	35,933	35,704
Miscellaneous					1,057,902	-	1,057,902	106,784	-
Grants and contributions not restricted to specific programs					866,052	-	866,052	-	-
Payment from Charles City County					-	-	-	6,200,455	-
Transfers					(1,439,965)	1,439,965	-	-	-
Total general revenues and transfers					\$ 11,734,045	\$ 1,439,965	\$ 13,174,010	\$ 6,343,172	\$ 35,704
Change in net position					\$ 1,945,382	\$ 814,124	\$ 2,759,506	\$ 358,335	\$ 66,488
Net position - beginning					\$ 14,555,347	\$ 3,484,791	\$ 18,040,138	\$ (513,689)	\$ 1,180,004
Net position - ending					\$ 16,500,729	\$ 4,298,915	\$ 20,799,644	\$ (155,354)	\$ 1,246,492

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

FUND FINANCIAL STATEMENTS

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County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 9,927,823
Receivables (net of allowance for uncollectibles):	
Taxes receivable	824,500
Accounts receivable	30,500
Due from other governmental units	454,169
Due from other funds	45,253
Restricted assets:	
Cash and cash equivalents	418,943
Total assets	<u>\$ 11,701,188</u>
LIABILITIES	
Accounts payable	\$ 770,844
Performance bonds	103,571
Total liabilities	<u>\$ 874,415</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 798,515
Total deferred inflows of resources	<u>\$ 798,515</u>
FUND BALANCES	
Restricted	\$ 942,027
Committed	2,179,557
Assigned	354,641
Unassigned	6,552,033
Total fund balances	<u>\$ 10,028,258</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,701,188</u>

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

County of Charles City, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,028,258
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:</p>		
Capital assets, cost	\$ 20,028,958	
Accumulated depreciation	<u>(9,258,487)</u>	10,770,471
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p>		
Unavailable revenue - property taxes		670,278
<p>Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.</p>		
Pension related items	\$ 280,100	
OPEB related items	<u>40,005</u>	320,105
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:</p>		
General obligation bond	\$ (2,500,000)	
Compensated absences	(189,739)	
Capital lease	(68,405)	
Net pension liability	(1,263,552)	
Net OPEB liabilities	(729,889)	
Accrued interest payable	<u>(152)</u>	(4,751,737)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Pension related items	\$ (509,021)	
OPEB related items	<u>(27,625)</u>	(536,646)
Net position of governmental activities		<u><u>\$ 16,500,729</u></u>

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

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

		<u>General</u>
REVENUES		
General property taxes	\$	10,011,303
Other local taxes		1,130,514
Permits, privilege fees, and regulatory licenses		3,705,860
Fines and forfeitures		34,071
Revenue from the use of money and property		48,356
Charges for services		206,943
Miscellaneous		1,057,902
Recovered costs		45,065
Intergovernmental:		
Commonwealth		2,672,983
Federal		546,094
Total revenues	\$	<u>19,459,091</u>
EXPENDITURES		
Current:		
General government administration	\$	2,102,229
Judicial administration		720,479
Public safety		2,842,533
Public works		1,275,748
Health and welfare		1,794,281
Education		6,201,684
Parks, recreation, and cultural		603,487
Community development		310,918
Capital projects		3,440,065
Debt service:		
Principal retirement		447,115
Interest and other fiscal charges		74,494
Total expenditures	\$	<u>19,813,033</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(353,942)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	\$	(1,439,965)
Total other financing sources (uses)	\$	<u>(1,439,965)</u>
Net change in fund balances	\$	(1,793,907)
Fund balances - beginning		11,822,165
Fund balances - ending	\$	<u><u>10,028,258</u></u>

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

County of Charles City, 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, 2019

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

Net change in fund balances - total governmental funds \$ (1,793,907)

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

Capital outlay	\$ 3,245,119	
Depreciation expense	<u>(510,969)</u>	2,734,150

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

Property taxes	59,883
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$ 390,837	
Principal retirement on capital leases	<u>56,278</u>	447,115

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (9,719)	
Pension expense	481,954	
OPEB expense	23,971	
Change in accrued interest payable	<u>1,935</u>	498,141

Change in net position of governmental activities	<u><u>\$ 1,945,382</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Sanitary District	Broadband	Total
ASSETS			
Current assets:			
Accounts receivable, net of allowance for uncollectibles	\$ 11,976	\$ -	\$ 11,976
Total current assets	\$ 11,976	\$ -	\$ 11,976
Noncurrent assets:			
Capital assets:			
Buildings and improvements	\$ 6,165,028	\$ 614,587	\$ 6,779,615
Machinery and equipment	140,895	23,534	164,429
Accumulated depreciation	(2,832,417)	(100,081)	(2,932,498)
Construction in progress	1,940,763	-	1,940,763
Land and land improvements	7,819	-	7,819
Total net capital assets	\$ 5,422,088	\$ 538,040	\$ 5,960,128
Total noncurrent assets	\$ 5,422,088	\$ 538,040	\$ 5,960,128
Total assets	\$ 5,434,064	\$ 538,040	\$ 5,972,104
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 17,752	\$ -	\$ 17,752
OPEB related items	2,168	-	2,168
Total deferred outflows of resources	\$ 19,920	\$ -	\$ 19,920
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 68,361	\$ 2,028	\$ 70,389
Due to other funds	35,377	9,876	45,253
Customers' deposits	1,340	-	1,340
Bond payable - current portion	61,200	-	61,200
Compensated absences - current portion	1,230	-	1,230
Total current liabilities	\$ 167,508	\$ 11,904	\$ 179,412
Noncurrent liabilities:			
Bond payable	\$ 1,349,772	\$ -	\$ 1,349,772
Net pension liability	80,080	-	80,080
Net OPEB liabilities	46,589	-	46,589
Compensated absences - net of current portion	11,065	-	11,065
Total noncurrent liabilities	\$ 1,487,506	\$ -	\$ 1,487,506
Total liabilities	\$ 1,655,014	\$ 11,904	\$ 1,666,918
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 24,428	\$ -	\$ 24,428
OPEB related items	1,763	-	1,763
Total deferred inflows of resources	\$ 26,191	\$ -	\$ 26,191
NET POSITION			
Net investment in capital assets	\$ 4,011,116	\$ 538,040	\$ 4,549,156
Unrestricted	(238,337)	(11,904)	(250,241)
Total net position	\$ 3,772,779	\$ 526,136	\$ 4,298,915

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds		
	Sanitary District	Broadband	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 106,943	\$ -	\$ 106,943
Broadband fees	-	6,000	6,000
Total operating revenues	<u>\$ 106,943</u>	<u>\$ 6,000</u>	<u>\$ 112,943</u>
OPERATING EXPENSES			
Water	\$ 44,117	\$ -	\$ 44,117
Wastewater	60,593	-	60,593
Industrial center	108,774	-	108,774
Government utility	331,007	-	331,007
Special projects	17,763	-	17,763
Broadband operations	-	12,297	12,297
Depreciation	162,773	33,360	196,133
Total operating expenses	<u>\$ 725,027</u>	<u>\$ 45,657</u>	<u>\$ 770,684</u>
Operating income (loss)	<u>\$ (618,084)</u>	<u>\$ (39,657)</u>	<u>\$ (657,741)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital contributions and construction grants	\$ 31,900	\$ -	\$ 31,900
Total nonoperating revenues (expenses)	<u>\$ 31,900</u>	<u>\$ -</u>	<u>\$ 31,900</u>
Income (loss) before transfers	\$ (586,184)	\$ (39,657)	\$ (625,841)
Transfers in	1,439,965	-	1,439,965
Change in net position	<u>\$ 853,781</u>	<u>\$ (39,657)</u>	<u>\$ 814,124</u>
Total net position - beginning	2,918,998	565,793	3,484,791
Total net position - ending	<u><u>\$ 3,772,779</u></u>	<u><u>\$ 526,136</u></u>	<u><u>\$ 4,298,915</u></u>

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

County of Charles City, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds		
	Sanitary District	Broadband	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 112,992	\$ 6,000	\$ 118,992
Payments for operating activities	(610,989)	(10,840)	(621,829)
Net cash provided by (used for) operating activities	<u>\$ (497,997)</u>	<u>\$ (4,840)</u>	<u>\$ (502,837)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 1,480,378	\$ 4,840	\$ 1,485,218
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,480,378</u>	<u>\$ 4,840</u>	<u>\$ 1,485,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (1,155,856)	\$ -	\$ (1,155,856)
Construction grants	31,900	-	31,900
Principal payments on bonds	(61,200)	-	(61,200)
Proceeds from bonds	143,464	-	143,464
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,041,692)</u>	<u>\$ -</u>	<u>\$ (1,041,692)</u>
Net increase (decrease) in cash and cash equivalents	\$ (59,311)	\$ -	\$ (59,311)
Cash and cash equivalents - beginning	59,311	-	59,311
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (618,084)	\$ (39,657)	\$ (657,741)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 162,773	\$ 33,360	\$ 196,133
(Increase) decrease in accounts receivable	6,129	-	6,129
(Increase) decrease in deferred outflows of resources	2,203	-	2,203
Increase (decrease) in customer deposits	(80)	-	(80)
Increase (decrease) in accounts payable	(26,142)	1,457	(24,685)
Increase (decrease) in deferred inflows of resources	16,433	-	16,433
Increase (decrease) in net pension liability	(40,122)	-	(40,122)
Increase (decrease) in net OPEB liabilities	22	-	22
Increase (decrease) in compensated absences	(1,129)	-	(1,129)
Total adjustments	<u>\$ 120,087</u>	<u>\$ 34,817</u>	<u>\$ 154,904</u>
Net cash provided by (used for) operating activities	<u>\$ (497,997)</u>	<u>\$ (4,840)</u>	<u>\$ (502,837)</u>

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

County of Charles City, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2019

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 34,119
LIABILITIES	
Amounts held for social services clients	\$ 34,119

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 1—Summary of Significant Accounting Policies:

County of Charles City, Virginia (the "County") is governed by an elected three-member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, recreational activities, cultural events, education, and social services.

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

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

B. Individual Component Units Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2019.

Discretely Presented Component Units. The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries and also oversees the Children's Services Act. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

The Economic Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Economic Development Authority of Charles City County does not issue a separate financial report.

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

C. Other Related Organizations Excluded from the County’s Annual Financial Report

Riverside Regional Jail Authority

Riverside Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County’s financial statements. The participating jurisdictions provide the financial support for the Authority and appoint its governing board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board’s funding or has oversight responsibility over its operations. Separate audited financial statements are available from the Authority.

Middle Peninsula Detention Center

Middle Peninsula Juvenile Detention Commission was created to construct, equip, maintain and operate a juvenile detention facility serving nineteen member jurisdictions of which the County’s Director of Finance serves as the County’s representative on the board. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o County of James City, Virginia. The County does not retain an ongoing financial interest in or responsibility for the Commission.

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

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

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

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

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

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

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

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

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

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.

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

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

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

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

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

Enterprise Funds -Distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's major enterprise fund consists of the Sanitary District and Broadband.

3. Fiduciary Funds - (Trust and Agency Funds) - Fiduciary funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include the Special Welfare Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation, but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$99,768 at June 30, 2019 and is comprised of property taxes of \$88,667 and water and sewer charges of \$11,101.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	June 5/December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in the year ended June 30, 2019.

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Motor vehicles	5-10
Equipment	2-15
Utility Plant	20-40
Buildings and improvements	20-40

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulated rights to be received for sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, Teacher HIC, LODA, and Medical and Dental Pay-As-You-Go OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

O. Long-Term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

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

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

Q. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

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

Q. Fund Balance (Continued)

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

	General Fund
Fund Balances:	
Restricted:	
Indoor plumbing	\$ 520,378
Forfeited assets	2,706
Debt service reserve	418,943
Total Restricted Fund Balance	\$ 942,027
Committed:	
Public Safety	\$ 155,379
Landfill closure	253,178
Stabilization fund	1,500,000
Economic Development	271,000
Total Committed Fund Balance	\$ 2,179,557
Assigned:	
Capital projects	\$ 354,641
Total Assigned Fund Balance	\$ 354,641
Unassigned	\$ 6,552,033
Total Fund Balances	\$ 10,028,258

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The Board of Supervisors 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. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

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

6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2019.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2019 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	County	
	AAAm	
Local Government Investment Pool	\$	461
Money Market Mutual Fund		418,943
Total	\$	<u>419,404</u>

Interest Rate Risk

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>		
	County		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	
Money Market Mutual Funds	\$ 418,943	\$	418,943
Total	\$ 418,943	\$	<u>418,943</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 3— Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governmental Units:

At June 30, 2019, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 158,356	\$ -
Shared expenses	77,394	-
Recordation tax	4,994	-
VPA funds	17,978	-
Mobile home titling tax	90	-
PSAP grant	7,514	-
State sales tax	-	107,815
VPSA technology	-	105,724
Railroad rolling stock tax	7,167	-
Communications tax	20,938	-
Children's services act	116,813	-
Other state funds	538	-
Federal Government:		
School fund grants	-	153,351
School food funds	-	10,987
Transportation safety	3,240	-
VPA funds	39,147	-
Total due from other governmental units	<u>\$ 454,169</u>	<u>\$ 377,877</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Primary Government:				
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,549,410	\$ -	\$ -	\$ 1,549,410
Construction in progress	998,876	2,967,805	3,846,176	120,505
Total capital assets not subject to depreciation	<u>\$ 2,548,286</u>	<u>\$ 2,967,805</u>	<u>\$ 3,846,176</u>	<u>\$ 1,669,915</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,502,162	\$ 4,036,094	\$ -	\$ 14,538,256
Machinery and equipment	3,733,391	87,396	-	3,820,787
Total capital assets being depreciated	<u>\$ 14,235,553</u>	<u>\$ 4,123,490</u>	<u>\$ -</u>	<u>\$ 18,359,043</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,570,226	\$ 324,946	\$ -	\$ 5,895,172
Machinery and equipment	3,177,292	186,023	-	3,363,315
Total accumulated depreciation	<u>\$ 8,747,518</u>	<u>\$ 510,969</u>	<u>\$ -</u>	<u>\$ 9,258,487</u>
Total capital assets subject to depreciation, net	<u>\$ 5,488,035</u>	<u>\$ 3,612,521</u>	<u>\$ -</u>	<u>\$ 9,100,556</u>
Net capital assets governmental activities	<u>\$ 8,036,321</u>	<u>\$ 6,580,326</u>	<u>\$ 3,846,176</u>	<u>\$ 10,770,471</u>
	Balance			Balance
	July 1, 2018	Additions	Deletions	June 30, 2019
Business-type activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Construction in progress	2,591,433	1,155,856	1,806,526	1,940,763
Total capital assets not subject to depreciation	<u>\$ 2,599,252</u>	<u>\$ 1,155,856</u>	<u>\$ 1,806,526</u>	<u>\$ 1,948,582</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,973,089	\$ 1,806,526	\$ -	\$ 6,779,615
Machinery and equipment	164,429	-	-	164,429
Total capital assets being depreciated	<u>\$ 5,137,518</u>	<u>\$ 1,806,526</u>	<u>\$ -</u>	<u>\$ 6,944,044</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,659,359	\$ 182,779	\$ -	\$ 2,842,138
Machinery and equipment	77,006	13,354	-	90,360
Total accumulated depreciation	<u>\$ 2,736,365</u>	<u>\$ 196,133</u>	<u>\$ -</u>	<u>\$ 2,932,498</u>
Total capital assets subject to depreciation, net	<u>\$ 2,401,153</u>	<u>\$ 1,610,393</u>	<u>\$ -</u>	<u>\$ 4,011,546</u>
Net capital assets business-type activities	<u>\$ 5,000,405</u>	<u>\$ 2,766,249</u>	<u>\$ 1,806,526</u>	<u>\$ 5,960,128</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 263,786	\$ -	\$ -	\$ 263,786
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,777,933	\$ 496,189	\$ -	\$ 19,274,122
Equipment	<u>3,044,300</u>	<u>161,734</u>	<u>296,752</u>	<u>2,909,282</u>
Total capital assets being depreciated	\$ 21,822,233	\$ 657,923	\$ 296,752	\$ 22,183,404
Accumulated depreciation:				
Buildings and improvements	\$ 12,094,420	\$ 485,793	\$ -	\$ 12,580,213
Equipment	<u>2,209,112</u>	<u>242,013</u>	<u>296,752</u>	<u>2,154,373</u>
Total accumulated depreciation	\$ 14,303,532	\$ 727,806	\$ 296,752	\$ 14,734,586
Total capital assets subject to depreciation, net	\$ 7,518,701	\$ (69,883)	\$ -	\$ 7,448,818
Net capital assets Component Unit-School Board	<u>\$ 7,782,487</u>	<u>\$ (69,883)</u>	<u>\$ -</u>	<u>\$ 7,712,604</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 120,158
Judicial administration	133,118
Public safety	72,287
Public works	24,321
Health and welfare	11,077
Parks, recreation and cultural	150,008
Total Governmental activities	<u>\$ 510,969</u>
Business-type activities	<u>\$ 196,133</u>
Component Unit School Board	<u>\$ 727,806</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 1,439,965
Sanitary District	<u>1,439,965</u>	<u>-</u>
Total	<u>\$ 1,439,965</u>	<u>\$ 1,439,965</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligation transactions of the County for the fiscal year ended June 30, 2019:

	<u>Balance at July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 180,020	\$ 27,721	\$ 18,002	\$ 189,739	\$ 18,974
Lease revenue bond	390,837	-	390,837	-	-
General obligation bond	2,500,000	-	-	2,500,000	254,000
Capital leases (Note 8)	124,683	-	56,278	68,405	50,845
Net pension liability	1,883,169	1,291,546	1,911,163	1,263,552	-
Net OPEB liabilities	<u>729,550</u>	<u>107,945</u>	<u>107,606</u>	<u>729,889</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,808,259</u>	<u>\$ 1,427,212</u>	<u>\$ 2,483,886</u>	<u>\$ 4,751,585</u>	<u>\$ 323,819</u>
Business-type Activities:					
Compensated absences	\$ 13,424	\$ 213	\$ 1,342	\$ 12,295	\$ 1,230
Net pension liability	120,202	81,803	121,925	80,080	-
Net OPEB liabilities	46,567	6,890	6,868	46,589	-
Revenue bonds	<u>1,328,708</u>	<u>143,464</u>	<u>61,200</u>	<u>1,410,972</u>	<u>61,200</u>
Total Business-type Activities	<u>\$ 1,508,901</u>	<u>\$ 232,370</u>	<u>\$ 191,335</u>	<u>\$ 1,549,936</u>	<u>\$ 62,430</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
 June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Governmental Activities	
	General Obligation Bond	
	Principal	Interest
2020	\$ 254,000	\$ 55,000
2021	259,600	49,412
2022	265,400	43,701
2023	271,300	37,862
2024	277,300	31,894
2025	283,500	25,792
2026	289,800	19,556
2027	296,300	13,180
2028	302,800	6,662
Total	\$ <u>2,500,000</u>	\$ <u>283,059</u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Year Ending June 30	Business-type Activities	
	Revenue	Bonds
	Principal	Interest
2020	\$ 61,200	\$ -
2021	61,200	-
2022	61,200	-
2023	61,200	-
2024	61,200	-
2025	61,200	-
2026	61,200	-
2027	61,200	-
2028	61,200	-
2029	61,200	-
2030	61,200	-
2031	61,200	-
2032	61,200	-
2033	61,200	-
2034	61,200	-
2035	61,200	-
2036	61,200	-
2037	61,200	-
2038	61,200	-
2039	61,200	-
2040	61,200	-
2041	61,200	-
2042	61,200	-
2043	3,372	-
Total	\$ <u>1,410,972</u>	\$ <u>-</u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

Governmental Activities:

Incurred by County:

General Obligation Bond:

\$2,500,000 general obligation bond payable issued on October 27, 2017, payable in annual installments through August 1, 2027, interest payable semi-annually at 2.20%. \$ 2,500,000

Capital Leases:

\$233,277 Phone system issued on July 1, 2015, due in monthly installments of \$4,439 through November 2020. \$ 68,405

Net pension liability \$ 1,263,552

Net OPEB liabilities \$ 729,889

Compensated absences (payable from the General Fund) \$ 189,739

Total Governmental Activities \$ 4,751,585

Business-type Activities:

Revenue Bonds:

\$1,472,172 VRA Revolving Fund, issued May 16, 2017, due in semi-annual installments of \$31,600 through April 2042, with a final principal payment of \$3,372 due in October 2042, with no interest. \$ 1,410,972

Net pension liability \$ 80,080

Net OPEB liabilities \$ 46,589

Compensated absences (payable from the Enterprise Fund) \$ 12,295

Total Business-type Activities \$ 1,549,936

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 7—Long-Term Obligations: (Continued)

Component Unit-School Board:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2019:

	<u>Balance at July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 119,791	\$ 26,202	\$ 11,979	\$ 134,014	\$ 13,401
Net OPEB liabilities	1,150,000	120,000	195,000	1,075,000	-
Net pension liability	<u>7,260,000</u>	<u>1,550,000</u>	<u>2,324,000</u>	<u>6,486,000</u>	-
Total Component Unit-School Board	<u>\$ 8,529,791</u>	<u>\$ 1,696,202</u>	<u>\$ 2,530,979</u>	<u>\$ 7,695,014</u>	<u>\$ 13,401</u>

Details of long-term obligations:

Compensated absences (payable from the School Fund)	<u>\$ 134,014</u>
Net OPEB liabilities	<u>\$ 1,075,000</u>
Net pension liability	<u>\$ 6,486,000</u>
Total Component Unit-School Board	<u>\$ 7,695,014</u>

Note 8—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of a phone system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Capital Assets:	<u>Primary Government</u>
Equipment	\$ 233,277
Less: accumulated depreciation	<u>(186,622)</u>
Total net capital assets	<u>\$ 46,655</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, are as follows:

Year Ended June 30	Primary Government
2020	\$ 53,266
2021	17,755
	\$ 71,021
Total minimum lease payments	(2,616)
Less: amount representing interest	\$ 68,405
Present value of minimum lease payments	

Note 9—Landfill Closure and Post-Closure Costs:

The County has contracted with a third party, USA Waste of Virginia, to operate a solid waste landfill site under a lease purchase agreement with the County. Under this agreement, USA Waste of Virginia is responsible for all closure and postclosure monitoring costs related to the landfill. USA Waste of Virginia is obligated to finance these costs through a trust fund mechanism. This trust fund is currently being monitored by the County. No amounts have been recorded in these financial statements for this liability because the third party has assumed all closure and postclosure obligations.

Note 10—Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$670,278 at June 30, 2019.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$128,237 at June 30, 2019.

Note 11—Commitments and Contingencies:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of Title 2 *U. S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 11—Commitments and Contingencies: (Continued)

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The following construction contracts were outstanding at June 30, 2019:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Mount Zion Improvements	Power & Flow Solutions, LLC	\$ 1,169,585	\$ 58,479
Library/History Center	David A. Nice Builders	2,993,120	354,641

Note 12—Litigation:

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 14—Pension Plans:

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.

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 14—Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 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	56	22
Inactive members:		
Vested inactive members	14	3
Non-vested inactive members	25	7
Inactive members active elsewhere in VRS	38	4
Total inactive members	77	14
Active members	66	10
Total covered employees	199	46

Note 14—Pension Plans: (Continued)

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 8.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$297,852 and \$322,063 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was .39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$217 and \$4,668 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities (assets) used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Note 14—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 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 14—Pension Plans: (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, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 14—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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Note 14—Pension Plans: (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

Discount Rate (Continued)

rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 15,824,437	\$ 13,821,066	\$ 2,003,371
Changes for the year:			
Service cost	\$ 289,538	\$ -	\$ 289,538
Interest	1,073,166	-	1,073,166
Differences between expected and actual experience	(544,856)	-	(544,856)
Contributions - employer	-	322,063	(322,063)
Contributions - employee	-	153,218	(153,218)
Net investment income	-	1,012,150	(1,012,150)
Benefit payments, including refunds			
Refunds of employee contributions	(986,995)	(986,995)	-
Administrative expenses	-	(8,956)	8,956
Other changes	-	(888)	888
Net changes	\$ (169,147)	\$ 490,592	\$ (659,739)
Balances at June 30, 2018	\$ 15,655,290	\$ 14,311,658	\$ 1,343,632

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2017	\$ 1,598,693	\$ 1,863,339	\$ (264,646)
Changes for the year:			
Service cost	\$ 23,133	\$ -	\$ 23,133
Interest	108,052	-	108,052
Differences between expected and actual experience	(12,006)	-	(12,006)
Contributions - employer	-	4,668	(4,668)
Contributions - employee	-	11,958	(11,958)
Net investment income	-	135,298	(135,298)
Benefit payments, including refunds			
Refunds of employee contributions	(110,197)	(110,197)	-
Administrative expenses	-	(1,221)	1,221
Other changes	-	(118)	118
Net changes	\$ 8,982	\$ 40,388	\$ (31,406)
Balances at June 30, 2018	\$ 1,607,675	\$ 1,903,727	\$ (296,052)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 3,276,190	\$ 1,343,632	\$ (268,479)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (133,517)	\$ (296,052)	\$ (434,813)

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$204,752) and (\$23,028) respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 413,281	\$ -	\$ 4,359
Change of assumptions	-	5,498	-	-
Net difference between projected and actual earnings on pension plan investments	-	114,670	-	13,456
Employer contributions subsequent to the measurement date	297,852	-	217	-
Total	\$ 297,852	\$ 533,449	\$ 217	\$ 17,815

\$297,852 and \$217 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 (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (240,515)	\$ 3,717
2021	(136,528)	(528)
2022	(143,820)	(19,366)
2023	(12,586)	(1,638)
Thereafter	-	-

Note 14—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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 related to the plan description is included 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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$655,189 and \$713,389 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$6,486,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.05516% as compared to 0.05903% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$233,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 554,000
Change of assumptions	77,000	-
Net difference between projected and actual earnings on pension plan investments	-	138,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,000	624,000
Employer contributions subsequent to the measurement date	<u>655,189</u>	<u>-</u>
Total	<u>\$ 863,189</u>	<u>\$ 1,316,000</u>

\$655,189 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (250,000)
2021	(251,000)
2022	(357,000)
2023	(176,000)
2024	(74,000)

Note 14—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 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

Note 14—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

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

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
		74.81%

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.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

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

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

School division's proportionate share of the VRS Teacher Employee Retirement Plan					
Net Pension Liability (Asset)	\$	9,908,000	\$	6,486,000	\$ 3,654,000

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 14—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 297,852	\$ 533,449	\$ 1,343,632	\$ (204,752)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	217	17,815	(296,052)	(23,028)
School Board Professional	-	-	-	-	863,189	1,316,000	6,486,000	233,000
Totals	<u>\$ 297,852</u>	<u>\$ 533,449</u>	<u>\$ 1,343,632</u>	<u>\$ (204,752)</u>	<u>\$ 863,406</u>	<u>\$ 1,333,815</u>	<u>\$ 6,189,948</u>	<u>\$ 209,972</u>

Note 15—Group Life Insurance (GLI) Program (OPEB Plan):

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$18,112 and \$16,621 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$22,082 and \$23,153 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$1,524 and \$1,276 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$255,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$356,000 and \$19,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.01681% as compared to 0.01668% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was 0.02342% and 0.00129%, respectively as compared to 0.02527% and 0.00134% respectively at June 30, 2017.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 15—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 GLI Program OPEB (Continued)

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of (\$2,000). For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,000	\$ 5,000	\$ 17,000	\$ 6,000	\$ 1,000	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000	-	12,000	-	1,000
Change of assumptions	-	11,000	-	15,000	-	1,000
Changes in proportionate share	5,000	-	2,000	26,000	-	-
Employer contributions subsequent to the measurement date	18,112	-	22,082	-	1,524	-
Total	\$ 35,112	\$ 24,000	\$ 41,082	\$ 59,000	\$ 2,524	\$ 2,000

\$18,112, \$22,082 and \$1,524, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020 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 (professional)	Component Unit School Board (nonprofessional)
2020	\$ (3,000)	\$ (9,000)	\$ (1,000)
2021	(3,000)	(9,000)	-
2022	(3,000)	(10,000)	-
2023	-	(7,000)	-
2024	2,000	(5,000)	-
Thereafter	-	-	-

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

Actuarial Assumptions

Mortality Rates - General State Employees (Continued)

The actuarial assumptions used in the June 30, 2017 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.

The actuarial assumptions used in the June 30, 2017 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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 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 15—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, 2017 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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, 2017 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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

NET GLI OPEB Liability (Continued)

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.

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Discount Rate (Continued)

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.

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	\$ 334,000	\$ 255,000	\$ 192,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 465,000	\$ 356,000	\$ 268,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 25,000	\$ 19,000	\$ 14,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC 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 HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC 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 include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

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 Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. 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.

HIC Program Notes

The monthly HIC 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 HIC as a retiree.

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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 HIC Program were \$50,958 and \$54,766 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

At June 30, 2019, the school division reported a liability of \$700,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.05506% as compared to 0.05906% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$50,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change of assumptions	-	6,000
Change in proportion	-	45,000
Employer contributions subsequent to the measurement date	<u>50,958</u>	<u>-</u>
Total	<u>\$ 50,958</u>	<u>\$ 56,000</u>

\$50,958 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (9,000)
2021	(9,000)
2022	(9,000)
2023	(9,000)
2024	(9,000)
Thereafter	(11,000)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)
Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	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 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Mortality Rates - Teachers (Continued)

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

		Teacher Employee HIC OPEB Plan
		<hr/>
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<hr/> <hr/> 1,269,674

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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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 16—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 ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue 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 16—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 HIC 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division’s proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 781,000	\$ 700,000	\$ 630,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan):

County

Plan Description

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

Benefits Provided

Postemployment benefits that are provided to eligible County retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	57
Total retirees and spouses with coverage	10
Total	67

Contributions

The County 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. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2019 was \$68,474.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

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

Inflation	2.50% per year
Salary Increases	The salary increase rate is on a graded scale 3.50% based on the Bond Buyer 20-Year Bond GO Index as of
Discount Rate	their respective measurement dates.
Investment Rate of Return	N/A

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

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

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

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 setback 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Bond Go Index as of their respective measurement dates.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
	<u> </u>
Balances at June 30, 2017	\$ 525,117
Changes for the year:	
Service cost	34,975
Interest	20,364
Changes of assumptions	9,496
Benefit payments	(68,474)
Net changes	<u>\$ (3,639)</u>
Balances at June 30, 2018	<u><u>\$ 521,478</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (Continued)

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (3.50%) than the current discount rate:

	Rate		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Primary Government:			
Total OPEB liability	\$ 547,327	\$ 521,478	\$ 496,017

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 or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government:			
Total OPEB liability	\$ 467,551	\$ 521,478	\$ 584,080

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

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$55,849. At June 30, 2019, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 7,061	\$ 5,388
Total	<u>\$ 7,061</u>	<u>\$ 5,388</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County: (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:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ 510
2021	510
2022	653
2023	-
2024	-
Thereafter	-

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

Note 18—Summary of Other Postemployment Benefit Plans:

Primary Government and Component Unit School Board

	<u>Primary Government</u>				<u>Component Unit School Board</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:								
Group Life Insurance Program (Note 15):								
County	\$ 35,112	\$ 24,000	\$ 255,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	2,524	2,000	19,000	(1,000)
School Board Professional	-	-	-	-	41,082	59,000	356,000	(2,000)
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	50,958	56,000	700,000	50,000
County Stand-Alone Plan (Note 17)	7,061	5,388	521,478	55,849	-	-	-	-
Totals	<u>\$ 42,173</u>	<u>\$ 29,388</u>	<u>\$ 776,478</u>	<u>\$ 60,849</u>	<u>\$ 94,564</u>	<u>\$ 117,000</u>	<u>\$ 1,075,000</u>	<u>\$ 47,000</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 19—Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
Victoria E. Washington, Clerk of the Circuit Court	\$ 265,000
Mindy Bradby, Treasurer	300,000
Denise B. Smith, Commissioner of the Revenue	3,000
Allan M. Jones, Sr., Sheriff	30,000
Fidelity and Deposit company of Maryland - Surety:	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool	
- Public Officials Liability	2,000,000
- Employee Dishonesty Policy	250,000

Note 20—Fair Value Measurements:

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

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

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

Note 20–Fair Value Measurements: (Continued)

The County has the following recurring fair value measurements as of June 30, 2019:

Investment type	Balance June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Money market mutual fund:				
U.S. Government Obligations	\$ 418,943	\$ 418,943	\$ -	\$ -
	\$ 418,943	\$ 418,943	\$ -	\$ -

Note 21–Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County’s LODA premium for the year ended June 30, 2019 was \$5,303.

Note 22–Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 22–Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 23–Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Charles City, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final Appropriated	Actual Amounts	
	REVENUES			
General property taxes	\$ 9,706,588	\$ 9,706,588	\$ 10,011,303	\$ 304,715
Other local taxes	644,949	644,949	1,130,514	485,565
Permits, privilege fees, and regulatory licenses	2,600,801	2,600,801	3,705,860	1,105,059
Fines and forfeitures	32,658	32,658	34,071	1,413
Revenue from the use of money and property	20,893	20,893	48,356	27,463
Charges for services	214,208	214,208	206,943	(7,265)
Miscellaneous	735,156	956,772	1,057,902	101,130
Recovered costs	7,236	7,236	45,065	37,829
Intergovernmental:				
Commonwealth	2,629,204	2,635,611	2,672,983	37,372
Federal	574,820	588,320	546,094	(42,226)
Total revenues	<u>\$ 17,166,513</u>	<u>\$ 17,408,036</u>	<u>\$ 19,459,091</u>	<u>\$ 2,051,055</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,171,484	\$ 2,115,843	\$ 2,102,229	\$ 13,614
Judicial administration	724,982	728,746	720,479	8,267
Public safety	2,825,095	2,892,338	2,842,533	49,805
Public works	1,189,483	1,207,418	1,275,748	(68,330)
Health and welfare	1,868,839	1,868,839	1,794,281	74,558
Education	6,272,802	6,341,638	6,201,684	139,954
Parks, recreation, and cultural	599,569	603,800	603,487	313
Community development	345,272	357,974	310,918	47,056
Capital projects	1,034,588	4,725,556	3,440,065	1,285,491
Debt service:				
Principal retirement	447,115	447,115	447,115	-
Interest and other fiscal charges	65,416	65,416	74,494	(9,078)
Total expenditures	<u>\$ 17,544,645</u>	<u>\$ 21,354,683</u>	<u>\$ 19,813,033</u>	<u>\$ 1,541,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (378,132)</u>	<u>\$ (3,946,647)</u>	<u>\$ (353,942)</u>	<u>\$ 3,592,705</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (164,551)	\$ (27,088)	\$ (1,439,965)	\$ (1,412,877)
Total other financing sources (uses)	<u>\$ (164,551)</u>	<u>\$ (27,088)</u>	<u>\$ (1,439,965)</u>	<u>\$ (1,412,877)</u>
Net change in fund balances	\$ (542,683)	\$ (3,973,735)	\$ (1,793,907)	\$ 2,179,828
Fund balances - beginning	542,683	3,973,735	11,822,165	7,848,430
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,028,258</u>	<u>\$ 10,028,258</u>

County of Charles City, Virginia

Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 289,538	\$ 329,116
Interest	1,073,166	1,061,939
Changes of assumptions	-	(17,856)
Differences between expected and actual experience	(544,856)	(241,163)
Benefit payments, including refunds of employee contributions	(986,995)	(956,311)
Net change in total pension liability	\$ (169,147)	\$ 175,725
Total pension liability - beginning	15,824,437	15,648,712
Total pension liability - ending (a)	<u>\$ 15,655,290</u>	<u>\$ 15,824,437</u>
Plan fiduciary net position		
Contributions - employer	\$ 322,063	\$ 312,742
Contributions - employee	153,218	149,079
Net investment income	1,012,150	1,533,937
Benefit payments, including refunds of employee contributions	(986,995)	(956,311)
Administrative expense	(8,956)	(9,170)
Other	(888)	(1,351)
Net change in plan fiduciary net position	\$ 490,592	\$ 1,028,926
Plan fiduciary net position - beginning	13,821,066	12,792,140
Plan fiduciary net position - ending (b)	<u>\$ 14,311,658</u>	<u>\$ 13,821,066</u>
County's net pension liability - ending (a) - (b)	\$ 1,343,632	\$ 2,003,371
Plan fiduciary net position as a percentage of the total pension liability	91.42%	87.34%
Covered payroll	\$ 3,196,272	\$ 3,076,078
County's net pension liability as a percentage of covered payroll	42.04%	65.13%

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

	2016	2015	2014
\$	289,728	\$ 289,033	\$ 299,955
	1,036,515	999,821	965,592
	-	-	-
	(100,005)	(6,787)	-
	(769,754)	(745,982)	(807,137)
\$	<u>456,484</u>	\$ <u>536,085</u>	\$ <u>458,410</u>
	15,192,228	14,656,143	14,197,733
\$	<u><u>15,648,712</u></u>	\$ <u><u>15,192,228</u></u>	\$ <u><u>14,656,143</u></u>
\$	324,511	\$ 313,501	\$ 353,605
	142,588	138,684	144,425
	217,922	571,931	1,745,021
	(769,754)	(745,982)	(807,137)
	(8,077)	(8,000)	(9,570)
	(94)	(120)	92
\$	<u>(92,904)</u>	\$ <u>270,014</u>	\$ <u>1,426,436</u>
	12,885,044	12,615,030	11,188,594
\$	<u><u>12,792,140</u></u>	\$ <u><u>12,885,044</u></u>	\$ <u><u>12,615,030</u></u>
\$	2,856,572	\$ 2,307,184	\$ 2,041,113
	81.75%	84.81%	86.07%
\$	2,929,624	\$ 2,830,453	\$ 2,877,718
	97.51%	81.51%	70.93%

County of Charles City, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 23,133	\$ 36,115
Interest	108,052	103,895
Changes of assumptions	-	(5,703)
Differences between expected and actual experience	(12,006)	38,111
Benefit payments, including refunds of employee contributions	(110,197)	(115,873)
Net change in total pension liability	\$ 8,982	\$ 56,545
Total pension liability - beginning	1,598,693	1,542,148
Total pension liability - ending (a)	<u>\$ 1,607,675</u>	<u>\$ 1,598,693</u>
 Plan fiduciary net position		
Contributions - employer	\$ 4,668	\$ 4,800
Contributions - employee	11,958	12,163
Net investment income	135,298	208,033
Benefit payments, including refunds of employee contributions	(110,197)	(115,873)
Administrative expense	(1,221)	(1,273)
Other	(118)	(182)
Net change in plan fiduciary net position	\$ 40,388	\$ 107,668
Plan fiduciary net position - beginning	1,863,339	1,755,671
Plan fiduciary net position - ending (b)	<u>\$ 1,903,727</u>	<u>\$ 1,863,339</u>
 School Division's net pension liability (asset) - ending (a) - (b)	\$ (296,052)	\$ (264,646)
 Plan fiduciary net position as a percentage of the total pension liability	118.41%	116.55%
 Covered payroll	\$ 245,459	\$ 247,034
 School Division's net pension liability (asset) as a percentage of covered payroll	-120.61%	-107.13%

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 13

	2016	2015	2014
\$	34,070	\$ 33,907	\$ 36,289
	102,982	105,930	103,328
	-	-	-
	(9,299)	(69,141)	-
	(113,564)	(112,037)	(92,875)
\$	14,189	\$ (41,341)	\$ 46,742
	1,527,959	1,569,300	1,522,558
\$	<u>1,542,148</u>	<u>\$ 1,527,959</u>	<u>\$ 1,569,300</u>
\$	20,064	\$ 17,694	\$ 19,079
	13,642	12,046	12,121
	29,482	80,741	251,300
	(113,564)	(112,037)	(92,875)
	(1,154)	(1,172)	(1,394)
	(13)	(18)	13
\$	(51,543)	\$ (2,746)	\$ 188,244
	1,807,214	1,809,960	1,621,716
\$	<u>1,755,671</u>	<u>\$ 1,807,214</u>	<u>\$ 1,809,960</u>
\$	(213,523)	\$ (279,255)	\$ (240,660)
	113.85%	118.28%	115.34%
\$	275,626	\$ 242,427	\$ 242,427
	-77.47%	-115.19%	-99.27%

County of Charles City, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.05516%	0.05903%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,486,000	\$ 7,260,000
Employer's Covered Payroll	4,618,534	4,681,016
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	140.43%	155.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%

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 14

	2016	2015	2014
	0.05896%	0.05691%	0.06217%
\$	8,263,000	\$ 7,163,000	\$ 7,513,000
	4,728,243	4,231,021	4,534,871
	174.76%	169.30%	165.67%
	68.28%	70.68%	70.88%

Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 297,852	\$ 297,852	\$ -	\$ 3,483,074	8.55%
2018	322,063	322,063	-	3,196,272	10.08%
2017	312,742	312,742	-	3,076,078	10.17%
2016	324,511	324,511	-	2,929,624	11.08%
2015	313,501	313,501	-	2,830,453	11.08%
2014	354,247	354,247	-	2,877,718	12.31%
2013	353,132	353,132	-	2,868,658	12.31%
2012	262,944	262,944	-	2,770,744	9.49%
2011	264,762	264,762	-	2,789,901	9.49%
2010	244,480	244,480	-	2,823,100	8.66%
Component Unit School Board (nonprofessional)					
2019	\$ 217	\$ 217	\$ -	\$ 293,162	0.07%
2018	4,668	4,668	-	245,459	1.90%
2017	4,800	4,800	-	247,034	1.94%
2016	20,064	20,064	-	275,626	7.28%
2015	17,694	17,694	-	242,427	7.30%
2014	19,079	19,079	-	242,427	7.87%
2013	20,951	20,951	-	266,210	7.87%
2012	1,427	1,427	-	291,283	0.49%
2011	1,478	1,478	-	301,649	0.49%
2010	-	-	-	310,680	0.00%
Component Unit School Board (professional)					
2019	\$ 655,189	\$ 655,189	\$ -	\$ 4,337,813	15.10%
2018	713,389	713,389	-	4,618,534	15.45%
2017	671,742	671,742	-	4,681,016	14.35%
2016	664,791	664,791	-	4,728,243	14.06%
2015	613,498	613,498	-	4,231,021	11.66%
2014	528,766	528,766	-	4,534,871	11.66%
2013	524,292	524,292	-	8,282,654	6.33%
2012	289,741	289,741	-	7,372,545	3.93%
2011	183,084	183,084	-	2,078,138	8.81%
2010	316,337	316,337	-	3,590,658	8.81%

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

County of Charles City, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2019 - Pension

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 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%

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%

Component Unit School Board - Professional Employees

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

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 and 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2018	0.01681% \$	255,000 \$	3,196,272	7.98%	51.22%
2017	0.01668%	251,000	3,076,078	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00129% \$	19,000 \$	245,459	7.74%	51.22%
2017	0.00134%	20,000	247,034	8.10%	48.86%
Component Unit School Board (professional):					
2018	0.02342% \$	356,000 \$	4,452,550	8.00%	51.22%
2017	0.02527%	381,000	4,661,035	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However,

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

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:					
2019	\$ 18,112	\$ 18,112	\$ -	3,483,074	0.52%
2018	16,621	16,621	-	3,196,272	0.52%
2017	15,996	15,996	-	3,076,078	0.52%
2016	14,062	14,062	-	2,929,624	0.48%
2015	13,586	13,586	-	2,830,453	0.48%
2014	13,813	13,813	-	2,877,718	0.48%
2013	13,785	13,785	-	2,871,864	0.48%
2012	7,758	7,758	-	2,770,744	0.28%
2011	7,820	7,820	-	2,792,755	0.28%
2010	5,756	5,756	-	2,131,980	0.27%
Component Unit School Board (nonprofessional):					
2019	\$ 1,524	\$ 1,524	\$ -	293,162	0.52%
2018	1,276	1,276	-	245,459	0.52%
2017	1,285	1,285	-	247,034	0.52%
2016	1,323	1,323	-	275,626	0.48%
2015	1,164	1,164	-	242,427	0.48%
2014	1,164	1,164	-	242,427	0.48%
2013	1,278	1,278	-	266,210	0.48%
2012	824	824	-	294,392	0.28%
2011	845	845	-	301,649	0.28%
2010	632	632	-	234,058	0.27%
Component Unit School Board (professional):					
2019	\$ 22,082	\$ 22,082	\$ -	4,246,489	0.52%
2018	23,153	23,153	-	4,452,550	0.52%
2017	24,238	24,238	-	4,661,035	0.52%
2016	21,580	21,580	-	4,495,795	0.48%
2015	20,516	20,516	-	4,274,102	0.48%
2014	21,824	21,824	-	4,546,640	0.48%
2013	21,541	21,541	-	4,487,675	0.48%
2012	12,930	12,930	-	4,617,856	0.28%
2011	13,044	13,044	-	4,658,637	0.28%
2010	9,696	9,696	-	3,591,050	0.27%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Charles City, Virginia
 Schedule of County School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 and 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)
2018	0.05506%	\$ 700,000	\$ 4,452,550	15.72%	8.08%
2017	0.05906%	749,000	4,661,035	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However,

County of Charles City, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 50,958	\$ 50,958	\$ -	\$ 4,246,489	1.20%
2018	54,766	54,766	-	4,452,550	1.23%
2017	51,737	51,737	-	4,661,035	1.11%
2016	47,655	47,655	-	4,495,795	1.06%
2015	44,849	44,849	-	4,231,019	1.06%
2014	50,468	50,468	-	4,546,640	1.11%
2013	48,824	48,824	-	4,398,523	1.11%
2012	27,464	27,464	-	4,577,261	0.60%
2011	27,977	27,977	-	4,662,905	0.60%
2010	37,343	37,343	-	3,590,657	1.04%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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

Notes to Required Supplementary Information
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government - County OPEB
For the Years Ended June 30, 2018 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 34,975	\$ 35,551
Interest	20,364	19,045
Changes of assumptions	9,496	(9,238)
Benefit payments	(68,474)	(57,136)
Net change in total OPEB liability	\$ (3,639)	\$ (11,778)
Total OPEB liability - beginning	<u>525,117</u>	<u>536,895</u>
Total OPEB liability - ending	<u>\$ 521,478</u>	<u>\$ 525,117</u>
Covered payroll	\$ 2,585,604	\$ 2,585,604
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	20.17%	20.31%

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

County of Charles City, Virginia
 Notes to Required Supplementary Information - County OPEB
 For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
 Measurement Date: 6/30/2019

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% based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.
Inflation	2.50% per year
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% graded down to 4.20% over 74 years
Salary Increase Rates	Graded scale
Retirement Age	The average age of retirement is 65
Mortality Rates	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. 25% of deaths are assumed to be service related for pre-retirement, and 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 for post-retirement. RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

OTHER SUPPLEMENTARY INFORMATION

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*INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES*

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County of Charles City, Virginia
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 36,148	\$ 5,396	\$ 7,425	\$ 34,119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for social services clients	\$ 36,148	\$ 5,396	\$ 7,425	\$ 34,119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Charles City, Virginia
Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating Fund	Textbook Fund	School Cafeteria Fund	Total
ASSETS				
Cash and cash equivalents	\$ 493,064	\$ 11,281	\$ 38,835	\$ 543,180
Receivables (net of allowance for uncollectibles):				
Accounts receivable	51,432	-	-	51,432
Due from other governmental units	366,890	-	10,987	377,877
Total assets	<u>\$ 911,386</u>	<u>\$ 11,281</u>	<u>\$ 49,822</u>	<u>\$ 972,489</u>
LIABILITIES				
Accounts payable	\$ 257,740	\$ -	\$ 2,550	\$ 260,290
Accrued liabilities	653,646	-	34,704	688,350
Total liabilities	<u>\$ 911,386</u>	<u>\$ -</u>	<u>\$ 37,254</u>	<u>\$ 948,640</u>
FUND BALANCES:				
Committed	\$ -	\$ 11,281	\$ 12,568	\$ 23,849
Total liabilities and fund balances	<u>\$ 911,386</u>	<u>\$ 11,281</u>	<u>\$ 49,822</u>	<u>\$ 972,489</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 23,849

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 22,447,190	
Accumulated depreciation	<u>(14,734,586)</u>	7,712,604

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

Net pension asset		296,052
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 863,406	
OPEB related items	<u>94,564</u>	957,970

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

Net pension liability	\$ (6,486,000)	
Compensated absences	(134,014)	
Net OPEB liabilities	<u>(1,075,000)</u>	(7,695,014)

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

Pension related items	\$ (1,333,815)	
OPEB related items	<u>(117,000)</u>	(1,450,815)

Net position of governmental activities		<u>\$ (155,354)</u>
---	--	---------------------

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Operating <u>Fund</u>	Textbook <u>Fund</u>	School Cafeteria <u>Fund</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 35,933	\$ -	\$ -	\$ 35,933
Charges for services	-	-	83,235	83,235
Miscellaneous	106,784	-	-	106,784
Intergovernmental:				
Local government	6,127,202	31,368	41,885	6,200,455
Commonwealth	3,604,514	28,479	7,933	3,640,926
Federal	591,596	-	227,495	819,091
Total revenues	<u>\$ 10,466,029</u>	<u>\$ 59,847</u>	<u>\$ 360,548</u>	<u>\$ 10,886,424</u>
EXPENDITURES				
Current:				
Education	\$ 10,412,914	\$ 99,261	\$ 401,222	\$ 10,913,397
Total expenditures	<u>\$ 10,412,914</u>	<u>\$ 99,261</u>	<u>\$ 401,222</u>	<u>\$ 10,913,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 53,115</u>	<u>\$ (39,414)</u>	<u>\$ (40,674)</u>	<u>\$ (26,973)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 53,115	\$ 53,115
Transfers out	(53,115)	-	-	(53,115)
Total other financing sources (uses)	<u>\$ (53,115)</u>	<u>\$ -</u>	<u>\$ 53,115</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (39,414)	\$ 12,441	\$ (26,973)
Fund balances - beginning	-	50,695	127	50,822
Fund balances - ending	<u>\$ -</u>	<u>\$ 11,281</u>	<u>\$ 12,568</u>	<u>\$ 23,849</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ (26,973)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:				
Capital asset additions			\$ 657,923	
Depreciation expense			<u>(727,806)</u>	(69,883)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences			\$ (14,223)	
Pension expense			446,045	
OPEB expense			<u>23,369</u>	455,191
Change in net position of governmental activities				<u>\$ 358,335</u>

County of Charles City, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	School Operating Fund				Textbook Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Appropriated			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 4,290	\$ 4,290	\$ 35,933	\$ 31,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	99,411	61,750	83,235	21,485
Miscellaneous	24,090	24,090	106,784	82,694	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	6,198,320	6,267,156	6,127,202	(139,954)	31,368	31,368	31,368	-	41,885	41,885	41,885	-
Commonwealth	3,614,819	3,614,819	3,604,514	(10,305)	29,247	29,247	28,479	(768)	5,593	5,593	7,933	2,340
Federal	553,287	713,121	591,596	(121,525)	-	-	-	-	250,454	250,454	227,495	(22,959)
Total revenues	\$ 10,394,806	\$ 10,623,476	\$ 10,466,029	\$ (157,447)	\$ 60,615	\$ 60,615	\$ 59,847	\$ (768)	\$ 397,343	\$ 359,682	\$ 360,548	\$ 866
EXPENDITURES												
Current:												
Education	\$ 10,394,806	\$ 10,570,361	\$ 10,412,914	\$ 157,447	\$ 60,615	\$ 100,029	\$ 99,261	\$ 768	\$ 397,343	\$ 412,797	\$ 401,222	\$ 11,575
Total expenditures	\$ 10,394,806	\$ 10,570,361	\$ 10,412,914	\$ 157,447	\$ 60,615	\$ 100,029	\$ 99,261	\$ 768	\$ 397,343	\$ 412,797	\$ 401,222	\$ 11,575
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 53,115	\$ 53,115	\$ -	\$ -	\$ (39,414)	\$ (39,414)	\$ -	\$ -	\$ (53,115)	\$ (40,674)	\$ 12,441
OTHER FINANCING SOURCES (USES)												
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,115	\$ 53,115	\$ -
Transfers out	-	(53,115)	(53,115)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ (53,115)	\$ (53,115)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,115	\$ 53,115	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (39,414)	\$ (39,414)	\$ -	\$ -	\$ -	\$ 12,441	\$ 12,441
Fund balances - beginning	-	-	-	-	-	39,414	50,695	11,281	-	-	127	127
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,281	\$ 11,281	\$ 11,281	\$ -	\$ -	\$ 12,568	\$ 12,568

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Charles City, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,246,492
Total assets	<u>\$ 1,246,492</u>

NET POSITION

Unrestricted	\$ 1,246,492
Total net position	<u><u>\$ 1,246,492</u></u>

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

OPERATING REVENUES

Charges for services:

Bond fees	\$ 54,938
Total operating revenues	<u>\$ 54,938</u>

OPERATING EXPENSES

Other expenses	\$ 24,154
Total operating expenses	<u>\$ 24,154</u>

Operating income (loss)	<u>\$ 30,784</u>
-------------------------	------------------

NONOPERATING REVENUES (EXPENSES)

Investment income	\$ 35,704
Total nonoperating revenues (expenses)	<u>\$ 35,704</u>

Change in net position	\$ 66,488
------------------------	-----------

Total net position - beginning	<u>1,180,004</u>
Total net position - ending	<u><u>\$ 1,246,492</u></u>

County of Charles City, Virginia
 Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 54,938
Payments for operating activities	(24,154)
Net cash provided by (used for) operating activities	\$ 30,784
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 35,704
Net cash provided by (used for) investing activities	\$ 35,704
Net increase (decrease) in cash and cash equivalents	\$ 66,488
Cash and cash equivalents - beginning	1,180,004
Cash and cash equivalents - ending	\$ 1,246,492
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 30,784
Net cash provided by (used for) operating activities	\$ 30,784

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SUPPORTING SCHEDULES

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County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,367,265	\$ 6,367,265	\$ 6,215,887	\$ (151,378)
Real and personal public service corporation taxes	1,049,756	1,049,756	1,230,422	180,666
Personal property taxes	1,893,921	1,893,921	2,205,153	311,232
Mobile home taxes	8,381	8,381	8,515	134
Machinery and tools taxes	208,800	208,800	167,132	(41,668)
Merchant's capital taxes	27,589	27,589	23,332	(4,257)
Penalties	97,747	97,747	107,942	10,195
Interest	53,129	53,129	52,920	(209)
Total general property taxes	<u>\$ 9,706,588</u>	<u>\$ 9,706,588</u>	<u>\$ 10,011,303</u>	<u>\$ 304,715</u>
Other local taxes:				
Local sales and use taxes	\$ 391,136	\$ 391,136	\$ 851,629	\$ 460,493
Consumers' utility taxes	152,416	152,416	155,933	3,517
Consumption tax	38,795	38,795	37,710	(1,085)
Cable television franchise license tax	7,332	7,332	14,560	7,228
Motor vehicle licenses	52	52	45	(7)
Taxes on recordation and wills	55,218	55,218	68,127	12,909
Hotel and motel room taxes	-	-	2,510	2,510
Total other local taxes	<u>\$ 644,949</u>	<u>\$ 644,949</u>	<u>\$ 1,130,514</u>	<u>\$ 485,565</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,351	\$ 6,351	\$ 5,599	\$ (752)
Transfer fees	243	243	225	(18)
Landfill host fees	2,488,096	2,488,096	3,575,538	1,087,442
Permits and other licenses	106,111	106,111	124,498	18,387
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,600,801</u>	<u>\$ 2,600,801</u>	<u>\$ 3,705,860</u>	<u>\$ 1,105,059</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 32,658	\$ 32,658	\$ 34,071	\$ 1,413
Revenue from use of money and property:				
Revenue from use of money	\$ 7,561	\$ 7,561	\$ 40,853	\$ 33,292
Revenue from use of property	13,332	13,332	7,503	(5,829)
Total revenue from use of money and property	<u>\$ 20,893</u>	<u>\$ 20,893</u>	<u>\$ 48,356</u>	<u>\$ 27,463</u>
Charges for services:				
Clerk's interest fees	\$ 661	\$ 661	\$ 667	\$ 6
Sheriff's fees	348	348	348	-
Courthouse maintenance fees	2,019	2,019	2,026	7
Courthouse security fees	8,242	8,242	7,718	(524)
Court fees	3,550	3,550	4,062	512
Commonwealth's attorney fees	615	615	605	(10)
Charges for parks and recreation	44,668	44,668	24,032	(20,636)
Charges for other protection	3,468	3,468	-	(3,468)
Document reproduction fees	1,606	1,606	1,652	46

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 1
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for EMS transport	\$ 135,737	\$ 135,737	\$ 129,203	\$ (6,534)
Sale of gas byproducts	13,294	13,294	36,630	23,336
Total charges for services	<u>\$ 214,208</u>	<u>\$ 214,208</u>	<u>\$ 206,943</u>	<u>\$ (7,265)</u>
Miscellaneous:				
Miscellaneous	\$ 197,410	\$ 197,110	\$ 182,823	\$ (14,287)
Donations	537,746	759,662	875,079	115,417
Total miscellaneous	<u>\$ 735,156</u>	<u>\$ 956,772</u>	<u>\$ 1,057,902</u>	<u>\$ 101,130</u>
Recovered costs:				
Jurors	\$ 7,236	\$ 7,236	\$ 930	\$ (6,306)
IPR recipient payments	-	-	44,135	44,135
Total recovered costs	<u>\$ 7,236</u>	<u>\$ 7,236</u>	<u>\$ 45,065</u>	<u>\$ 37,829</u>
Total revenue from local sources	<u>\$ 13,962,489</u>	<u>\$ 14,184,105</u>	<u>\$ 16,240,014</u>	<u>\$ 2,055,909</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ -	\$ -	\$ 1,412	\$ 1,412
Mobile home titling tax	14,792	14,792	10,205	(4,587)
Rolling stock tax	6,920	6,920	14,221	7,301
Communications tax	145,404	145,404	131,185	(14,219)
State recordation tax	12,644	12,644	16,723	4,079
Personal property tax relief funds	690,963	690,963	690,963	-
Total noncategorical aid	<u>\$ 870,723</u>	<u>\$ 870,723</u>	<u>\$ 864,709</u>	<u>\$ (6,014)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 162,966	\$ 162,966	\$ 162,966	\$ -
Sheriff	496,173	496,173	497,241	1,068
Commissioner of revenue	76,088	76,088	76,114	26
Treasurer	70,236	70,236	61,125	(9,111)
Registrar/electoral board	35,388	35,388	35,755	367
Clerk of the Circuit Court	147,874	147,874	145,160	(2,714)
Total shared expenses	<u>\$ 988,725</u>	<u>\$ 988,725</u>	<u>\$ 978,361</u>	<u>\$ (10,364)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 225,362	\$ 225,362	\$ 209,144	\$ (16,218)
Emergency services	20,500	20,500	41,000	20,500
Children's services act	299,135	299,135	441,308	142,173
Litter control	-	6,207	6,206	(1)

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Art grant	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
PSAP grant	183,732	183,732	73,121	(110,611)
Fire programs fund	22,997	22,997	25,115	2,118
Four for life	8,500	8,500	18,589	10,089
Record preservation	-	-	10,730	10,730
Other state funds	5,030	5,230	200	(5,030)
Total other categorical aid	\$ 769,756	\$ 776,163	\$ 829,913	\$ 53,750
Total categorical aid	\$ 1,758,481	\$ 1,764,888	\$ 1,808,274	\$ 43,386
Total revenue from the Commonwealth	\$ 2,629,204	\$ 2,635,611	\$ 2,672,983	\$ 37,372
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,356	\$ 1,356	\$ 1,343	\$ (13)
Categorical aid:				
Public assistance and welfare administration	\$ 573,464	\$ 573,464	\$ 532,196	\$ (41,268)
Transportation safety	-	13,500	12,555	(945)
Total categorical aid	\$ 573,464	\$ 586,964	\$ 544,751	\$ (42,213)
Total revenue from the federal government	\$ 574,820	\$ 588,320	\$ 546,094	\$ (42,226)
Total General Fund	\$ 17,166,513	\$ 17,408,036	\$ 19,459,091	\$ 2,051,055
Total Primary Government	\$ 17,166,513	\$ 17,408,036	\$ 19,459,091	\$ 2,051,055
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 4,290	\$ 4,290	\$ 35,933	\$ 31,643

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 1
 Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 24,090	\$ 24,090	\$ 106,784	\$ 82,694
Total revenue from local sources	\$ 28,380	\$ 28,380	\$ 142,717	\$ 114,337
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 6,198,320	\$ 6,267,156	\$ 6,127,202	\$ (139,954)
Total revenues from local governments	\$ 6,198,320	\$ 6,267,156	\$ 6,127,202	\$ (139,954)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 872,416	\$ 872,416	\$ 884,797	\$ 12,381
Basic school aid	1,574,263	1,574,263	1,518,675	(55,588)
Regular foster care	-	-	1,282	1,282
Gifted and talented	14,523	14,523	14,142	(381)
Remedial education	71,454	71,454	69,579	(1,875)
Special education	225,982	225,982	220,051	(5,931)
GED funding	7,859	7,859	8,355	496
Vocational education	50,541	50,541	49,214	(1,327)
English as a second language	5,518	5,518	974	(4,544)
School fringes	315,735	315,735	307,448	(8,287)
Technology grant	102,000	102,000	105,724	3,724
Early reading intervention	12,902	12,902	11,290	(1,612)
Project graduation	3,319	3,319	3,319	-
Lottery proceeds	94,611	94,611	102,997	8,386
At risk payments	67,202	67,202	72,546	5,344
Primary class size	61,500	61,500	60,251	(1,249)
Standards of Learning algebra readiness	8,123	8,123	8,219	96
Mentor teacher	-	-	206	206
Preschool initiative	44,282	44,282	44,282	-
Homebound	4,486	4,486	9,329	4,843
Vocational education	3,103	3,103	7,884	4,781
Regional alternate special education	-	-	28,950	28,950
Other state	75,000	75,000	75,000	-
Total categorical aid	\$ 3,614,819	\$ 3,614,819	\$ 3,604,514	\$ (10,305)
Total revenue from the Commonwealth	\$ 3,614,819	\$ 3,614,819	\$ 3,604,514	\$ (10,305)

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 181,532	\$ 247,520	\$ 179,075	\$ (68,445)
Vocational education	13,000	20,215	14,774	(5,441)
Title VIB	196,364	229,139	222,708	(6,431)
Preschool grant	7,837	20,291	12,648	(7,643)
Title II -- part a	53,077	67,287	35,951	(31,336)
Title III	-	1,118	2,210	1,092
21st Century learning	30,000	33,729	37,846	4,117
JROTC grant	71,477	71,477	68,210	(3,267)
Title IV -- part a	-	22,345	18,174	(4,171)
Total categorical aid	<u>\$ 553,287</u>	<u>\$ 713,121</u>	<u>\$ 591,596</u>	<u>\$ (121,525)</u>
Total revenue from the federal government	<u>\$ 553,287</u>	<u>\$ 713,121</u>	<u>\$ 591,596</u>	<u>\$ (121,525)</u>
Total School Operating Fund	<u>\$ 10,394,806</u>	<u>\$ 10,623,476</u>	<u>\$ 10,466,029</u>	<u>\$ (157,447)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 99,411	\$ 61,750	\$ 83,235	\$ 21,485
Total revenue from local sources	<u>\$ 99,411</u>	<u>\$ 61,750</u>	<u>\$ 83,235</u>	<u>\$ 21,485</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 41,885	\$ 41,885	\$ 41,885	\$ -
Total revenues from local governments	<u>\$ 41,885</u>	<u>\$ 41,885</u>	<u>\$ 41,885</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 5,593	\$ 5,593	\$ 7,933	\$ 2,340
Total revenue from the Commonwealth	<u>\$ 5,593</u>	<u>\$ 5,593</u>	<u>\$ 7,933</u>	<u>\$ 2,340</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 232,558	\$ 232,558	\$ 206,940	\$ (25,618)
Commodities	17,896	17,896	20,555	2,659
Total categorical aid	<u>\$ 250,454</u>	<u>\$ 250,454</u>	<u>\$ 227,495</u>	<u>\$ (22,959)</u>
Total revenue from the federal government	<u>\$ 250,454</u>	<u>\$ 250,454</u>	<u>\$ 227,495</u>	<u>\$ (22,959)</u>
Total School Cafeteria Fund	<u>\$ 397,343</u>	<u>\$ 359,682</u>	<u>\$ 360,548</u>	<u>\$ 866</u>

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 31,368	\$ 31,368	\$ 31,368	\$ -
Total revenues from local governments	<u>\$ 31,368</u>	<u>\$ 31,368</u>	<u>\$ 31,368</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 29,247	\$ 29,247	\$ 28,479	\$ (768)
Total revenue from the Commonwealth	<u>\$ 29,247</u>	<u>\$ 29,247</u>	<u>\$ 28,479</u>	<u>\$ (768)</u>
Total Textbook Fund	<u>\$ 60,615</u>	<u>\$ 60,615</u>	<u>\$ 59,847</u>	<u>\$ (768)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,852,764</u>	<u>\$ 11,043,773</u>	<u>\$ 10,886,424</u>	<u>\$ (157,349)</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 67,047	\$ 57,820	\$ 57,194	\$ 626
General and financial administration:				
County administrator	\$ 222,704	\$ 209,371	\$ 207,430	\$ 1,941
Legal services	87,000	87,000	97,237	(10,237)
Commissioner of revenue	246,946	255,455	253,221	2,234
Treasurer	186,971	191,084	183,006	8,078
Motor pool	67,088	67,088	82,335	(15,247)
Central gas	14,204	14,204	16,935	(2,731)
Memberships	2,500	2,500	2,452	48
Information technology	412,537	417,741	377,659	40,082
Management services	302,783	310,069	297,376	12,693
Other general and financial administration	429,760	368,579	420,384	(51,805)
Total general and financial administration	<u>\$ 1,972,493</u>	<u>\$ 1,923,091</u>	<u>\$ 1,938,035</u>	<u>\$ (14,944)</u>
Board of elections:				
Electoral board and officials	\$ 34,908	\$ 32,708	\$ 11,804	\$ 20,904
Registrar	97,036	102,224	95,196	7,028
Total board of elections	<u>\$ 131,944</u>	<u>\$ 134,932</u>	<u>\$ 107,000</u>	<u>\$ 27,932</u>
Total general government administration	<u>\$ 2,171,484</u>	<u>\$ 2,115,843</u>	<u>\$ 2,102,229</u>	<u>\$ 13,614</u>
Judicial administration:				
Courts:				
Circuit court	\$ 32,135	\$ 32,135	\$ 24,842	\$ 7,293
General district court	8,980	8,980	5,607	3,373
Courthouse security fund	51,546	51,546	86,230	(34,684)
Special Magistrates	600	600	403	197
Sheriff	141,809	141,809	143,971	(2,162)
9th district court services	21,370	21,370	11,614	9,756
Crater Criminal Justice	10,932	10,932	12,052	(1,120)
Clerk of the circuit court	234,944	237,380	215,668	21,712
Total courts	<u>\$ 502,316</u>	<u>\$ 504,752</u>	<u>\$ 500,387</u>	<u>\$ 4,365</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 222,666	\$ 223,994	\$ 220,092	\$ 3,902
Total commonwealth's attorney	<u>\$ 222,666</u>	<u>\$ 223,994</u>	<u>\$ 220,092</u>	<u>\$ 3,902</u>
Total judicial administration	<u>\$ 724,982</u>	<u>\$ 728,746</u>	<u>\$ 720,479</u>	<u>\$ 8,267</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,011,076	\$ 1,017,180	\$ 1,006,029	\$ 11,151
E-911	275,582	275,582	221,920	53,662
Total law enforcement and traffic control	<u>\$ 1,286,658</u>	<u>\$ 1,292,762</u>	<u>\$ 1,227,949</u>	<u>\$ 64,813</u>
Fire and rescue services:				
Fire department	\$ 333,017	\$ 332,717	\$ 305,507	\$ 27,210
Ambulance and rescue services	566,484	566,484	587,005	(20,521)
Total fire and rescue services	<u>\$ 899,501</u>	<u>\$ 899,201</u>	<u>\$ 892,512</u>	<u>\$ 6,689</u>
Correction and detention:				
Confinement and care of prisoners	\$ 275,097	\$ 332,761	\$ 361,561	\$ (28,800)
Criminal justice planner	10,085	10,085	10,085	-
Total correction and detention	<u>\$ 285,182</u>	<u>\$ 342,846</u>	<u>\$ 371,646</u>	<u>\$ (28,800)</u>
Other protection:				
Animal control	\$ 126,745	\$ 126,745	\$ 128,161	\$ (1,416)
Codes enforcement	159,559	163,334	163,765	(431)
Emergency services	58,000	58,000	48,026	9,974
VJCCCA	9,400	9,400	10,354	(954)
Medical examiner	50	50	120	(70)
Total other protection	<u>\$ 353,754</u>	<u>\$ 357,529</u>	<u>\$ 350,426</u>	<u>\$ 7,103</u>
Total public safety	<u>\$ 2,825,095</u>	<u>\$ 2,892,338</u>	<u>\$ 2,842,533</u>	<u>\$ 49,805</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 294,277	\$ 294,277	\$ 322,419	\$ (28,142)
Maintenance of general buildings and grounds:				
General properties	\$ 895,206	\$ 913,141	\$ 953,329	\$ (40,188)
Total public works	<u>\$ 1,189,483</u>	<u>\$ 1,207,418</u>	<u>\$ 1,275,748</u>	<u>\$ (68,330)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 112,698	\$ 112,698	\$ 111,425	\$ 1,273
Mental health and mental retardation:				
Henrico area community services	\$ 119,747	\$ 119,747	\$ 119,747	-

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 1,159,675	\$ 1,159,675	\$ 849,682	\$ 309,993
Children's services act	401,300	401,300	638,008	(236,708)
Contributions	75,419	75,419	75,419	-
Total welfare	<u>\$ 1,636,394</u>	<u>\$ 1,636,394</u>	<u>\$ 1,563,109</u>	<u>\$ 73,285</u>
 Total health and welfare	 <u>\$ 1,868,839</u>	 <u>\$ 1,868,839</u>	 <u>\$ 1,794,281</u>	 <u>\$ 74,558</u>
 Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,229	\$ 1,229	\$ 1,229	\$ -
Contribution to County School Board	6,271,573	6,340,409	6,200,455	139,954
Total education	<u>\$ 6,272,802</u>	<u>\$ 6,341,638</u>	<u>\$ 6,201,684</u>	<u>\$ 139,954</u>
 Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 471,440	\$ 475,671	\$ 462,555	\$ 13,116
Total parks and recreation	<u>\$ 471,440</u>	<u>\$ 475,671</u>	<u>\$ 462,555</u>	<u>\$ 13,116</u>
Cultural enrichment:				
Center for local history	\$ 32,004	\$ 32,004	\$ 34,077	\$ (2,073)
Cultural alliance	9,000	9,000	9,000	-
Total cultural enrichment	<u>\$ 41,004</u>	<u>\$ 41,004</u>	<u>\$ 43,077</u>	<u>\$ (2,073)</u>
 Library:				
Library	\$ 87,125	\$ 87,125	\$ 97,855	\$ (10,730)
Total library	<u>\$ 87,125</u>	<u>\$ 87,125</u>	<u>\$ 97,855</u>	<u>\$ (10,730)</u>
 Total parks, recreation, and cultural	 <u>\$ 599,569</u>	 <u>\$ 603,800</u>	 <u>\$ 603,487</u>	 <u>\$ 313</u>
 Community development:				
Planning and community development:				
Department of development	\$ 255,039	\$ 261,334	\$ 230,447	\$ 30,887
IRS grant	-	-	13,005	(13,005)
United Way grant	-	200	200	-
Community development contribution	29,471	29,471	29,741	(270)
Total planning and community development	<u>\$ 284,510</u>	<u>\$ 291,005</u>	<u>\$ 273,393</u>	<u>\$ 17,612</u>
 Environmental management:				
Litter control program	\$ -	\$ 6,207	\$ 6,725	\$ (518)
Conservation grant	18,800	18,800	18,800	-
Total environmental management	<u>\$ 18,800</u>	<u>\$ 25,007</u>	<u>\$ 25,525</u>	<u>\$ (518)</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 41,962	\$ 41,962	\$ 12,000	\$ 29,962
Total cooperative extension program	<u>\$ 41,962</u>	<u>\$ 41,962</u>	<u>\$ 12,000</u>	<u>\$ 29,962</u>
 Total community development	 <u>\$ 345,272</u>	 <u>\$ 357,974</u>	 <u>\$ 310,918</u>	 <u>\$ 47,056</u>
 Capital projects:				
County capital improvements	\$ 1,034,588	\$ 4,725,556	\$ 3,440,065	\$ 1,285,491
Total capital projects	<u>\$ 1,034,588</u>	<u>\$ 4,725,556</u>	<u>\$ 3,440,065</u>	<u>\$ 1,285,491</u>
 Debt service:				
Principal retirement	\$ 447,115	\$ 447,115	\$ 447,115	\$ -
Interest and other fiscal charges	65,416	65,416	74,494	(9,078)
Total debt service	<u>\$ 512,531</u>	<u>\$ 512,531</u>	<u>\$ 521,609</u>	<u>\$ (9,078)</u>
 Total General Fund	 <u>\$ 17,544,645</u>	 <u>\$ 21,354,683</u>	 <u>\$ 19,813,033</u>	 <u>\$ 1,541,650</u>
 Total Primary Government	 <u>\$ 17,544,645</u>	 <u>\$ 21,354,683</u>	 <u>\$ 19,813,033</u>	 <u>\$ 1,541,650</u>
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 898,946	\$ 888,946	\$ 885,953	\$ 2,993
Instruction costs	5,699,092	5,626,998	5,607,395	19,603
Pupil transportation	903,486	1,002,465	982,157	20,308
Grants	484,913	694,730	609,309	85,421
Operation and maintenance of school plant	1,145,057	1,138,910	1,126,086	12,824
Technology	496,312	451,312	450,234	1,078
Capital projects	767,000	767,000	751,780	15,220
 Total education	 <u>\$ 10,394,806</u>	 <u>\$ 10,570,361</u>	 <u>\$ 10,412,914</u>	 <u>\$ 157,447</u>
 Total School Operating Fund	 <u>\$ 10,394,806</u>	 <u>\$ 10,570,361</u>	 <u>\$ 10,412,914</u>	 <u>\$ 157,447</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 379,447	\$ 394,901	\$ 380,667	\$ 14,234
Commodities	17,896	17,896	20,555	(2,659)
	<hr/>			
Total School Cafeteria Fund	\$ 397,343	\$ 412,797	\$ 401,222	\$ 11,575
	<hr/> <hr/>			
Textbook Fund				
Education:				
Purchase of textbooks	\$ 60,615	\$ 100,029	\$ 99,261	\$ 768
	<hr/>			
Total Textbook Fund	\$ 60,615	\$ 100,029	\$ 99,261	\$ 768
	<hr/> <hr/>			
Total Discretely Presented Component Unit - School Board	\$ 10,852,764	\$ 11,083,187	\$ 10,913,397	\$ 169,790
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STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General										Interest on Long-Term Debt	Sanitary District	Broadband	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development						
2009-10	\$ 1,739,638	\$ 738,957	\$ 2,055,534	\$ 1,084,483	\$ 1,877,355	\$ 5,490,863	\$ 414,432	\$ 612,185	\$ 199,819	\$ -	\$ 448,855	\$ -	\$ 14,662,121	
2010-11	1,656,026	738,044	1,660,029	1,059,608	1,539,830	5,368,675	481,388	972,003	139,078	-	429,105	-	14,043,786	
2011-12	1,767,309	774,788	2,056,551	1,061,341	1,359,051	5,033,080	535,238	635,421	117,319	-	393,013	-	13,733,111	
2012-13	1,920,864	785,863	2,231,982	1,414,659	1,362,437	4,720,314	571,404	583,638	93,477	-	469,770	-	14,154,408	
2013-14	1,897,055	814,653	2,321,388	1,602,108	1,270,786	4,400,292	605,196	388,732	88,355	-	512,061	-	13,900,626	
2014-15	1,846,717	775,554	2,272,359	1,234,850	1,286,666	4,269,529	544,669	255,424	72,458	-	644,129	-	13,202,355	
2015-16	1,965,562	713,982	2,288,796	1,136,050	1,396,921	5,162,868	563,736	375,828	61,550	-	627,054	-	14,292,347	
2016-17	2,201,506	818,695	2,287,587	1,125,138	1,406,217	5,436,358	499,706	291,077	40,243	-	618,944	54,902	14,780,373	
2017-18	2,113,816	808,465	2,378,549	1,126,433	1,498,555	5,754,083	654,913	228,622	52,743	-	617,706	43,926	15,277,811	
2018-19	2,209,891	779,591	2,841,701	1,196,210	1,856,170	6,201,684	732,912	197,844	72,559	-	725,027	45,657	16,859,246	

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	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	Gain on Disposal of Capital Assets		
2009-10	\$ 2,893,295	\$ 2,756,479	\$ 343,256	\$ 6,651,861	\$ 625,777	\$ 26,038	\$ 222,205	\$ 702,501	\$ 55,500	\$ 14,276,912		
2010-11	3,091,665	2,698,173	-	6,943,710	692,967	14,926	161,279	882,985	55,327	14,541,032		
2011-12	3,082,016	2,247,585	-	7,305,508	721,386	23,341	227,354	884,612	17,474	14,509,276		
2012-13	3,000,008	2,279,861	-	7,456,501	889,625	24,459	188,867	883,286	-	14,722,607		
2013-14	2,240,451	2,209,143	-	7,897,223	1,178,872	64,037	180,066	882,192	-	14,651,984		
2014-15	3,652,959	1,944,606	-	8,488,574	954,554	21,755	133,304	876,251	136,218	16,208,221		
2015-16	2,647,314	1,985,462	-	8,738,110	952,052	23,213	226,897	1,527,837	-	16,100,885		
2016-17	3,573,174	2,030,014	22,355	9,311,704	1,023,184	22,263	377,568	874,042	-	17,234,304		
2017-18	3,602,062	1,825,761	200,745	9,468,127	781,089	24,985	175,836	1,150,010	-	17,228,615		
2018-19	4,059,817	2,353,025	31,900	10,071,186	1,130,514	48,356	1,057,902	866,052	-	19,618,752		

County of Charles City, 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	Debt Service	Total (3)
2009-10	\$ 1,676,350	\$ 606,158	\$ 2,023,606	\$ 1,056,667	\$ 1,852,837	\$ 11,897,241	\$ 476,678	\$ 669,925	\$ 20,649	\$ 1,247,240	\$ 21,527,351
2010-11	1,619,203	607,375	1,621,518	1,046,797	1,524,240	10,820,904	497,944	992,238	1,185	1,145,983	19,877,387
2011-12	1,599,706	635,502	2,052,116	972,931	1,339,500	10,519,014	537,786	627,515	-	1,092,964	19,377,034
2012-13	1,717,109	649,772	2,167,817	1,137,354	1,354,067	10,498,290	517,637	621,719	-	475,464	19,139,229
2013-14	1,859,467	679,325	2,420,561	1,303,923	1,263,042	9,691,034	545,073	415,686	-	541,956	18,720,067
2014-15	1,778,812	649,049	2,285,098	1,269,162	1,298,581	9,567,303	544,818	316,659	-	539,673	18,249,155
2015-16	1,888,944	675,639	2,249,616	1,116,457	1,413,620	10,448,006	490,951	436,098	-	574,311	19,293,642
2016-17	2,020,484	686,041	2,212,889	1,110,474	1,421,423	10,664,017	571,953	334,780	-	546,327	19,568,388
2017-18	2,039,893	694,810	2,374,841	1,111,136	1,546,016	10,609,363	624,743	395,321	-	535,914	19,932,037
2018-19	2,102,229	720,479	2,842,533	1,275,748	1,794,281	10,914,626	603,487	310,918	-	521,609	21,085,910

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

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

(3) Excludes capital projects expenditures.

County of Charles City, 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
2009-10	\$ 6,713,249	\$ 625,777	\$ 2,652,175	\$ 1,616	\$ 57,861	\$ 340,307	\$ 254,759	\$ 191,348	\$ 10,372,397	\$ 21,209,489
2010-11	6,947,917	692,967	2,837,442	6,818	29,486	334,967	179,577	114,394	9,439,113	20,582,681
2011-12	7,246,242	721,386	2,746,988	1,202	25,470	399,660	266,737	260,840	8,897,618	20,566,143
2012-13	7,494,925	889,625	2,656,407	54,685	24,684	330,019	227,016	298,924	8,572,939	20,549,224
2013-14	7,865,938	1,178,872	1,905,919	44,463	65,694	366,007	210,598	259,432	8,074,928	19,971,851
2014-15	8,699,478	954,554	3,332,388	50,725	23,135	277,187	215,006	155,605	7,884,890	21,592,968
2015-16	8,721,012	952,052	2,317,438	33,132	27,757	306,285	297,944	102,257	8,644,428	21,402,305
2016-17	9,283,165	1,023,184	3,204,429	28,615	42,615	324,385	396,520	86,483	8,075,389	22,464,785
2017-18	9,318,071	781,089	3,216,189	39,644	60,143	285,209	259,347	194,895	7,676,571	21,831,158
2018-19	10,011,303	1,130,514	3,705,860	34,071	84,289	290,178	1,164,686	45,065	7,679,094	24,145,060

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections	to Tax Levy		
2009-10	\$ 7,264,395	\$ 6,919,265	95.25%	\$ 236,066	\$ 7,155,331	98.50%	\$ 682,660	9.40%	
2010-11	7,705,043	7,223,716	93.75%	272,961	7,496,677	97.30%	729,005	9.46%	
2011-12	7,915,274	7,476,887	94.46%	300,303	7,777,190	98.26%	792,435	10.01%	
2012-13	8,159,392	7,720,167	94.62%	301,807	8,021,974	98.32%	750,599	9.20%	
2013-14	8,866,386	8,115,767	91.53%	278,136	8,393,903	94.67%	772,137	8.71%	
2014-15	9,227,999	8,767,376	95.01%	391,118	9,158,494	99.25%	621,511	6.74%	
2015-16	9,195,464	9,002,438	97.90%	254,806	9,257,244	100.67%	577,152	6.28%	
2016-17	10,049,936	9,557,062	95.10%	267,367	9,824,429	97.76%	632,705	6.30%	
2017-18	10,273,578	9,607,203	93.51%	270,307	9,877,510	96.14%	724,278	7.05%	
2018-19	10,848,182	10,375,271	95.64%	166,133	10,541,404	97.17%	731,332	6.74%	

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years

(3) Does not include land redemptions.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2009-10	\$ 589,551,974	\$ 58,210,197	\$ 3,659,829	\$ 805,521	\$ 28,920,474	\$ 681,147,995
2010-11	597,928,422	59,492,001	6,351,653	820,569	26,054,623	690,647,268
2011-12	765,790,469	55,409,143	3,052,807	809,342	27,769,101	852,830,862
2012-13	783,055,397	55,156,017	4,385,891	784,140	54,891,549	898,272,994
2013-14	760,354,950	58,619,679	6,189,565	799,942	60,307,748	886,271,884
2014-15	770,185,362	61,739,681	6,498,282	1,109,586	66,079,189	905,612,100
2015-16	800,468,341	70,476,897	4,302,865	1,038,516	82,706,970	958,993,589
2016-17	801,527,679	78,994,920	4,051,269	975,709	117,744,746	1,003,294,323
2017-18	790,919,731	77,480,198	3,696,329	1,230,421	134,975,217	1,008,301,896
2018-19	823,584,889	94,079,739	3,334,923	849,353	161,897,669	1,083,746,573

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2009-10	\$ 0.82	\$ 0.82	\$ 3.50	\$ 2.80	\$ 2.50
2010-11	0.68	0.68	3.50	2.80	2.50
2011-12	0.68	0.68	3.50	2.80	2.50
2012-13	0.70	0.68	3.50	2.80	2.50
2013-14	0.70	0.70	3.50	2.80	2.50
2014-15	0.72	0.70	3.50	2.80	2.50
2015-16	0.72	0.72	3.75	2.80	3.00
2016-17	0.72	0.72	3.75	2.80	3.00
2017-18	0.76	0.76	3.75	2.80	3.00
2018-19	0.76	0.76	3.75	2.80	3.00

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	6,926	\$ 681,147,995	\$ 1,158,660	\$ 1,158,660	0.17%	\$ 167
2010-11	7,256	690,647,268	589,448	589,448	0.09%	81
2011-12	7,256	852,830,862	-	-	0.00%	-
2012-13	7,256	898,272,994	-	-	0.00%	-
2013-14	7,256	886,271,884	-	-	0.00%	-
2014-15	7,256	905,612,100	-	-	0.00%	-
2015-16	7,256	958,993,589	-	-	0.00%	-
2016-17	7,256	1,003,294,323	-	-	0.00%	-
2017-18	7,256	1,008,301,896	2,500,000	2,500,000	0.25%	345
2018-19	7,256	1,083,746,573	2,500,000	2,500,000	0.23%	345

(1) Weldon Cooper Center for Public Service.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loan
 Excludes revenue bonds, capital leases, and compensated absences.

COMPLIANCE

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

To the Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Charles City, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Charles City, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Charles City, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness, 2019-001.

Compliance and Other Matters

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

County of Charles City, Virginia's Response to Findings

County of Charles City, Virginia's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Charles City, 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.



Richmond, Virginia
November 1, 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 Charles City
Charles City, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Charles City, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Charles City, Virginia's major federal programs for the year ended June 30, 2019. County of Charles City, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Charles City, 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, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 1, 2019

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 12,723
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400117/0400118	88,540
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	59
Low Income Home Energy Assistance	93.568	0600417/0600418	14,776
Child Care Mandatory and Matching Funds of the Child Care Development Fund (CCDF Cluster)	93.596	0760117/0760118	16,195
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	110
Foster Care - Title IV-E	93.658	1100117/1100118	45,132
Adoption Assistance	93.659	1120117/1120118	9,364
Social Services Block Grant	93.667	1000117/1000118	81,233
Chafee Foster Care Independence Program	93.674	9150117/9150118	655
Children's Health Insurance Program	93.767	0540117/0540118	2,495
Medical Assistance Program (Medicaid Cluster)	93.778	1200117/1200118	<u>135,816</u>
Total Department of Health and Human Services			<u>\$ 407,098</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 20,555
Department of Education:			
National School Lunch Program	10.555	17901-40623	136,033
Total CFDA# 10.555			<u>\$ 156,588</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	<u>70,907</u>
Total Child Nutrition Cluster			\$ 227,495
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010116/0010117	<u>125,098</u>
Total Department of Agriculture			<u>\$ 352,593</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety (Highway Safety Cluster)	20.600	60507-52230	<u>\$ 12,555</u>
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 179,075
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	\$ 222,708
Special Education - Preschool Grants	84.173	17901-62521	<u>12,648</u>
Total Special Education Cluster			235,356
Career and Technical Education - Basic Grants to States	84.048	17901-61095	14,774
Supporting Effective Instruction State Grant	84.367	17901-61480	35,951
English Language Acquisition State Grants	84.365	17901-60512	2,210
Student Support and Academic Enrichment Program	84.424	17901-60019	18,174
Twenty-First Century Community Learning Centers	84.287	17901-60565	<u>37,846</u>
Total Department of Education			<u>\$ 523,386</u>
Department of Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 68,210</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,363,842</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

County of Charles City, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Charles City, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Charles City, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of County of Charles City, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 546,094
Total primary government	\$ <u>546,094</u>

Component Unit School Board:

School Operating Fund	\$ 591,596
School Cafeteria Fund	227,495
Total component unit school board	\$ <u>819,091</u>

Total federal expenditures per basic financial statements	\$ <u>1,365,185</u>
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Payment in lieu of taxes	\$ <u>(1,343)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,363,842</u></u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Charles City, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? ✓ yes no
 Significant deficiency(ies) identified? yes ✓ none reported
 Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
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? yes ✓ no

County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II-Financial Statement Findings

2019-001

Criteria: Per Statement of Auditing Standards AU-C265, identification of material adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness exists.

Condition: We noted errors which required adjustments to current financial statements, indicating a material weakness in controls over financial reporting.

Effect of Condition: There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented by the entity's internal controls over financial reporting.

Cause of Condition: Internal controls not in place over financial reporting and year-end adjusting entries were not identified prior to the auditor's arrival to conduct the audit.

Recommendation: The County should implement steps and controls to improve its financial reporting process.

Management's Response: The County is taking corrective action for FY20.

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Commonwealth of Virginia Findings and Questioned Costs

None

County of Charles City, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Findings - Financial Statement Audit:

2018-001:

Condition:

We noted errors which required adjustments to current financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The County should implement steps to improve its financial reporting process.

Current Status:

Finding is still applicable

Findings - Commonwealth of Virginia:

2018-002:

Condition:

The School Board held their public hearing on February 7, 2017 on the FY17-18 budget but did not provide 10 days of public notice to the citizens within the school division. The public hearing was advertised in the New Kent-Charles City Chronicle on February 2, 2017.

Recommendation:

School Board management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the Code of Virginia.

Current Status:

Corrective action was noted during the audit for the year ended June 30, 2019.