

COUNTY OF FLOYD, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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

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INTRODUCTORY SECTION

COUNTY OF FLOYD, VIRGINIA

BOARD OF SUPERVISORS

Joe D. Turman, Vice Chair
Jerry Boothe

Lauren D. Yoder, Chair

W. Justin Coleman
Linda Kuchenbuch

COUNTY SCHOOL BOARD

Laura LeRoy, Vice Chair
Pamela Snead

James Ingram, Chair

C. Gene Bishop
Maria "Faye" C. Nichols

COUNTY SOCIAL SERVICES BOARD

Judy Britt, Vice Chair
Jennifer Claytor

Robert G. Stauffer, Chair

Jerry Boothe
Mary Turman

OTHER OFFICIALS

Clerk of the Circuit Court Rhonda Vaughn
Commonwealth's Attorney William Eric Branscom
Commissioner of the Revenue Lisa D. Baker
Treasurer Melissa M. Keith
Sheriff Brian Craig
Superintendent of Schools John F. Wheeler
Director of Social Services Tracie Brewster
County Administrator Terri W. Morris
Assistant County Administrator Cynthia Ryan
County Attorney Stephen V. Durbin

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules related to pension and OPEB funding on pages 92-94 and 95-105, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the County of Floyd, 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 Floyd, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Floyd, Virginia's control over financial reporting and compliance.



Blacksburg, Virginia
November 28, 2018

Basic Financial Statements

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

| | Primary Government Governmental Activities | Component Unit School Board | Component Unit EDA |
|--|--|-----------------------------------|--------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 9,952,186 | \$ 1,723,284 | \$ 93,348 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 5,111,712 | - | - |
| Accounts receivable | 312,734 | - | 9,316 |
| Notes receivable - current portion | 18,340 | - | 82,422 |
| Capital lease receivable - current portion | 162,500 | - | 20,200 |
| Due from primary government | - | 1,829,848 | - |
| Due from component unit | 498,918 | - | - |
| Intergovernmental receivable | 725,200 | 455,616 | - |
| Inventories | - | 21,203 | 246,180 |
| Prepaid items | 98,425 | 37,994 | - |
| Total current assets | <u>\$ 16,880,015</u> | <u>\$ 4,067,945</u> | <u>\$ 451,466</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and cash equivalents | \$ 178,747 | \$ - | \$ 86,058 |
| Loan receivable - net of current portion | 363,502 | - | 505,150 |
| Capital lease receivable - net of current portion | 880,206 | - | - |
| Capital assets not being depreciated: | | | |
| Land | 880,603 | 265,917 | 430,419 |
| Construction in progress | 10,190 | - | - |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings and improvements | 13,255,875 | 2,963,991 | 2,109,542 |
| Machinery and equipment | 3,920,989 | 637,581 | 6,498 |
| Total noncurrent assets | <u>\$ 19,490,112</u> | <u>\$ 3,867,489</u> | <u>\$ 3,137,667</u> |
| Total assets | <u>\$ 36,370,127</u> | <u>\$ 7,935,434</u> | <u>\$ 3,589,133</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charges on refunding | \$ 72,024 | \$ - | \$ - |
| Pension related items | 1,132,896 | 2,732,432 | - |
| OPEB related items | 36,747 | 194,680 | - |
| Total deferred outflows of resources | <u>\$ 1,241,667</u> | <u>\$ 2,927,112</u> | <u>\$ -</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 310,585 | \$ 65,606 | \$ 1,924 |
| Accrued liabilities | - | 1,829,848 | - |
| Health claim payable | - | 142,945 | - |
| Customers' deposits | - | - | 12,412 |
| Accrued interest payable | 170,143 | - | - |
| Due to primary government | - | - | 498,918 |
| Due to component unit | 1,829,848 | - | - |
| Unearned revenues | - | - | 4,216 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,042,123 | 427,961 | - |
| Due in more than one year | 13,855,805 | 20,275,056 | - |
| Total liabilities | <u>\$ 18,208,504</u> | <u>\$ 22,741,416</u> | <u>\$ 517,470</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 4,755,122 | \$ - | \$ - |
| Pension related items | 532,492 | 2,712,815 | - |
| OPEB related items | 33,681 | 198,000 | - |
| Total deferred inflows of resources | <u>\$ 5,321,295</u> | <u>\$ 2,910,815</u> | <u>\$ -</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 6,589,793 | \$ 3,867,489 | \$ 2,546,459 |
| Restricted: | | | |
| Cafeteria | - | 247,412 | - |
| Capital equipment purchases | 178,747 | - | - |
| Asset forfeiture | 129,658 | - | - |
| Self-health insurance | - | 1,354,130 | - |
| Unrestricted (deficit) | 7,183,797 | (20,258,716) | 525,204 |
| Total Net Position | <u>\$ 14,081,995</u> | <u>\$ (14,789,685)</u> | <u>\$ 3,071,663</u> |

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

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

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|----------------------|------------------------------------|---|---------------------------------|-----------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | School Board | EDA |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 1,176,107 | \$ 96,628 | \$ 218,540 | \$ - | \$ (860,939) | | |
| Judicial administration | 938,308 | 1,863 | 451,166 | - | (485,279) | | |
| Public safety | 4,262,695 | 696,274 | 1,087,128 | 25,000 | (2,454,293) | | |
| Public works | 1,870,437 | 172,568 | 6,686 | - | (1,691,183) | | |
| Health and welfare | 2,223,129 | - | 1,684,331 | - | (538,798) | | |
| Education | 8,406,969 | - | - | - | (8,406,969) | | |
| Parks, recreation, and cultural | 335,237 | 1,765 | - | - | (333,472) | | |
| Community development | 364,338 | - | 9,847 | - | (354,491) | | |
| Interest on long-term debt | 413,480 | - | - | - | (413,480) | | |
| Total primary government | \$ 19,990,700 | \$ 969,098 | \$ 3,457,698 | \$ 25,000 | \$ (15,538,904) | | |
| COMPONENT UNITS: | | | | | | | |
| School Board | \$ 20,373,145 | \$ 402,722 | \$ 14,028,859 | \$ - | \$ (5,941,564) | \$ - | \$ - |
| EDA | 180,665 | 3,600 | - | - | - | - | (177,065) |
| Total component units | \$ 20,553,810 | \$ 406,322 | \$ 14,028,859 | \$ - | \$ (5,941,564) | \$ (177,065) | \$ (177,065) |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 12,360,981 | \$ - | \$ - |
| Other local taxes: | | | | | | | |
| Local sales and use taxes | | | | | 880,099 | - | - |
| Consumers' utility taxes | | | | | 365,237 | - | - |
| Consumption taxes | | | | | 45,670 | - | - |
| Motor vehicle licenses | | | | | 408,679 | - | - |
| Recordation tax | | | | | 5,126 | - | - |
| Hotel and motel room taxes | | | | | 58,176 | - | - |
| Other local taxes | | | | | 26,764 | - | - |
| Unrestricted revenues from use of money and property | | | | | 75,193 | - | 91,515 |
| Miscellaneous | | | | | 26,636 | 88,409 | 11,011 |
| Contributions from the County of Floyd | | | | | - | 6,913,050 | - |
| Grants and contributions not restricted to specific programs | | | | | 1,564,750 | - | 9,281 |
| Total general revenues | | | | | \$ 15,817,311 | \$ 7,001,459 | \$ 111,807 |
| Change in net position | | | | | \$ 278,407 | \$ 1,059,895 | \$ (65,258) |
| Net position - beginning, as restated | | | | | 13,803,588 | (15,849,580) | 3,136,921 |
| Net position - ending | | | | | \$ 14,081,995 | \$ (14,789,685) | \$ 3,071,663 |

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

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

| | General | Fire and Rescue | Asset Forfeiture | Capital Improvement | Total |
|---|----------------------|-----------------------|---------------------|------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 10,696,861 | \$ - | \$ 129,733 | \$ 259,266 | \$ 11,085,860 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 5,111,712 | - | - | - | 5,111,712 |
| Accounts receivable | 312,734 | - | - | - | 312,734 |
| Due from component unit | 498,918 | - | - | - | 498,918 |
| Due from other governmental units | 725,200 | - | - | - | 725,200 |
| Prepaid items | 98,425 | - | - | - | 98,425 |
| Long term capital lease receivable | 1,042,706 | - | - | - | 1,042,706 |
| Long term note receivable - PSA | 381,842 | - | - | - | 381,842 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 178,747 | - | - | - | 178,747 |
| Total assets | <u>\$ 19,047,145</u> | <u>\$ -</u> | <u>\$ 129,733</u> | <u>\$ 259,266</u> | <u>\$ 19,436,144</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 309,516 | \$ 994 | \$ 75 | \$ - | \$ 310,585 |
| Reconciled overdraft | - | 1,133,674 | - | - | 1,133,674 |
| Due to component unit | 1,829,848 | - | - | - | 1,829,848 |
| Total liabilities | <u>\$ 2,139,364</u> | <u>\$ 1,134,668</u> | <u>\$ 75</u> | <u>\$ -</u> | <u>\$ 3,274,107</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | \$ 4,954,958 | \$ - | \$ - | \$ - | \$ 4,954,958 |
| Unavailable revenue - EMS billings | 195,714 | - | - | - | 195,714 |
| Unavailable revenue - capital lease receivable | 1,042,706 | - | - | - | 1,042,706 |
| Unavailable revenue - prepaid taxes | 215,580 | - | - | - | 215,580 |
| Total deferred inflows of resources | <u>\$ 6,408,958</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,408,958</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 98,425 | \$ - | \$ - | \$ - | \$ 98,425 |
| Long-term note receivable | 381,842 | - | - | - | 381,842 |
| Restricted: | | | | | |
| Capital equipment purchases | 178,747 | - | - | - | 178,747 |
| Asset forfeiture | - | - | 129,658 | - | 129,658 |
| Assigned: | | | | | |
| Environmental solid waste | 2,202 | - | - | - | 2,202 |
| Law Library | 37,402 | - | - | - | 37,402 |
| Capital projects | - | - | - | 259,266 | 259,266 |
| Courts | 76,368 | - | - | - | 76,368 |
| E-911 | 1,114,229 | - | - | - | 1,114,229 |
| Courthouse Maintenance | 90,301 | - | - | - | 90,301 |
| Unassigned | 8,519,307 | (1,134,668) | - | - | 7,384,639 |
| Total fund balances (deficit) | <u>\$ 10,498,823</u> | <u>\$ (1,134,668)</u> | <u>\$ 129,658</u> | <u>\$ 259,266</u> | <u>\$ 9,753,079</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 19,047,145</u> | <u>\$ -</u> | <u>\$ 129,733</u> | <u>\$ 259,266</u> | <u>\$ 19,436,144</u> |

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

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

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

| | | |
|--|--|--------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ 9,753,079 |
|--|--|--------------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | | | |
|----------------------------|------------|--|------------|
| Land | \$ 880,603 | | |
| Buildings and improvements | 13,255,875 | | |
| Machinery and equipment | 3,920,989 | | |
| Construction in progress | 10,190 | | |
| | | | 18,067,657 |

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

| | | | |
|--|------------|--|-----------|
| Unavailable revenue - property taxes | \$ 415,416 | | |
| Unavailable revenue - EMS billings | 195,714 | | |
| Unavailable revenue - capital lease receivable | 1,042,706 | | |
| | | | 1,653,836 |

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

| | | | |
|------------------------------|-----------|--|-----------|
| Deferred charge on refunding | \$ 72,024 | | |
| Pension related items | 1,132,896 | | |
| OPEB related items | 36,747 | | |
| | | | 1,241,667 |

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

| | | | |
|---|----------------|--|--------------|
| Loans and bonds payable | \$ (8,453,166) | | |
| Capital leases | (3,275,469) | | |
| Compensated absences | (381,557) | | |
| Accrued interest payable | (170,143) | | |
| Net pension liability | (2,166,478) | | |
| Net OPEB liability | (302,190) | | |
| Landfill closure/post-closure liability | (1,319,068) | | |
| | | | (16,068,071) |

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

| | | | |
|-----------------------|--------------|--|-----------|
| Pension related items | \$ (532,492) | | |
| OPEB related items | (33,681) | | |
| | | | (566,173) |

| | | |
|---|--|----------------------|
| Net position of governmental activities | | \$ <u>14,081,995</u> |
|---|--|----------------------|

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

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

| | General | Fire and Rescue | Asset Forfeiture | Capital Improvement | Total |
|--|-----------------------|-----------------------|---------------------|------------------------|-----------------------|
| REVENUES | | | | | |
| General property taxes | \$ 12,147,958 | \$ 247,577 | \$ - | \$ - | \$ 12,395,535 |
| Other local taxes | 1,789,751 | - | - | - | 1,789,751 |
| Permits, privilege fees, and regulatory licenses | 105,525 | - | - | - | 105,525 |
| Fines and forfeitures | 25,451 | - | - | - | 25,451 |
| Revenue from the use of money and property | 237,616 | - | 77 | - | 237,693 |
| Charges for services | 768,640 | - | - | - | 768,640 |
| Miscellaneous | 26,636 | - | - | - | 26,636 |
| Recovered costs | 78,887 | - | - | - | 78,887 |
| Intergovernmental: | | | | | |
| Commonwealth | 4,094,561 | 49,659 | 66,432 | - | 4,210,652 |
| Federal | 836,796 | - | - | - | 836,796 |
| Total revenues | <u>\$ 20,111,821</u> | <u>\$ 297,236</u> | <u>\$ 66,509</u> | <u>\$ -</u> | <u>\$ 20,475,566</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 1,299,716 | \$ - | \$ - | \$ - | \$ 1,299,716 |
| Judicial administration | 931,290 | - | - | - | 931,290 |
| Public safety | 4,066,443 | 395,512 | 39,653 | - | 4,501,608 |
| Public works | 1,816,996 | - | - | - | 1,816,996 |
| Health and welfare | 2,255,019 | - | - | - | 2,255,019 |
| Education | 8,322,151 | - | - | 184,150 | 8,506,301 |
| Parks, recreation, and cultural | 307,996 | - | - | - | 307,996 |
| Community development | 357,137 | - | - | - | 357,137 |
| Debt service: | | | | | |
| Principal retirement | 1,648,327 | 38,146 | - | - | 1,686,473 |
| Interest and other fiscal charges | 403,861 | 2,200 | - | - | 406,061 |
| Total expenditures | <u>\$ 21,408,936</u> | <u>\$ 435,858</u> | <u>\$ 39,653</u> | <u>\$ 184,150</u> | <u>\$ 22,068,597</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,297,115)</u> | <u>\$ (138,622)</u> | <u>\$ 26,856</u> | <u>\$ (184,150)</u> | <u>\$ (1,593,031)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ 200,566 | \$ 200,566 |
| Transfers out | (200,566) | - | - | - | (200,566) |
| Issuance of capital lease | 1,486,763 | - | - | - | 1,486,763 |
| Total other financing sources (uses) | <u>\$ 1,286,197</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 200,566</u> | <u>\$ 1,486,763</u> |
| Net change in fund balances | \$ (10,918) | \$ (138,622) | \$ 26,856 | \$ 16,416 | \$ (106,268) |
| Fund balances - beginning | 10,509,741 | (996,046) | 102,802 | 242,850 | 9,859,347 |
| Fund balances (deficit) - ending | <u>\$ 10,498,823</u> | <u>\$ (1,134,668)</u> | <u>\$ 129,658</u> | <u>\$ 259,266</u> | <u>\$ 9,753,079</u> |

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

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

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

Net change in fund balances - total governmental funds \$ (106,268)

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

| | | |
|-------------------------|------------------|---------|
| Capital asset additions | \$ 1,270,451 | |
| Depreciation expense | <u>(853,207)</u> | 417,244 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (17,767)

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

| | | |
|---|------------------|-----------|
| Increase (decrease) in unavailable revenue - property taxes | \$ (34,554) | |
| Increase (decrease) in unavailable revenue - EMS billings | 69,482 | |
| Increase (decrease) in unavailable revenue - capital lease receivable | <u>(162,500)</u> | (127,572) |

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.

| | | |
|---------------------------|----------------|---------|
| Issuance of capital lease | \$ (1,486,763) | |
| Principal payments: | | |
| Loans and bonds | 1,087,889 | |
| Capital leases | <u>598,584</u> | 199,710 |

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

| | | |
|--|-----------------|-----------------|
| (Increase) decrease in compensated absences | \$ (34,610) | |
| Pension expense | (35,354) | |
| OPEB expense | 13,766 | |
| (Increase) decrease in accrued interest payable | 3,858 | |
| Increase (decrease) in deferred amount on refunding | (11,277) | |
| (Increase) decrease in landfill closure/post-closure liability | <u>(23,323)</u> | <u>(86,940)</u> |

Change in net position of governmental activities \$ 278,407

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

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

| | <u>Agency Funds</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,162 |
| LIABILITIES | |
| Amounts held for social services clients | \$ 3,162 |
| Total liabilities | \$ 3,162 |

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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 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 Floyd, Virginia (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.

The County has no blended component units to be included for the fiscal year ended June 30, 2018.

Discretely Presented Component Units

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

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

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Floyd County Economic Development Authority - The Floyd County Economic Development Authority (EDA) was created to encourage and provide financing for economic development in the County. The EDA's directors are appointed by the Board of Supervisors and the County is financially accountable for the EDA in that it provides local funding for the EDA's activities. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA is presented as a proprietary fund type and does not issue separate financial statements.

The EDA reports an amount due to the County in the amount of \$498,918. This amount results from a loan from the County to the EDA to be given to a local company. As repayment is made by the company it is remitted to the County from the EDA. The note contains monthly payments of principal and interest of \$3,582 through April 1, 2023 and a lump sum payment due on May 1, 2023.

Related Organizations - The County is also responsible for appointing the members of the boards of other organizations, however, the County's accountability to these organizations does not extend beyond making the appointments.

Jointly Governed Organizations

Floyd-Floyd County Public Service Authority

The Floyd-Floyd County Public Service Authority (PSA) was created by the County and the Town of Floyd to operate local water and sewer systems. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

In 2017, the County issued a note receivable to the PSA in the amount of \$400,000 with a 1% interest rate. The receivable consists of an annual principal and interest payment of \$22,075 from June 30, 2018 through June 30, 2037.

Floyd-Floyd County Recreational Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Recreational Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$55,000 to the Authority for the current year.

Floyd-Floyd County Tourism Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Tourism Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$26,500 to the Authority for the current year.

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Montgomery-Floyd Regional Library

The County, in conjunction with Montgomery County, and the Towns of Christiansburg and Blacksburg, participates in the Montgomery-Floyd Regional Library. The governing board is composed of members from each of the participating localities. The county contributed \$75,725 to the Library for the current year.

New River Valley Community Services

The County and the Counties of Montgomery, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$33,294 to NRVCS for the current year.

New River Valley Regional Jail Authority

The County, in conjunction with the Counties of Bland, Carroll, Giles, Grayson, and Pulaski, and the City of Radford, participates in the New River Valley Regional Jail Authority. Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at the regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$502,688 for the current year.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no *business-type activities*. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The *fire and rescue fund* is a special revenue fund that accounts for and reports the proceeds of specific revenue sources, (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions. The Fire and Rescue Fund accounts for tax collections earmarked for fire and rescue services and related expenses. This fund is considered a major special revenue fund.

The *asset forfeiture fund* accounts for and reports financial resources that are restricted to expenditure for the County's seized assets. This fund is considered a major special revenue fund.

The *capital improvement fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays. This fund is considered a major capital projects fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the County in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare Fund is reported as an Agency fund. These funds utilize the accrual basis of accounting but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements.

The component unit of the government reports the following major governmental fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts and reports for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Floyd, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Budgets and Budgetary Accounting

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

1. Prior to May 1, the County Administrator submits to the County 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. The following funds have legally adopted budgets: General Fund, Fire and Rescue, Asset Forfeiture, Capital Improvement, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the County Board of Supervisors can change the appropriation by function at the County or category at the School Board. The County Administrator is authorized to transfer budgeted amounts within general government activities or departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

Excess of expenditures over appropriations

There were no departments with expenditures in excess of appropriations.

Deficit fund equity

At June 30, 2018, the Fire and Rescue Fund had deficit fund equity.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

1. 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. Restricted cash at year end consists of unspent capital lease proceeds.

2. Investments

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

3. Receivables and Payables

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$73,930 for property taxes and \$617,480 for EMS billings at June 30, 2018.

6. Use of Estimates

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

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

7. Prepaid Items

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

8. Capital Assets

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

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

Expenditures for capital assets and improvements are capitalized as projects are completed.

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

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 40 |
| Building improvements | 40 |
| Machinery and equipment | 4-30 |

9. Compensated Absences

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

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

10. Long-Term Obligations

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

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

11. Fund Equity

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

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

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

11. Fund Equity (Continued)

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County only has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities and contributions to the pension and OPEB plans made during the 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 types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable and EMS billings receivable are reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and uncollected EMS revenue 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/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

13. 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.

The County's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset.

Restricted- This category includes resources for which the County is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the County and may be used at the County's discretion to meet current expenses for any lawful purposes.

14. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted 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.

15. Pensions

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

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

16. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

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

Note 2—Deposits and Investments:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 2—Deposits and Investments: (Continued)

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). The County did not have any investments as of June 30, 2018.

Note 3—Due from Other Governmental Units:

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

| | Primary Government | Component Unit School Board |
|------------------------------------|-----------------------|--------------------------------|
| <u>Commonwealth of Virginia:</u> | | |
| Local sales tax | \$ 173,967 | \$ - |
| State sales tax | - | 295,680 |
| Non-categorical aid | 113,101 | - |
| Categorical aid - shared expenses | 115,600 | - |
| Categorical aid - welfare payments | 78,145 | - |
| Categorical aid - other | 8,247 | - |
| Children's Services Act (CSA) | 198,848 | - |
| <u>Federal Government:</u> | | |
| Categorical aid | 37,292 | - |
| School federal programs | - | 159,936 |
| | \$ <u>725,200</u> | \$ <u>455,616</u> |

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 4-Interfund/Component-Unit Obligations:

At year end, due to or due from obligations between the primary government and component units consisted of the following:

| Fund | Due to Primary Government/ Component Unit | Due from Primary Government/ Component Unit |
|----------------------------|--|--|
| Primary Government: | | |
| General Fund | \$ 498,918 | \$ 1,829,898 |
| Component Unit: | | |
| School Board | 1,829,848 | - |
| EDA | - | 498,918 |

Primary government contributions to component units for the year ended June 30, 2018, consisted of the \$6,913,050 and \$0 to the Component Unit - School Board and the Component Unit - EDA, respectively.

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. During the fiscal year, the County had the following transfers:

| Fund | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General Fund | \$ - | \$ 200,566 |
| Capital Improvement Fund | 200,566 | - |
| Total | \$ 200,566 | \$ 200,566 |

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

| | Balance July 1, 2017 <u>As Restated</u> | Increases/ <u>Issuances</u> | Decreases/ <u>Retirements</u> | Balance June 30, 2018 |
|---|---|--------------------------------|----------------------------------|--------------------------|
| General obligation bonds | \$ 6,996,782 | \$ - | \$ (913,616) | \$ 6,083,166 |
| Lease revenue bonds | 2,544,273 | - | (174,273) | 2,370,000 |
| Capital leases | 2,387,290 | 1,486,763 | (598,584) | 3,275,469 |
| Landfill closure/post-closure liability | 1,295,745 | 23,323 | - | 1,319,068 |
| Compensated absences | 346,947 | 294,820 | (260,210) | 381,557 |
| Net pension liability | 1,653,111 | 2,522,590 | (2,009,223) | 2,166,478 |
| Net OPEB liability | 332,128 | 22,454 | (52,392) | 302,190 |
| | <u>\$ 15,556,276</u> | <u>\$ 4,349,950</u> | <u>\$ (4,008,298)</u> | <u>\$ 15,897,928</u> |
| Total | | | | |

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

| Year Ending June 30, | General Obligation Bonds | | Lease Revenue Bonds | |
|-------------------------|--------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 931,365 | \$ 254,667 | \$ 176,000 | \$ 59,085 |
| 2020 | 949,306 | 213,101 | 180,000 | 57,736 |
| 2021 | 968,031 | 170,750 | 181,000 | 55,307 |
| 2022 | 798,061 | 132,409 | 190,000 | 51,061 |
| 2023 | 679,700 | 98,143 | 192,000 | 46,589 |
| 2024-2028 | 1,756,703 | 124,297 | 594,000 | 173,807 |
| 2029-2033 | - | - | 561,000 | 91,608 |
| 2034-2038 | - | - | 296,000 | 19,956 |
| Totals | <u>\$ 6,083,166</u> | <u>\$ 993,367</u> | <u>\$ 2,370,000</u> | <u>\$ 555,149</u> |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---|----------------|-------------|---------------------|--------------------------|---------------------------------|----------------------------|
| <u>General obligation bonds:</u> | | | | | | |
| Refunding bonds | 2.32% | 9/6/2012 | 7/15/2022 | \$ 2,215,060 | \$ 1,050,286 | \$ 226,178 |
| School construction bonds | 4.60-5.10% | 11/10/2005 | 7/15/2025 | \$ 10,259,045 | 4,487,186 | 526,909 |
| School construction bonds | 5.10-5.80% | 11/16/2000 | 7/15/2020 | \$ 3,110,483 | 545,694 | 178,278 |
| Total general obligation bonds | | | | | \$ 6,083,166 | \$ 931,365 |
| <u>Lease revenue bonds:</u> | | | | | | |
| Revenue bond - 2016A | 2.40% | 8/4/2016 | 1/31/2038 | \$ 903,000 | \$ 865,000 | \$ 35,000 |
| Revenue bond - 2016B | 1.70% | 8/4/2016 | 1/31/2024 | \$ 734,000 | 595,000 | 95,000 |
| Revenue bond - Taxable 2016 | 3.10% | 8/4/2016 | 1/31/2034 | \$ 1,008,000 | 910,000 | 46,000 |
| Total lease revenue bonds | | | | | \$ 2,370,000 | \$ 176,000 |
| <u>Other long-term obligations:</u> | | | | | | |
| Capital leases | | | | | \$ 3,275,469 | \$ 648,590 |
| Landfill closure/post-closure liability | | | | | 1,319,068 | - |
| Compensated Absences | | | | | 381,557 | 286,168 |
| Net pension liability | | | | | 2,166,478 | - |
| Net OPEB liability | | | | | 302,190 | - |
| Total other long-term obligations | | | | | \$ 7,444,762 | \$ 934,758 |
| Total long-term obligations | | | | | \$ 15,897,928 | \$ 2,042,123 |

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board-Indebtedness:

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

| | Balance July 1, 2017 | | Balance June 30, 2018 | |
|-----------------------|-------------------------|---------------------|--------------------------|----------------------|
| | As restated | Increases | Decreases | |
| Net pension liability | \$ 20,537,227 | \$ 3,797,923 | \$ (6,792,747) | \$ 17,542,403 |
| Net OPEB liabilities | 2,827,000 | 131,000 | (368,000) | 2,590,000 |
| Compensated absences | 526,777 | 438,920 | (395,083) | 570,614 |
| Total | \$ 23,891,004 | \$ 4,367,843 | \$ (7,555,830) | \$ 20,703,017 |

Details of long-term indebtedness:

| | Balance Component Unit School Board | Amount Due Within One Year |
|-------------------------------------|---|----------------------------------|
| <u>Other long-term obligations:</u> | | |
| Net pension liability | \$ 17,542,403 | \$ - |
| Net OPEB liabilities | 2,590,000 | - |
| Compensated Absences | 570,614 | 427,961 |
| Total long-term obligations | \$ 20,703,017 | \$ 427,961 |

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7—Capital Leases:

Primary Government

The County has entered into capital leases to finance the acquisition of a pumper truck, brush trucks, trash truck, public safety vehicles, and school buses. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the minimum lease payments at the date of inception.

Total capital assets acquired through capital leases are as follows:

| <u>Assets</u> | | |
|----------------------------------|----|------------------|
| Brush trucks-Public Safety | \$ | 225,000 |
| Ambulance-Public Safety | | 141,225 |
| Firetruck-Public Safety | | 439,647 |
| Trash truck-Public Works | | 231,224 |
| Vehicles-Public Safety | | 55,620 |
| School buses | | 235,575 |
| Voting machine | | 80,710 |
| Utility trailer | | 28,818 |
| Police vehicles | | 88,128 |
| Firetruck | | 464,038 |
| Ambulance | | 189,985 |
| Network Refresh | | 585,914 |
| School buses | | 900,849 |
| Animal control vehicles | | 57,550 |
| Assess equipment | | 125,062 |
| Public works vehicle | | 30,898 |
| Total capital assets | \$ | 3,880,243 |
| Accumulated depreciation | | (678,791) |
| Net book value of capital assets | \$ | <u>3,201,452</u> |

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

| Year Ending June 30, | | Capital Leases |
|------------------------------------|----|-------------------|
| 2019 | \$ | 703,693 |
| 2020 | | 703,693 |
| 2021 | | 597,518 |
| 2022 | | 597,518 |
| 2023 | | 460,289 |
| 2024-2028 | | 385,576 |
| Subtotal | \$ | 3,448,287 |
| Less, amount representing interest | | (172,818) |
| Present value of lease agreements | \$ | <u>3,275,469</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the 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. However, several entities whose financial information is not included in the primary government report, participate in the VRS plan through County of Floyd, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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).

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| | | <p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p> | <p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| | | <p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
| <p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Pension Plan Data

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

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 8.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$311,388 and \$298,223 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the County reported a liability of \$2,166,478 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2017 and 2016 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 93.56% and 93.96%, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County of Floyd, Virginia’s Retirement Plan and the Floyd County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Discount Rate

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

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

The following presents the County’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the County’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:

| | <u>1% Decrease</u> | <u>Current</u> <u>Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|--|--------------------|
| | <u>(6.00%)</u> | <u>(7.00%)</u> | <u>(8.00%)</u> |
| County's proportionate share of the County of Floyd's Retirement Plan Net Pension Liability (Asset) | \$ 4,273,599 | \$ 2,166,478 | \$ 421,908 |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County recognized pension expense of \$342,511. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

| | <u>Primary Government</u> | |
|--|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 821,508 | \$ 316,387 |
| Change in assumptions | - | 18,138 |
| Net difference between projected and actual earnings on pension plan investments | - | 192,270 |
| Change in proportionate share | - | 5,697 |
| Employer contributions subsequent to the measurement date | <u>311,388</u> | <u>-</u> |
| Total | <u>\$ 1,132,896</u> | <u>\$ 532,492</u> |

\$311,388 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | <u>Primary Government</u> |
|---------------------------|---------------------------|
| 2019 | \$ 24,401 |
| 2020 | 258,224 |
| 2021 | 136,357 |
| 2022 | (129,966) |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

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

| | <u>Component Unit School Board Nonprofessional</u> |
|--|---|
| Inactive members or their beneficiaries currently receiving benefits | 81 |
| Inactive members: | |
| Vested inactive members | 12 |
| Non-vested inactive members | 21 |
| Inactive members active elsewhere in VRS | <u>16</u> |
| Total inactive members | 49 |
| Active members | <u>74</u> |
| Total covered employees | <u><u>204</u></u> |

Contributions

The Floyd County School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 11.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Floyd County School Board's nonprofessional employees were \$171,800 and \$163,341 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability

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

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|---|---|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2016 | \$ 7,595,086 | \$ 5,742,859 | \$ 1,852,227 |
| Changes for the year: | | | |
| Service cost | \$ 136,373 | \$ - | \$ 136,373 |
| Interest | 511,312 | - | 511,312 |
| Benefit changes | - | - | - |
| Differences between expected and actual experience | 302,461 | - | 302,461 |
| Assumption changes | (98,446) | - | (98,446) |
| Contributions - employer | - | 161,903 | (161,903) |
| Contributions - employee | - | 71,504 | (71,504) |
| Net investment income | - | 679,894 | (679,894) |
| Benefit payments, including refunds | (581,269) | (581,269) | - |
| Administrative expenses | - | (4,184) | 4,184 |
| Other changes | - | (593) | 593 |
| Net changes | <u>\$ 270,431</u> | <u>\$ 327,255</u> | <u>\$ (56,824)</u> |
| Balances at June 30, 2017 | <u>\$ 7,865,517</u> | <u>\$ 6,070,114</u> | <u>\$ 1,795,403</u> |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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

| | Rate | | |
|--|--------------------------------------|---|--------------------------------------|
| | <u>1% Decrease</u> <u>(6.00%)</u> | <u>Current Discount</u> <u>(7.00%)</u> | <u>1% Increase</u> <u>(8.00%)</u> |
| Component Unit School Board (nonprofessional) Net Pension Liability (Asset) | \$ 2,628,203 | \$ 1,795,403 | \$ 1,088,340 |

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

For the year ended June 30, 2018, the Floyd County School Board (nonprofessional) recognized pension expense of \$225,405.

At June 30, 2018, the Floyd County School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Component Unit School Board (nonprofessional)</u> | |
|--|--|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 165,601 | \$ 6,230 |
| Change in assumptions | - | 53,900 |
| Net difference between projected and actual earnings on pension plan investments | - | 80,685 |
| Employer contributions subsequent to the measurement date | <u>171,800</u> | |
| Total | <u>\$ 337,401</u> | <u>\$ 140,815</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$171,800 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | <u>Component Unit School Board (nonprofessional)</u> |
|---------------------------|--|
| 2019 | \$ 25,905 |
| 2020 | 52,650 |
| 2021 | 4,278 |
| 2022 | (58,047) |

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, plan contribution requirements, long-term expected rate of return, and discount rate 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 options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,713,031 and \$1,457,091 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported a liability of \$15,747,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.12805% as compared to 0.13333% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,145,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

| | Component Unit School Board (professional) | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ 1,115,000 |
| Change in assumptions | 230,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 572,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 452,000 | 885,000 |
| Employer contributions subsequent to the measurement date | <u>1,713,031</u> | - |
| Total | <u>\$ 2,395,031</u> | <u>\$ 2,572,000</u> |

\$1,713,031 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 year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> | Component Unit School Board (professional) |
|---------------------------|---|
| 2019 | \$ (636,000) |
| 2020 | (145,000) |
| 2021 | (339,000) |
| 2022 | (638,000) |
| 2023 | (132,000) |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

| | Rate | | |
|---|--------------------|-------------------------|--------------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | \$ 23,516,000 | \$ 15,747,000 | \$ 9,321,000 |

Pension Plan Fiduciary Net Position

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

Note 9-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

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

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

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED) |
|--|
| <p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p> |

Contributions

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the County were \$20,842 and \$19,238 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$8,273 and \$7,828 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$55,389 and \$52,933 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$302,190 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (nonprofessional) reported a liability of \$123,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$831,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.02006% as compared to 0.01896% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (nonprofessional) proportion was 0.00824% as compared to 0.00816% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.05519% as compared to 0.05671% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$6,549. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

For the year ended June 30, 2018, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$0. 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.

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$5,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | Primary Government | | Component Unit School Board (Nonprofessional) | | Component Unit School Board (Professional) | |
|--|--------------------------------|-------------------------------|---|-------------------------------|--|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 6,549 | \$ - | \$ 3,000 | \$ - | \$ 18,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 11,227 | - | 5,000 | - | 31,000 |
| Change in assumptions | - | 15,905 | - | 6,000 | - | 43,000 |
| Changes in proportion | 15,905 | - | - | - | - | 23,000 |
| Employer contributions subsequent to the measurement date | 20,842 | - | 8,273 | - | 55,389 | - |
| Total | \$ 36,747 | \$ 33,681 | \$ 8,273 | \$ 14,000 | \$ 55,389 | \$ 115,000 |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

\$20,842, \$8,273, and \$55,389 reported as deferred outflows of resources related to the GLI OPEB resulting from the County’s, Component-Unit School Board (Non-professional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | <u>Primary Government</u> | <u>Component Unit-School Board (Non- professional)</u> | <u>Component Unit-School Board (Professional)</u> |
|-------------------------------|-------------------------------|--|---|
| 2019 | \$ (3,742) | \$ (3,000) | \$ (23,000) |
| 2020 | (3,742) | (3,000) | (23,000) |
| 2021 | (3,742) | (3,000) | (23,000) |
| 2022 | (3,742) | (3,000) | (23,000) |
| 2023 | (936) | (2,000) | (15,000) |
| Thereafter | (1,872) | - | (8,000) |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

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

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

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - General State Employees (Continued)

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

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

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

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - SPORS Employees (Continued)

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - VaLORS Employees (Continued)

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

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - JRS Employees (Continued)

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

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| County's proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 391,069 | \$ 302,190 | \$ 230,151 |
| Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 159,000 | \$ 123,000 | \$ 94,000 |
| Component Unit School Board (professional) proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 1,075,000 | \$ 831,000 | \$ 633,000 |

Group Life Insurance Program Fiduciary Net Position

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

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

| TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|--|
| <p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| <p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. |
| <p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$131,018 and \$112,948 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,636,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.12893% as compared to 0.13333% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$126,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | \$ - | \$ 3,000 |
| Change in assumptions | - | 17,000 |
| Change in proportion | - | 49,000 |
| Employer contributions subsequent to the measurement date | <u>131,018</u> | <u>-</u> |
| Total | <u>\$ 131,018</u> | <u>\$ 69,000</u> |

\$131,018 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------|
| 2019 | \$ (10,000) |
| 2020 | (10,000) |
| 2021 | (10,000) |
| 2022 | (10,000) |
| 2023 | (10,000) |
| Thereafter | (19,000) |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

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

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

| | Teacher Employee HIC OPEB Plan |
|---|---|
| Total Teacher Employee HIC OPEB Liability | \$ 1,364,702 |
| Plan Fiduciary Net Position | <u>96,091</u> |
| Teacher Employee net HIC OPEB Liability (Asset) | <u>\$ 1,268,611</u> |

| | |
|---|-------|
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 7.04% |
|---|-------|

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

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Discount Rate

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

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

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

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (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 | \$ 1,825,000 | \$ 1,636,000 | \$ 1,474,000 |

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Capital Assets:

Primary Government

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|-----------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 880,603 | \$ - | \$ - | \$ 880,603 |
| Construction in progress | 10,190 | - | - | 10,190 |
| Total capital assets not being depreciated | <u>\$ 890,793</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 890,793</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 22,137,661 | \$ 171,009 | \$ (1,131,088) | \$ 21,177,582 |
| Machinery and equipment | 8,249,138 | 2,230,530 | (40,156) | 10,439,512 |
| Total capital assets being depreciated | <u>\$ 30,386,799</u> | <u>\$ 2,401,539</u> | <u>\$ (1,171,244)</u> | <u>\$ 31,617,094</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (7,618,996) | \$ (528,774) | \$ 226,063 | \$ (7,921,707) |
| Machinery and equipment | (5,990,416) | (550,496) | 22,389 | (6,518,523) |
| Total accumulated depreciation | <u>\$ (13,609,412)</u> | <u>\$ (1,079,270)</u> | <u>\$ 248,452</u> | <u>\$ (14,440,230)</u> |
| Total capital assets being depreciated, net | <u>\$ 16,777,387</u> | <u>\$ 1,322,269</u> | <u>\$ (922,792)</u> | <u>\$ 17,176,864</u> |
| Governmental activities capital assets, net | <u>\$ 17,668,180</u> | <u>\$ 1,322,269</u> | <u>\$ (922,792)</u> | <u>\$ 18,067,657</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government administration | \$ 34,511 |
| Judicial administration | 274 |
| Public safety | 361,085 |
| Public works | 159,990 |
| Health and welfare | 8,824 |
| Education | 482,406 |
| Parks, recreation, and culture | 31,558 |
| Community development | <u>622</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,079,270</u> |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Capital Assets: (Continued)

Discretely Presented Component Unit - School Board

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------------|--------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ <u>265,917</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>265,917</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 5,112,046 | \$ 1,271,706 | \$ - | \$ 6,383,752 |
| Machinery and equipment | 3,714,151 | 49,990 | - | 3,764,141 |
| Total capital assets being depreciated | \$ <u>8,826,197</u> | \$ <u>1,321,696</u> | \$ <u>-</u> | \$ <u>10,147,893</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (3,065,884) | \$ (353,877) | \$ - | \$ (3,419,761) |
| Machinery and equipment | (2,921,467) | (205,093) | - | (3,126,560) |
| Total accumulated depreciation | \$ <u>(5,987,351)</u> | \$ <u>(558,970)</u> | \$ <u>-</u> | \$ <u>(6,546,321)</u> |
| Total capital assets being depreciated, net | \$ <u>2,838,846</u> | \$ <u>762,726</u> | \$ <u>-</u> | \$ <u>3,601,572</u> |
| Governmental activities capital assets, net | \$ <u><u>3,104,763</u></u> | \$ <u><u>762,726</u></u> | \$ <u><u>-</u></u> | \$ <u><u>3,867,489</u></u> |

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 11—Capital Assets: (Continued)

Discretely Presented Component Unit - EDA

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 430,419 | \$ - | \$ - | \$ 430,419 |
| Total capital assets not being depreciated | <u>\$ 430,419</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 430,419</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 2,311,828 | \$ - | \$ - | \$ 2,311,828 |
| Machinery and equipment | 72,265 | - | - | 72,265 |
| Total capital assets being depreciated | <u>\$ 2,384,093</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,384,093</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (144,490) | \$ (57,796) | \$ - | \$ (202,286) |
| Machinery and equipment | (63,911) | (1,856) | - | (65,767) |
| Total accumulated depreciation | <u>\$ (208,401)</u> | <u>\$ (59,652)</u> | <u>\$ -</u> | <u>\$ (268,053)</u> |
| Total capital assets being depreciated, net | <u>\$ 2,175,692</u> | <u>\$ (59,652)</u> | <u>\$ -</u> | <u>\$ 2,116,040</u> |
| Business-type activities capital assets, net | <u>\$ 2,606,111</u> | <u>\$ (59,652)</u> | <u>\$ -</u> | <u>\$ 2,546,459</u> |

Note 12—Risk Management:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 13—Contingent Liabilities:

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

Note 14—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. Unearned/unavailable revenue is comprised of the following:

| | <u>Government-wide Statements Governmental Activities</u> | <u>Balance Sheet Governmental Funds</u> |
|---|---|---|
| Primary Government: | | |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures. | \$ - | \$ 415,416 |
| Tax assessments due after June 30 | 4,539,542 | 4,539,542 |
| Unavailable EMS revenue representing uncollected EMS billings that are not available for funding of current expenditures. | - | 195,714 |
| Prepaid taxes relating to taxes due in a future period. | <u>215,580</u> | <u>215,580</u> |
| Total deferred/unavailable revenue | \$ <u>4,755,122</u> | \$ <u>5,366,252</u> |

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Landfill Closure and Post-closure Care Cost:

The County closed its former landfill site in 1995. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure.

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability for post closure care is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the County, as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated post closure care and corrective costs to date for this site, less cash paid for such costs to date, totals \$1,319,068. This amount is included in the long-term liabilities in the primary government.

The County's current plan of remediation is monitored natural attenuation. This remedy consists of monitoring wells on the site for up to ten years. It is the County's and its external engineer's belief that during this period, the groundwater contaminants will decrease to an acceptable level and the County will be released by the DEQ from all other monitoring requirements.

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

Note 16 - Operating Lease

The County leases a manufacturing building to Legacy, Inc. The agreement was for a ten-year term that initially ended on January 31, 2010. However, the lease has been renewed annually for additional one year periods through January 31, 2019. The lease requires Legacy maintain a certain level of employment at the facility or the County can declare the company in default and take possession of the building. Legacy has an option to purchase the building at any time during the term of the lease at a then determined fair market appraised value of the property. The 2019 minimum monthly rental payment under this lease is \$3,600.

Note 17-Capital Lease Receivable

During the fiscal year ending June 30, 2014, the County purchased a building and related land with debt proceeds and subsequently transferred ownership to the Floyd County Economic Development Authority (EDA). During fiscal year 2015, the EDA leased the building to a local corporation and assigned all rental payments to the County. For financial reporting purposes, the lease is considered a capital lease. As such, the County has recorded a long-term receivable (\$1,042,706 as of June 30, 2018) for anticipated lease payments. Terms of the lease agreement require monthly payments of \$13,542 for a period of ten years beginning on December 1, 2014.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 18—Litigation:

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

Note 19-Self Health Insurance:

The Floyd County School Board established a limited risk management program for health insurance. Premiums are paid into the Anthem health plan account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2018, a total of \$1,354,699 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$1,376,427. The risk assumed by the School Board is based on the number of participants in the program and is limited to \$90,000 per participant or \$1,109,454 in the aggregate. Incurred but not reported claims of \$142,945 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Balance at Beginning of Fiscal Year</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at End of Fiscal Year</u> |
|--------------------|--|---|---------------------------|--|
| 2017-18 | \$ 121,217 | \$ 1,376,427 | \$ (1,354,699) | \$ 142,945 |
| 2016-17 | 158,246 | 1,613,253 | (1,650,282) | 121,217 |
| 2015-16 | 140,864 | 1,741,649 | (1,724,267) | 158,246 |

Note 20—Subsequent Events:

On October 25, 2018, the County agreed to purchase a parcel of land that required a 10% down payment of \$70,000 with hopes of closing on the purchase before December 31, 2018.

On November 15, 2018, the County entered into a loan to finance HVAC and roofing projects at Indian Valley Elementary in the amount of \$6,552,000 with an interest rate of 3.67%.

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 21-Adoption of Accounting Principles:

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

| | <u>County</u> | <u>School Board</u> |
|--|------------------------|------------------------|
| | <u>Gov. Activities</u> | <u>Gov. Activities</u> |
| Net Position, July 1, 2017, as previously stated | \$ 14,116,478 | \$ (13,196,289) |
| Implementation of GASB 75: | | |
| GASB 75 Implementation | (312,890) | (2,653,291) |
| Net Position, July 1, 2017, as restated | <u>\$ 13,803,588</u> | <u>\$ (15,849,580)</u> |

Note 22—Upcoming Pronouncements:

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

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

Note 22—Upcoming Pronouncements: (Continued)

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

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

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

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

Required Supplementary Information

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 11,420,248 | \$ 11,435,133 | \$ 12,147,958 | \$ 712,825 |
| Other local taxes | 1,762,367 | 1,762,367 | 1,789,751 | 27,384 |
| Permits, privilege fees, and regulatory licenses | 112,000 | 112,000 | 105,525 | (6,475) |
| Fines and forfeitures | 10,500 | 10,500 | 25,451 | 14,951 |
| Revenue from the use of money and property | 245,700 | 245,700 | 237,616 | (8,084) |
| Charges for services | 851,700 | 904,534 | 768,640 | (135,894) |
| Miscellaneous | 476,250 | 958,921 | 26,636 | (932,285) |
| Recovered costs | 50,000 | 103,525 | 78,887 | (24,638) |
| Intergovernmental: | | | | |
| Commonwealth | 3,991,712 | 4,277,659 | 4,094,561 | (183,098) |
| Federal | 847,300 | 847,300 | 836,796 | (10,504) |
| Total revenues | \$ 19,767,777 | \$ 20,657,639 | \$ 20,111,821 | \$ (545,818) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,106,232 | \$ 1,305,416 | \$ 1,299,716 | \$ 5,700 |
| Judicial administration | 979,158 | 1,007,688 | 931,290 | 76,398 |
| Public safety | 3,911,507 | 4,345,595 | 4,066,443 | 279,152 |
| Public works | 1,584,866 | 1,777,012 | 1,816,996 | (39,984) |
| Health and welfare | 1,927,340 | 2,233,190 | 2,255,019 | (21,829) |
| Education | 7,212,467 | 7,162,467 | 8,322,151 | (1,159,684) |
| Parks, recreation, and cultural | 314,306 | 314,306 | 307,996 | 6,310 |
| Community development | 2,858,816 | 2,906,293 | 357,137 | 2,549,156 |
| Debt service: | | | | |
| Principal retirement | 1,648,327 | 1,648,327 | 1,648,327 | - |
| Interest and other fiscal charges | 501,850 | 414,046 | 403,861 | 10,185 |
| Total expenditures | \$ 22,044,869 | \$ 23,114,340 | \$ 21,408,936 | \$ 1,705,404 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (2,277,092) | \$ (2,456,701) | \$ (1,297,115) | \$ 1,159,586 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (200,566) | \$ (200,566) |
| Issuance of capital lease | - | - | 1,486,763 | 1,486,763 |
| Total other financing sources (uses) | \$ - | \$ - | \$ 1,286,197 | \$ 1,286,197 |
| Net change in fund balances | \$ (2,277,092) | \$ (2,456,701) | \$ (10,918) | \$ 2,445,783 |
| Fund balances - beginning | 2,277,092 | 2,456,701 | 10,509,741 | 8,053,040 |
| Fund balances - ending | \$ - | \$ - | \$ 10,498,823 | \$ 10,498,823 |

Statement of Net Position
 Fire and Rescue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 198,244 | \$ 198,244 | \$ 247,577 | \$ 49,333 |
| Intergovernmental: | | | | |
| Commonwealth | 67,366 | 67,366 | 49,659 | (17,707) |
| Total revenues | \$ 265,610 | \$ 265,610 | \$ 297,236 | \$ 31,626 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ 853,799 | \$ 864,108 | \$ 395,512 | \$ 468,596 |
| Debt service: | | | | |
| Principal retirement | 38,147 | 38,147 | 38,146 | 1 |
| Interest and other fiscal charges | 2,200 | 2,200 | 2,200 | - |
| Total expenditures | \$ 894,146 | \$ 904,455 | \$ 435,858 | \$ 468,597 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (628,536) | \$ (638,845) | \$ (138,622) | \$ 500,223 |
| Net change in fund balances | \$ (628,536) | \$ (638,845) | \$ (138,622) | \$ 500,223 |
| Fund balances - beginning | 628,536 | 638,845 | (996,046) | (1,634,891) |
| Fund balances (deficit) - ending | \$ - | \$ - | \$ (1,134,668) | \$ (1,134,668) |

Statement of Net Position
 Asset Forfeiture Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ 77 | \$ 77 | \$ - |
| Intergovernmental: | | | | |
| Commonwealth | - | 66,432 | 66,432 | - |
| Total revenues | <u>\$ -</u> | <u>\$ 66,509</u> | <u>\$ 66,509</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ - | \$ 39,653 | \$ 39,653 | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ 39,653</u> | <u>\$ 39,653</u> | <u>\$ -</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ 26,856</u> | <u>\$ 26,856</u> | <u>\$ -</u> |
| Net change in fund balances | \$ - | \$ 26,856 | \$ 26,856 | \$ - |
| Fund balances - beginning | - | (26,856) | 102,802 | 129,658 |
| Fund balances (deficit) - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 129,658</u> | <u>\$ 129,658</u> |

County of Floyd, Virginia
 Schedule of the Employer's Proportionate Share of the Net Pension Liability
 For the Years Ended June 30, 2015 through June 30, 2018

| Measurement Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Employee Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|--|---|--------------------------------|--------------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| Primary Government - Floyd County Retirement Plan | | | | | |
| 6/30/2017 | 93.56% | \$ 2,166,478 | \$ 3,699,615 | 58.56% | 86.27% |
| 6/30/2016 | 93.96% | 1,653,111 | 3,350,265 | 49.34% | 88.35% |
| 6/30/2015 | 93.96% | 1,710,798 | 3,243,562 | 52.74% | 87.93% |
| 6/30/2014 | 93.96% | 1,559,230 | 3,158,882 | 49.36% | 88.43% |
| Component Unit - School Board (professional) | | | | | |
| 6/30/2017 | 0.13% | \$ 15,747,000 | \$ 10,175,499 | 154.75% | 72.92% |
| 6/30/2016 | 0.13% | 18,685,000 | 10,166,273 | 183.79% | 89.84% |
| 6/30/2015 | 0.13% | 16,527,000 | 9,762,551 | 169.29% | 70.68% |
| 6/30/2014 | 0.14% | 16,432,000 | 9,943,630 | 165.25% | 70.88% |

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

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

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | |
| Service cost | \$ 136,373 | \$ 135,188 | \$ 141,862 | \$ 141,371 |
| Interest | 511,312 | 508,111 | 494,918 | 484,197 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | 302,461 | (38,179) | 99,493 | - |
| Changes in assumptions | (98,446) | - | - | - |
| Benefit payments, including refunds of employee contributions | (581,269) | (537,531) | (558,076) | (386,746) |
| Net change in total pension liability | \$ 270,431 | \$ 67,589 | \$ 178,197 | \$ 238,822 |
| Total pension liability - beginning | 7,595,086 | 7,527,497 | 7,349,300 | 7,110,478 |
| Total pension liability - ending (a) | <u>\$ 7,865,517</u> | <u>\$ 7,595,086</u> | <u>\$ 7,527,497</u> | <u>\$ 7,349,300</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 161,903 | \$ 151,165 | \$ 146,934 | \$ 120,805 |
| Contributions - employee | 71,504 | 75,643 | 72,990 | 71,995 |
| Net investment income | 679,894 | 94,757 | 265,834 | 838,193 |
| Benefit payments, including refunds of employee contributions | (581,269) | (537,531) | (558,076) | (386,746) |
| Administrative expense | (4,184) | (3,838) | (3,938) | (4,638) |
| Other | (593) | (42) | (57) | 45 |
| Net change in plan fiduciary net position | \$ 327,255 | \$ (219,846) | \$ (76,313) | \$ 639,654 |
| Plan fiduciary net position - beginning | 5,742,859 | 5,962,705 | 6,039,018 | 5,399,364 |
| Plan fiduciary net position - ending (b) | <u>\$ 6,070,114</u> | <u>\$ 5,742,859</u> | <u>\$ 5,962,705</u> | <u>\$ 6,039,018</u> |
| School Division's net pension liability - ending (a) - (b) | \$ 1,795,403 | \$ 1,852,227 | \$ 1,564,792 | \$ 1,310,282 |
| Plan fiduciary net position as a percentage of the total pension liability | 77.17% | 75.61% | 79.21% | 82.17% |
| Covered payroll | \$ 1,505,465 | \$ 1,480,882 | \$ 1,423,176 | \$ 1,449,434 |
| School Division's net pension liability as a percentage of covered payroll | 119.26% | 125.08% | 109.95% | 90.40% |

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

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess)* (1) - (2) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (2)/(4) (5) |
|--|--|---|---|---|--|
| Primary Government - Floyd County Retirement Plan | | | | | |
| 2018 | \$ 311,388 | \$ 311,388 | \$ - | \$ 4,008,077 | 7.77% |
| 2017 | 298,223 | 298,223 | - | 3,699,615 | 8.06% |
| 2016 | 366,184 | 366,184 | - | 3,350,265 | 10.93% |
| 2015 | 347,839 | 347,839 | - | 3,243,562 | 10.72% |
| 2014 | 378,434 | 378,434 | - | 3,158,882 | 11.98% |
| 2013 | 370,739 | 370,739 | - | 3,094,649 | 11.98% |
| 2012 | 305,053 | 305,053 | - | 2,896,988 | 10.53% |
| 2011 | 292,169 | 292,169 | - | 2,774,634 | 10.53% |
| 2010 | 283,748 | 283,748 | - | 2,773,683 | 10.23% |
| 2009 | 279,483 | 279,483 | - | 2,731,993 | 10.23% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2018 | \$ 171,800 | \$ 171,800 | \$ - | \$ 1,590,936 | 10.80% |
| 2017 | 163,341 | 163,341 | - | 1,505,465 | 10.85% |
| 2016 | 191,774 | 150,059 | 41,715 | 1,480,882 | 10.13% |
| 2015 | 184,301 | 146,934 | 37,367 | 1,423,176 | 10.32% |
| 2014 | 172,641 | 120,805 | 51,836 | 1,449,434 | 8.33% |
| 2013 | 160,342 | 112,199 | 48,143 | 1,337,294 | 8.39% |
| 2012 | 95,527 | 95,527 | - | 1,296,159 | 7.37% |
| 2011 | 98,938 | 98,938 | - | 1,342,443 | 7.37% |
| 2010 | 104,397 | 104,397 | - | 1,023,072 | 10.20% |
| 2009 | 106,187 | 106,187 | - | 1,403,181 | 7.57% |
| Component Unit School Board (professional) (1) | | | | | |
| 2018 | \$ 1,713,031 | \$ 1,713,031 | \$ - | \$ 10,651,747 | 16.08% |
| 2017 | 1,486,250 | 1,486,250 | - | 10,175,499 | 14.61% |
| 2016 | 1,411,023 | 1,411,023 | - | 10,166,273 | 13.88% |
| 2015 | 1,415,570 | 1,415,570 | - | 9,762,551 | 14.50% |
| 2014 | 1,159,427 | 1,159,427 | - | 9,943,630 | 11.66% |

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

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

(1) Only 5 years of information are available.

County of Floyd, Virginia
Notes to Required Supplementary Information
June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|--|---|
| Primary Government - Floyd County Retirement Plan | | | | | |
| 2017 | 0.0201% | \$ 302,190 | \$ 3,699,615 | 8.17% | 48.86% |
| Component Unit - School Board (non-professional) | | | | | |
| 2017 | 0.0082% | \$ 123,000 | \$ 1,505,465 | 8.17% | 48.86% |
| Component Unit - School Board (professional) | | | | | |
| 2017 | 0.0552% | \$ 831,000 | \$ 10,175,499 | 8.17% | 48.86% |

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

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government - County | | | | | |
| 2018 | \$ 20,842 | \$ 20,842 | - | \$ 4,008,077 | 0.52% |
| 2017 | 19,238 | 19,238 | - | 3,699,615 | 0.52% |
| 2016 | 16,081 | 16,081 | - | 3,350,265 | 0.48% |
| 2015 | 15,275 | 15,275 | - | 3,243,562 | 0.47% |
| 2014 | 15,163 | 15,163 | - | 3,158,882 | 0.48% |
| 2013 | 14,854 | 14,854 | - | 3,094,649 | 0.48% |
| 2012 | 8,112 | 8,112 | - | 2,896,988 | 0.28% |
| 2011 | 7,769 | 7,769 | - | 2,774,634 | 0.28% |
| 2010 | 7,489 | 7,489 | - | 2,773,683 | 0.27% |
| 2009 | 7,376 | 7,376 | - | 2,731,993 | 0.27% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2018 | \$ 8,273 | \$ 8,273 | - | \$ 1,590,936 | 0.52% |
| 2017 | 7,828 | 7,828 | - | 1,505,465 | 0.52% |
| 2016 | 7,108 | 7,108 | - | 1,480,882 | 0.48% |
| 2015 | 6,831 | 6,831 | - | 1,423,176 | 0.48% |
| 2014 | 6,957 | 6,957 | - | 1,449,434 | 0.48% |
| 2013 | 6,419 | 6,419 | - | 1,337,294 | 0.48% |
| 2012 | 3,629 | 3,629 | - | 1,296,159 | 0.28% |
| 2011 | 3,759 | 3,759 | - | 1,342,443 | 0.28% |
| 2010 | 2,762 | 2,762 | - | 1,023,072 | 0.27% |
| 2009 | 3,789 | 3,789 | - | 1,403,181 | 0.27% |
| Component Unit School Board (professional) | | | | | |
| 2018 | \$ 55,389 | \$ 55,389 | - | \$ 10,651,747 | 0.52% |
| 2017 | 52,933 | 52,933 | - | 10,175,499 | 0.52% |
| 2016 | 48,911 | 48,911 | - | 10,166,273 | 0.48% |
| 2015 | 46,860 | 46,860 | - | 9,762,551 | 0.48% |
| 2014 | 47,747 | 47,747 | - | 9,943,630 | 0.48% |
| 2013 | 44,344 | 44,344 | - | 9,114,430 | 0.49% |
| 2012 | 25,821 | 25,821 | - | 9,145,953 | 0.28% |
| 2011 | 27,151 | 27,151 | - | 9,696,940 | 0.28% |
| 2010 | 20,385 | 20,385 | - | 7,549,944 | 0.27% |
| 2009 | 27,141 | 27,141 | - | 10,052,378 | 0.27% |

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

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2017 | 0.1289% \$ | 1,636,000 \$ | 10,175,499 | 16.08% | 7.04% |

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

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2018 | \$ 131,018 | \$ 131,018 | - | \$ 10,651,747 | 1.23% |
| 2017 | 112,948 | 112,948 | - | 10,175,499 | 1.11% |
| 2016 | 107,763 | 107,763 | - | 10,166,273 | 1.06% |
| 2015 | 103,483 | 103,483 | - | 9,762,551 | 1.06% |
| 2014 | 110,374 | 110,374 | - | 9,943,630 | 1.11% |
| 2013 | 101,170 | 101,170 | - | 9,114,430 | 1.11% |
| 2012 | 54,876 | 54,876 | - | 9,145,953 | 0.60% |
| 2011 | 58,182 | 58,182 | - | 9,696,940 | 0.60% |
| 2010 | 78,519 | 78,519 | - | 7,549,944 | 1.04% |
| 2009 | 108,565 | 108,565 | - | 10,052,378 | 1.08% |

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

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

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

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

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

Other Supplementary Information

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ - | \$ 184,150 | \$ 184,150 | \$ - |
| Total expenditures | \$ - | \$ 184,150 | \$ 184,150 | \$ - |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (184,150) | \$ (184,150) | \$ - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 200,566 | \$ 200,566 |
| Total other financing sources and uses | \$ - | \$ - | \$ 200,566 | \$ 200,566 |
| Net change in fund balances | \$ - | \$ (184,150) | \$ 16,416 | \$ 200,566 |
| Fund balances - beginning | - | 184,150 | 242,850 | 58,700 |
| Fund balances (deficit) - ending | \$ - | \$ - | \$ 259,266 | \$ 259,266 |

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

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance End of Year</u> |
|--|--|------------------|---------------------|------------------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | | | | |
| Seizures to be remitted | \$ 103,100 | \$ - | \$ (103,100) | \$ - |
| Special Welfare Fund | 8,996 | 40,315 | (46,149) | 3,162 |
| Total Assets | <u>\$ 112,096</u> | <u>\$ 40,315</u> | <u>\$ (149,249)</u> | <u>\$ 3,162</u> |
| Liabilities | | | | |
| Amounts held for state seizures | \$ 103,100 | \$ - | \$ (103,100) | \$ - |
| Amounts held for social services clients | 8,996 | 40,315 | (46,149) | 3,162 |
| Total Liabilities | <u>\$ 112,096</u> | <u>\$ 40,315</u> | <u>\$ (149,249)</u> | <u>\$ 3,162</u> |

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

| | | School Operating <u>Fund</u> |
|---|----|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 1,723,284 |
| Due from primary government | | 1,829,848 |
| Due from other governmental units | | 455,616 |
| Inventories | | 21,203 |
| Prepaid items | | 37,994 |
| Total assets | | <u>\$ 4,067,945</u> |
| LIABILITIES | | |
| Accounts payable | \$ | 65,606 |
| Accrued payroll liabilities | | 1,829,848 |
| Health claim payable | | 142,945 |
| Total liabilities | | <u>\$ 2,038,399</u> |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid items and inventory | \$ | 59,197 |
| Restricted: | | |
| Cafeteria | | 226,209 |
| Self health insurance | | 1,354,130 |
| Unassigned | | 390,010 |
| Total fund balances | | <u>\$ 2,029,546</u> |
| Total liabilities and fund balances | | <u>\$ 4,067,945</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | |
| Total fund balances per above | \$ | 2,029,546 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | \$ | 265,917 |
| Buildings and improvements | | 2,963,991 |
| Machinery and equipment | | 637,581 |
| | | <u>3,867,489</u> |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | \$ | 2,732,432 |
| OPEB related items | | 194,680 |
| | | <u>2,927,112</u> |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Compensated absences | \$ | (570,614) |
| Net pension liability | | (17,542,403) |
| Net OPEB liabilities | | (2,590,000) |
| | | <u>(20,703,017)</u> |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | \$ | (2,712,815) |
| OPEB related items | | (198,000) |
| | | <u>(2,910,815)</u> |
| Net position of governmental activities | | <u>\$ (14,789,685)</u> |

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

| | | <u>School Operating Fund</u> |
|---|----|--------------------------------------|
| REVENUES | | |
| Charges for services | \$ | 402,722 |
| Miscellaneous | | 88,409 |
| Recovered costs | | 213,993 |
| Intergovernmental: | | |
| Local government | | 7,012,382 |
| Commonwealth | | 12,191,799 |
| Federal | | 1,837,060 |
| Total revenues | \$ | <u>21,746,365</u> |
| EXPENDITURES | | |
| Current: | | |
| Education | \$ | <u>21,951,069</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ | <u>(204,704)</u> |
| Net change in fund balances | \$ | (204,704) |
| Fund balances - beginning | | <u>2,234,250</u> |
| Fund balances - ending | \$ | <u><u>2,029,546</u></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 | \$ | (204,704) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. | | |
| Capital asset additions | \$ | 1,321,696 |
| Depreciation expense | | <u>(558,970)</u> |
| | | 762,726 |
| 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 | \$ | (43,837) |
| Pension expense | | 485,739 |
| OPEB expense | | <u>59,971</u> |
| Change in net position of governmental activities | \$ | <u><u>1,059,895</u></u> |

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

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|----------------------|----------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 523,357 | \$ 523,357 | \$ 402,722 | \$ (120,635) |
| Miscellaneous | 35,500 | 83,030 | 88,409 | 5,379 |
| Recovered costs | 110,000 | 159,445 | 213,993 | 54,548 |
| Intergovernmental: | | | | |
| Local government | 7,205,311 | 7,339,461 | 7,012,382 | (327,079) |
| Commonwealth | 12,252,955 | 12,329,996 | 12,191,799 | (138,197) |
| Federal | 1,725,573 | 1,747,768 | 1,837,060 | 89,292 |
| Total revenues | <u>\$ 21,852,696</u> | <u>\$ 22,183,057</u> | <u>\$ 21,746,365</u> | <u>\$ (436,692)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 21,852,696 | \$ 22,183,057 | \$ 21,951,069 | \$ 231,988 |
| Total expenditures | <u>\$ 21,852,696</u> | <u>\$ 22,183,057</u> | <u>\$ 21,951,069</u> | <u>\$ 231,988</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ (204,704) | \$ (204,704) |
| Net change in fund balances | \$ - | \$ - | \$ (204,704) | \$ (204,704) |
| Fund balances - beginning | - | - | 2,234,250 | 2,234,250 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,029,546</u> | <u>\$ 2,029,546</u> |

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2018

| | Enterprise Fund |
|--|--------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 93,348 |
| Accounts receivable | 9,316 |
| Loan receivable - current portion | 82,422 |
| Lease receivable | 20,200 |
| Inventory, held for resale | 246,180 |
| Total current assets | \$ 451,466 |
| Other assets: | |
| Loan receivable - net of current portion | \$ 505,150 |
| Restricted cash and cash equivalents | 86,058 |
| Capital assets: | |
| Land | 430,419 |
| Machinery and equipment | 72,265 |
| Building | 2,311,828 |
| Accumulated depreciation | (268,053) |
| Total capital assets | \$ 2,546,459 |
| Total noncurrent assets | \$ 3,137,667 |
| Total assets | \$ 3,589,133 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 1,924 |
| Customers' deposits | 12,412 |
| Due to primary government - current portion | 15,930 |
| Unearned revenue | 4,216 |
| Total current liabilities | \$ 34,482 |
| Noncurrent liabilities: | |
| Due to primary government - net of current portion | \$ 482,988 |
| Total noncurrent liabilities | \$ 482,988 |
| Total liabilities | \$ 517,470 |
| NET POSITION | |
| Investment in capital assets | \$ 2,546,459 |
| Unrestricted | 525,204 |
| Total net position | \$ 3,071,663 |

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2018

| | Enterprise Fund |
|---|--------------------|
| OPERATING REVENUES | |
| IRB Fees | \$ 3,600 |
| Use of property | 62,530 |
| Miscellaneous revenue | 11,011 |
| Total operating revenues | \$ 77,141 |
| OPERATING EXPENSES | |
| Operations | \$ 121,013 |
| Depreciation | 59,652 |
| Total operating expenses | \$ 180,665 |
| Operating income (loss) | \$ (103,524) |
| NONOPERATING REVENUES (EXPENSES) | |
| Intergovernmental: | |
| Federal | \$ 9,281 |
| Interest income | 28,985 |
| Total nonoperating revenues (expenses) | \$ 38,266 |
| Change in net position | \$ (65,258) |
| Total net position - beginning | 3,136,921 |
| Total net position - ending | \$ 3,071,663 |

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2018

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 76,762 |
| Payments to suppliers | (122,532) |
| Net cash provided by (used for) operating activities | <u>\$ (45,770)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Contributions in aid of construction | \$ 12,817 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ 12,817</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | \$ 28,985 |
| Loans/notes issued to customers | (500,000) |
| Payments received on notes/loans receivable | 526,675 |
| Net cash provided by (used for) investing activities | <u>\$ 55,660</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 22,707 |
| Cash and cash equivalents - beginning (including restricted cash of \$55,907) | 156,699 |
| Cash and cash equivalents - ending (including restricted cash of \$86,058) | <u>\$ 179,406</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (103,524) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | \$ 59,652 |
| (Increase) decrease in accounts receivable | (5,181) |
| (Increase) decrease in lease receivable | 1,300 |
| Increase (decrease) in customer deposits | 3,502 |
| Increase (decrease) in accounts payables | (1,519) |
| Total adjustments | <u>\$ 57,754</u> |
| Net cash provided by (used for) operating activities | <u>\$ (45,770)</u> |

Supporting Schedules

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 8,434,174 | \$ 8,434,174 | \$ 8,947,527 | \$ 513,353 |
| Real and personal public service corporation taxes | 330,079 | 330,079 | 337,603 | 7,524 |
| Personal property taxes | 2,220,263 | 2,220,263 | 2,332,970 | 112,707 |
| Mobile home taxes | 47,732 | 47,732 | 47,805 | 73 |
| Machinery and tools taxes | 191,500 | 191,500 | 185,332 | (6,168) |
| Merchant's capital | 64,500 | 64,500 | 64,479 | (21) |
| DMV Stops and administration fees | 7,000 | 21,885 | 34,996 | 13,111 |
| Penalties | 75,000 | 75,000 | 116,888 | 41,888 |
| Interest | 50,000 | 50,000 | 80,358 | 30,358 |
| Total general property taxes | <u>\$ 11,420,248</u> | <u>\$ 11,435,133</u> | <u>\$ 12,147,958</u> | <u>\$ 712,825</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 900,000 | \$ 900,000 | \$ 880,099 | \$ (19,901) |
| Consumers' utility taxes | 390,000 | 390,000 | 365,237 | (24,763) |
| Consumption taxes | - | - | 45,670 | 45,670 |
| Motor vehicle licenses | 396,367 | 396,367 | 408,679 | 12,312 |
| Recordation tax | 6,000 | 6,000 | 5,126 | (874) |
| Hotel and motel room taxes | 50,000 | 50,000 | 58,176 | 8,176 |
| Other local taxes | 20,000 | 20,000 | 26,764 | 6,764 |
| Total other local taxes | <u>\$ 1,762,367</u> | <u>\$ 1,762,367</u> | <u>\$ 1,789,751</u> | <u>\$ 27,384</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 7,500 | \$ 7,500 | \$ 11,004 | \$ 3,504 |
| Transfer fees | 1,000 | 1,000 | 667 | (333) |
| Building permits | 90,000 | 90,000 | 82,649 | (7,351) |
| Land use application fees | 8,000 | 8,000 | 5,630 | (2,370) |
| Other permits and licenses | 5,500 | 5,500 | 5,575 | 75 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 112,000</u> | <u>\$ 112,000</u> | <u>\$ 105,525</u> | <u>\$ (6,475)</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 10,500 | \$ 10,500 | \$ 25,451 | \$ 14,951 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 40,000 | \$ 40,000 | \$ 31,866 | \$ (8,134) |
| Revenue from use of property | 205,700 | 205,700 | 205,750 | 50 |
| Total revenue from use of money and property | <u>\$ 245,700</u> | <u>\$ 245,700</u> | <u>\$ 237,616</u> | <u>\$ (8,084)</u> |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | \$ 115,500 | \$ 168,334 | \$ 134,779 | \$ (33,555) |
| Charges for courthouse maintenance | 3,500 | 3,500 | 3,265 | (235) |
| Charges for courthouse security | 10,000 | 10,000 | 12,617 | 2,617 |
| Recordation fees | 80,000 | 80,000 | 84,756 | 4,756 |
| Charges for Commonwealth's Attorney | 2,000 | 2,000 | 1,863 | (137) |
| Charges for sanitation and waste removal | 219,000 | 219,000 | 169,303 | (49,697) |
| Charges for emergency medical services | 420,000 | 420,000 | 359,099 | (60,901) |
| Charges for library | 1,700 | 1,700 | 1,765 | 65 |
| Jail admission fees | - | - | 1,193 | 1,193 |
| Total charges for services | <u>\$ 851,700</u> | <u>\$ 904,534</u> | <u>\$ 768,640</u> | <u>\$ (135,894)</u> |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 476,250 | \$ 958,921 | \$ 26,636 | \$ (932,285) |
| Recovered costs: | | | | |
| Welfare recoveries | \$ 10,000 | \$ 10,000 | \$ 21,368 | \$ 11,368 |
| Insurance recoveries | 20,000 | 60,374 | 40,889 | (19,485) |
| Other recovered costs | 20,000 | 33,151 | 16,630 | (16,521) |
| Total recovered costs | <u>\$ 50,000</u> | <u>\$ 103,525</u> | <u>\$ 78,887</u> | <u>\$ (24,638)</u> |
| Total revenue from local sources | <u>\$ 14,928,765</u> | <u>\$ 15,532,680</u> | <u>\$ 15,180,464</u> | <u>\$ (352,216)</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Mobile home titling tax | \$ 22,000 | \$ 22,000 | \$ 30,402 | \$ 8,402 |
| Motor vehicle carriers tax | 100 | 100 | 69 | (31) |
| Motor vehicle rental tax | 2,000 | 2,000 | 2,336 | 336 |
| State recordation tax | 30,000 | 30,000 | 28,165 | (1,835) |
| Communication tax | 596,000 | 596,000 | 567,170 | (28,830) |
| Personal property tax relief funds | 925,102 | 925,102 | 925,741 | 639 |
| Total noncategorical aid | <u>\$ 1,575,202</u> | <u>\$ 1,575,202</u> | <u>\$ 1,553,883</u> | <u>\$ (21,319)</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 246,745 | \$ 248,087 | \$ 242,786 | \$ (5,301) |
| Sheriff | 746,838 | 751,254 | 732,445 | (18,809) |
| Commissioner of revenue | 96,485 | 96,485 | 95,757 | (728) |
| Treasurer | 86,114 | 86,114 | 85,384 | (730) |
| Medical examiner | 300 | 300 | - | (300) |
| Registrar/electoral board | 40,147 | 40,147 | 37,399 | (2,748) |
| Clerk of the Circuit Court | 196,259 | 210,787 | 208,380 | (2,407) |
| Total shared expenses | <u>\$ 1,412,888</u> | <u>\$ 1,433,174</u> | <u>\$ 1,402,151</u> | <u>\$ (31,023)</u> |
| Other categorical aid: | | | | |
| Welfare payments | \$ 219,543 | \$ 329,543 | \$ 362,397 | \$ 32,854 |
| CSA payments | 434,917 | 590,578 | 563,444 | (27,134) |
| State and local foster care | 5,000 | 5,000 | 4,500 | (500) |
| Litter control grant | 7,000 | 7,000 | 6,686 | (314) |
| E911 PSAP grants | 210,162 | 210,162 | 185,068 | (25,094) |
| VJCCA grant | 2,000 | 2,000 | 847 | (1,153) |
| Public safety grants | 125,000 | 125,000 | - | (125,000) |
| VJCCA grant | - | - | 6,585 | 6,585 |
| VHDA Community Impact | - | - | 9,000 | 9,000 |
| Total other categorical aid | <u>\$ 1,003,622</u> | <u>\$ 1,269,283</u> | <u>\$ 1,138,527</u> | <u>\$ (130,756)</u> |
| Total categorical aid | <u>\$ 2,416,510</u> | <u>\$ 2,702,457</u> | <u>\$ 2,540,678</u> | <u>\$ (161,779)</u> |
| Total revenue from the Commonwealth | <u>\$ 3,991,712</u> | <u>\$ 4,277,659</u> | <u>\$ 4,094,561</u> | <u>\$ (183,098)</u> |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | \$ 13,390 | \$ 13,390 | \$ 10,867 | \$ (2,523) |
| Categorical aid: | | | | |
| Welfare payments | \$ 675,898 | \$ 675,898 | \$ 675,898 | \$ - |
| Children's Services Act funds | 78,092 | 78,092 | 78,092 | - |
| Emergency management performance grant | 7,500 | 7,500 | 7,500 | - |
| Rural Development sheriff vehicle grant | 32,420 | 32,420 | 25,000 | (7,420) |
| Violence against women grants | 31,000 | 31,000 | 31,000 | - |
| Bulletproof vest partnership grants | 3,000 | 3,000 | 2,962 | (38) |
| Open container/highway safety grant | 6,000 | 6,000 | 5,477 | (523) |
| Total categorical aid | <u>\$ 833,910</u> | <u>\$ 833,910</u> | <u>\$ 825,929</u> | <u>\$ (7,981)</u> |
| Total revenue from the federal government | <u>\$ 847,300</u> | <u>\$ 847,300</u> | <u>\$ 836,796</u> | <u>\$ (10,504)</u> |
| Total General Fund | <u><u>\$ 19,767,777</u></u> | <u><u>\$ 20,657,639</u></u> | <u><u>\$ 20,111,821</u></u> | <u><u>\$ (545,818)</u></u> |
| Special Revenue Funds: | | | | |
| Fire and Rescue Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 153,875 | \$ 153,875 | \$ 172,715 | \$ 18,840 |
| Real and personal public service corporation taxes | 6,113 | 6,113 | 6,890 | 777 |
| Personal property taxes | 37,438 | 37,438 | 66,986 | 29,548 |
| Mobile home taxes | 818 | 818 | 986 | 168 |
| Total general property taxes | <u>\$ 198,244</u> | <u>\$ 198,244</u> | <u>\$ 247,577</u> | <u>\$ 49,333</u> |
| Total revenue from local sources | <u>\$ 198,244</u> | <u>\$ 198,244</u> | <u>\$ 247,577</u> | <u>\$ 49,333</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Fire program funds | \$ 50,000 | \$ 50,000 | \$ 49,659 | \$ (341) |
| Four-for-life | 17,366 | 17,366 | - | (17,366) |
| Total categorical aid | <u>\$ 67,366</u> | <u>\$ 67,366</u> | <u>\$ 49,659</u> | <u>\$ (17,707)</u> |
| Total revenue from the Commonwealth | <u>\$ 67,366</u> | <u>\$ 67,366</u> | <u>\$ 49,659</u> | <u>\$ (17,707)</u> |
| Total Fire and Rescue Fund | <u><u>\$ 265,610</u></u> | <u><u>\$ 265,610</u></u> | <u><u>\$ 297,236</u></u> | <u><u>\$ 31,626</u></u> |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Special Revenue Funds: (Continued) | | | | |
| Asset Forfeiture Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ 77 | \$ 77 | \$ - |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ 77</u> | <u>\$ 77</u> | <u>\$ -</u> |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Asset forfeiture | \$ - | \$ 66,432 | \$ 66,432 | \$ - |
| Total revenue from the Commonwealth | <u>\$ -</u> | <u>\$ 66,432</u> | <u>\$ 66,432</u> | <u>\$ -</u> |
| Total Asset Forfeiture Fund | <u>\$ -</u> | <u>\$ 66,509</u> | <u>\$ 66,509</u> | <u>\$ -</u> |
| Total Primary Government | <u>\$ 20,033,387</u> | <u>\$ 20,989,758</u> | <u>\$ 20,475,566</u> | <u>\$ (514,192)</u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Tuition and payments from other divisions | \$ 64,596 | \$ 64,596 | \$ 54,769 | \$ (9,827) |
| Cafeteria | 448,261 | 448,261 | 335,551 | (112,710) |
| Other charges for services | 10,500 | 10,500 | 12,402 | 1,902 |
| Total charges for services | <u>\$ 523,357</u> | <u>\$ 523,357</u> | <u>\$ 402,722</u> | <u>\$ (120,635)</u> |
| Miscellaneous: | | | | |
| Donations | \$ - | \$ 44,099 | \$ 44,539 | \$ 440 |
| Sale of supplies and equipment | 500 | 3,931 | 11,870 | 7,939 |
| Other miscellaneous | 35,000 | 35,000 | 32,000 | (3,000) |
| Total miscellaneous | <u>\$ 35,500</u> | <u>\$ 83,030</u> | <u>\$ 88,409</u> | <u>\$ 5,379</u> |
| Recovered costs: | | | | |
| Rebates and refunds | \$ 45,000 | \$ 45,000 | \$ 26,010 | \$ (18,990) |
| Insurance recoveries | - | 9,051 | 9,051 | - |
| Medicaid payments | 65,000 | 105,394 | 178,932 | 73,538 |
| Total recovered costs | <u>\$ 110,000</u> | <u>\$ 159,445</u> | <u>\$ 213,993</u> | <u>\$ 54,548</u> |
| Total revenue from local sources | <u>\$ 668,857</u> | <u>\$ 765,832</u> | <u>\$ 705,124</u> | <u>\$ (60,708)</u> |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Floyd, Virginia | \$ 7,205,311 | \$ 7,339,461 | \$ 7,012,382 | \$ (327,079) |
| Total revenues from local governments | <u>\$ 7,205,311</u> | <u>\$ 7,339,461</u> | <u>\$ 7,012,382</u> | <u>\$ (327,079)</u> |

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

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 2,420,179 | \$ 2,423,091 | \$ 2,291,233 | \$ (131,858) |
| Basic school aid | 5,955,163 | 5,972,428 | 5,964,123 | (8,305) |
| Remedial summer education | 66,773 | 77,020 | 77,020 | - |
| Foster care | - | - | 8,594 | 8,594 |
| Gifted and talented | 62,327 | 62,486 | 62,433 | (53) |
| Remedial education | 193,474 | 193,966 | 193,802 | (164) |
| Special education | 685,601 | 687,343 | 686,761 | (582) |
| Textbook payment | 142,548 | 142,910 | 142,789 | (121) |
| Vocational standards of quality payments | 158,415 | 158,818 | 158,683 | (135) |
| Vocational adult education | - | - | 212 | 212 |
| School food | 27,516 | 29,235 | 28,814 | (421) |
| Social security fringe benefits | 363,576 | 364,500 | 364,191 | (309) |
| Retirement fringe benefits | 832,330 | 834,444 | 833,738 | (706) |
| Group life insurance benefits | 24,671 | 24,734 | 24,713 | (21) |
| State lottery payments | 355,941 | 358,017 | 356,869 | (1,148) |
| Early reading intervention | 28,007 | 25,853 | 25,853 | - |
| Homebound education | 1,614 | 2,109 | 2,108 | (1) |
| ISAFP | 7,859 | 8,294 | 8,294 | - |
| Vocational education - equipment | 4,400 | 4,400 | 4,613 | 213 |
| Vocational occupational preparedness | 39,341 | 36,098 | 39,216 | 3,118 |
| School security grants | 60,185 | 108,212 | 108,161 | (51) |
| Special education - foster care | 43,050 | 28,840 | 20,657 | (8,183) |
| At risk payments | 156,959 | 157,395 | 158,970 | 1,575 |
| Primary class size | 216,550 | 218,155 | 218,155 | - |
| Technology | 180,000 | 180,000 | 180,000 | - |
| Standards of Learning algebra readiness | 23,909 | 26,180 | 26,180 | - |
| At risk four-year olds | 149,527 | 149,527 | 149,527 | - |
| Mentor teach program | 1,896 | 1,241 | 1,241 | - |
| English as a second language | 40,645 | 41,077 | 41,077 | - |
| Other state funds | 10,499 | 13,623 | 13,772 | 149 |
| Total categorical aid | <u>\$ 12,252,955</u> | <u>\$ 12,329,996</u> | <u>\$ 12,191,799</u> | <u>\$ (138,197)</u> |
| Total revenue from the Commonwealth | <u>\$ 12,252,955</u> | <u>\$ 12,329,996</u> | <u>\$ 12,191,799</u> | <u>\$ (138,197)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 477,549 | \$ 434,823 | \$ 453,411 | \$ 18,588 |
| Title VI-B, special education flow-through | 502,202 | 527,124 | 495,299 | (31,825) |
| Title VI-B, special education pre-school | 22,329 | 22,329 | 22,330 | 1 |
| Vocational education | 34,800 | 36,388 | 37,030 | 642 |
| Improving teacher quality | 76,356 | 72,810 | 78,803 | 5,993 |
| English language acquisition skills | 6,009 | 6,144 | 9,367 | 3,223 |
| School food | 606,328 | 648,150 | 730,090 | 81,940 |
| Student support | - | - | 10,730 | 10,730 |
| Total categorical aid | <u>\$ 1,725,573</u> | <u>\$ 1,747,768</u> | <u>\$ 1,837,060</u> | <u>\$ 89,292</u> |
| Total revenue from the federal government | <u>\$ 1,725,573</u> | <u>\$ 1,747,768</u> | <u>\$ 1,837,060</u> | <u>\$ 89,292</u> |
| Total School Operating Fund | <u>\$ 21,852,696</u> | <u>\$ 22,183,057</u> | <u>\$ 21,746,365</u> | <u>\$ (436,692)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 21,852,696</u> | <u>\$ 22,183,057</u> | <u>\$ 21,746,365</u> | <u>\$ (436,692)</u> |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 77,315 | \$ 78,035 | \$ 84,386 | \$ (6,351) |
| General and financial administration: | | | | |
| County administrator | \$ 285,271 | \$ 285,871 | \$ 285,838 | \$ 33 |
| Legal services | 30,000 | 74,244 | 74,226 | 18 |
| Commissioner of revenue | 264,613 | 389,674 | 382,107 | 7,567 |
| Reassessment | 15,250 | 15,250 | 14,913 | 337 |
| Audit | 60,000 | 72,300 | 72,300 | - |
| Treasurer | 224,130 | 239,015 | 236,019 | 2,996 |
| Total general and financial administration | <u>\$ 879,264</u> | <u>\$ 1,076,354</u> | <u>\$ 1,065,403</u> | <u>\$ 10,951</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 37,955 | \$ 45,450 | \$ 45,422 | \$ 28 |
| Registrar | 111,698 | 105,577 | 104,505 | 1,072 |
| Total board of elections | <u>\$ 149,653</u> | <u>\$ 151,027</u> | <u>\$ 149,927</u> | <u>\$ 1,100</u> |
| Total general government administration | <u>\$ 1,106,232</u> | <u>\$ 1,305,416</u> | <u>\$ 1,299,716</u> | <u>\$ 5,700</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 13,410 | \$ 10,505 | \$ 10,308 | \$ 197 |
| General district court | 3,380 | 4,258 | 4,231 | 27 |
| Magistrates office | 1,650 | 1,650 | 650 | 1,000 |
| Clerk of the circuit court | 303,859 | 327,920 | 305,147 | 22,773 |
| Sheriff (court) | 343,743 | 348,897 | 302,428 | 46,469 |
| Total courts | <u>\$ 666,042</u> | <u>\$ 693,230</u> | <u>\$ 622,764</u> | <u>\$ 70,466</u> |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 313,116 | \$ 314,458 | \$ 308,526 | \$ 5,932 |
| Total judicial administration | <u>\$ 979,158</u> | <u>\$ 1,007,688</u> | <u>\$ 931,290</u> | <u>\$ 76,398</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | \$ 16,275 | \$ 16,625 | \$ 16,625 | \$ - |
| Sheriff | 1,430,188 | 1,566,279 | 1,446,975 | 119,304 |
| Total law enforcement and traffic control | <u>\$ 1,446,463</u> | <u>\$ 1,582,904</u> | <u>\$ 1,463,600</u> | <u>\$ 119,304</u> |
| Fire and rescue services: | | | | |
| Public safety | \$ 48,521 | \$ 39,021 | \$ 38,835 | \$ 186 |
| E-911 | 546,008 | 548,198 | 383,267 | 164,931 |
| Emergency medical services | 959,909 | 1,114,935 | 1,100,686 | 14,249 |
| Total fire and rescue services | <u>\$ 1,554,438</u> | <u>\$ 1,702,154</u> | <u>\$ 1,522,788</u> | <u>\$ 179,366</u> |
| Correction and detention: | | | | |
| Payments to New River Juvenile Detention | \$ 35,796 | \$ 796 | \$ 564 | \$ 232 |
| Payments to New River Regional Jail | 440,000 | 481,063 | 502,688 | (21,625) |
| Total correction and detention | <u>\$ 475,796</u> | <u>\$ 481,859</u> | <u>\$ 503,252</u> | <u>\$ (21,393)</u> |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Inspections: | | | | |
| Building | \$ 255,118 | \$ 291,422 | \$ 291,417 | \$ 5 |
| Other protection: | | | | |
| Forest service | \$ 13,069 | \$ 11,069 | \$ 11,011 | \$ 58 |
| Animal control | 166,223 | 275,787 | 274,135 | 1,652 |
| Medical examiner | 400 | 400 | 240 | 160 |
| Total other protection | <u>\$ 179,692</u> | <u>\$ 287,256</u> | <u>\$ 285,386</u> | <u>\$ 1,870</u> |
| Total public safety | <u>\$ 3,911,507</u> | <u>\$ 4,345,595</u> | <u>\$ 4,066,443</u> | <u>\$ 279,152</u> |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 1,141,646 | \$ 1,187,946 | \$ 1,243,640 | \$ (55,694) |
| Recycling program | 167,016 | 197,914 | 181,965 | 15,949 |
| Total sanitation and waste removal | <u>\$ 1,308,662</u> | <u>\$ 1,385,860</u> | <u>\$ 1,425,605</u> | <u>\$ (39,745)</u> |
| Maintenance of general buildings and grounds: | | | | |
| Maintenance of properties | \$ 276,204 | \$ 391,152 | \$ 391,391 | \$ (239) |
| Total public works | <u>\$ 1,584,866</u> | <u>\$ 1,777,012</u> | <u>\$ 1,816,996</u> | <u>\$ (39,984)</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 100,000 | \$ 102,189 | \$ 102,189 | \$ - |
| Mental health and mental retardation: | | | | |
| Contribution to New River Valley Community Services Board | \$ 33,294 | \$ 33,294 | \$ 33,294 | \$ - |
| Welfare: | | | | |
| Public assistance | \$ 1,112,791 | \$ 1,252,496 | \$ 1,250,982 | \$ 1,514 |
| Children's Services Act | 675,500 | 839,456 | 862,799 | (23,343) |
| New River Valley Area on Aging | 5,755 | 5,755 | 5,755 | - |
| Total welfare | <u>\$ 1,794,046</u> | <u>\$ 2,097,707</u> | <u>\$ 2,119,536</u> | <u>\$ (21,829)</u> |
| Total health and welfare | <u>\$ 1,927,340</u> | <u>\$ 2,233,190</u> | <u>\$ 2,255,019</u> | <u>\$ (21,829)</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to Community College | \$ 7,156 | \$ 7,156 | \$ 7,156 | \$ - |
| Contribution to County School Board - Capital | - | - | 1,486,763 | (1,486,763) |
| Contribution to County School Board | 7,205,311 | 7,155,311 | 6,828,232 | 327,079 |
| Total education | <u>\$ 7,212,467</u> | <u>\$ 7,162,467</u> | <u>\$ 8,322,151</u> | <u>\$ (1,159,684)</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Contribution to Floyd Parks and Recreation Authority | \$ 55,000 | \$ 55,000 | \$ 55,000 | \$ - |
| Library: | | | | |
| County library | \$ 259,306 | \$ 259,306 | \$ 252,996 | \$ 6,310 |
| Total parks, recreation, and cultural | <u>\$ 314,306</u> | <u>\$ 314,306</u> | <u>\$ 307,996</u> | <u>\$ 6,310</u> |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | \$ 157,390 | \$ 157,890 | \$ 137,699 | \$ 20,191 |
| Planning | 4,000 | 4,000 | 3,246 | 754 |
| New River Valley Planning District Commission | 19,622 | 23,622 | 23,622 | - |
| Economic development | 2,570,600 | 2,611,118 | 91,182 | 2,519,936 |
| Total planning and community development | <u>\$ 2,751,612</u> | <u>\$ 2,796,630</u> | <u>\$ 255,749</u> | <u>\$ 2,540,881</u> |
| Environmental management: | | | | |
| Soil conservation | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ - |
| Cooperative extension program: | | | | |
| Extension office | \$ 94,204 | \$ 96,663 | \$ 88,388 | \$ 8,275 |
| Total community development | <u>\$ 2,858,816</u> | <u>\$ 2,906,293</u> | <u>\$ 357,137</u> | <u>\$ 2,549,156</u> |
| Debt service: | | | | |
| Principal retirement | \$ 1,648,327 | \$ 1,648,327 | \$ 1,648,327 | \$ - |
| Interest and other fiscal charges | 501,850 | 414,046 | 403,861 | 10,185 |
| Total debt service | <u>\$ 2,150,177</u> | <u>\$ 2,062,373</u> | <u>\$ 2,052,188</u> | <u>\$ 10,185</u> |
| Total General Fund | <u>\$ 22,044,869</u> | <u>\$ 23,114,340</u> | <u>\$ 21,408,936</u> | <u>\$ 1,705,404</u> |
| Special Revenue Funds: | | | | |
| Fire and Rescue Fund: | | | | |
| Public safety: | | | | |
| Fire and rescue services | \$ 853,799 | \$ 864,108 | \$ 395,512 | \$ 468,596 |
| Debt service: | | | | |
| Principal retirement | \$ 38,147 | \$ 38,147 | \$ 38,146 | \$ 1 |
| Interest and other fiscal charges | 2,200 | 2,200 | 2,200 | - |
| Total debt service | <u>\$ 40,347</u> | <u>\$ 40,347</u> | <u>\$ 40,346</u> | <u>\$ 1</u> |
| Total Fire and Rescue Fund | <u>\$ 894,146</u> | <u>\$ 904,455</u> | <u>\$ 435,858</u> | <u>\$ 468,597</u> |
| Asset Forfeiture Fund: | | | | |
| Public Safety | | | | |
| Asset forfeiture | \$ - | \$ 39,653 | \$ 39,653 | \$ - |
| Total public safety | <u>\$ -</u> | <u>\$ 39,653</u> | <u>\$ 39,653</u> | <u>\$ -</u> |
| Total Asset Forfeiture Fund | <u>\$ -</u> | <u>\$ 39,653</u> | <u>\$ 39,653</u> | <u>\$ -</u> |
| Capital Projects Fund: | | | | |
| Capital Improvements Fund: | | | | |
| Education: | | | | |
| Contribution to County School Board | \$ - | \$ 184,150 | \$ 184,150 | \$ - |
| Total education | <u>\$ -</u> | <u>\$ 184,150</u> | <u>\$ 184,150</u> | <u>\$ -</u> |
| Total Capital Projects Fund | <u>\$ -</u> | <u>\$ 184,150</u> | <u>\$ 184,150</u> | <u>\$ -</u> |
| Total Primary Government | <u>\$ 22,939,015</u> | <u>\$ 24,242,598</u> | <u>\$ 22,068,597</u> | <u>\$ 2,174,001</u> |

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

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration and health services | \$ 926,167 | \$ 940,558 | \$ 926,266 | \$ 14,292 |
| Instructional costs: | | | | |
| Instructional costs | \$ 14,428,676 | \$ 14,506,438 | \$ 14,315,191 | \$ 191,247 |
| Operating costs: | | | | |
| Pupil transportation | \$ 1,679,017 | \$ 1,711,041 | \$ 1,640,248 | \$ 70,793 |
| Operation and maintenance services | 2,389,508 | 2,522,724 | 2,489,562 | 33,162 |
| School food service | 1,082,109 | 1,125,649 | 1,173,950 | (48,301) |
| Facilities | - | 60,100 | 60,100 | - |
| Technology | 1,347,219 | 1,316,547 | 1,345,752 | (29,205) |
| Total operating costs | <u>\$ 6,497,853</u> | <u>\$ 6,736,061</u> | <u>\$ 6,709,612</u> | <u>\$ 26,449</u> |
| Total School Operating Fund | <u>\$ 21,852,696</u> | <u>\$ 22,183,057</u> | <u>\$ 21,951,069</u> | <u>\$ 231,988</u> |

Other Statistical Information

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

| Fiscal Year | General Government Administration (1) | Judicial Administration (2) | Public Safety | Public Works (1) | Health and Welfare | Education | Parks, Recreation, and Cultural Development (3) | Community Development (3) | Interest on Long-Term Debt | Total |
|-------------|---------------------------------------|-----------------------------|---------------|------------------|--------------------|--------------|---|---------------------------|----------------------------|---------------|
| 2017-18 | \$ 1,176,107 | \$ 938,308 | \$ 4,262,695 | \$ 1,870,437 | \$ 2,223,129 | \$ 8,406,969 | \$ 335,237 | \$ 364,338 | \$ 413,480 | \$ 19,990,700 |
| 2016-17 | 1,026,702 | 861,947 | 3,714,857 | 1,907,134 | 1,767,024 | 7,023,158 | 343,105 | 291,251 | 516,439 | 17,451,617 |
| 2015-16 | 985,309 | 866,991 | 3,612,094 | 1,959,374 | 1,489,708 | 6,415,200 | 328,238 | 250,068 | 509,781 | 16,416,763 |
| 2014-15 | 1,166,572 | 870,484 | 3,344,721 | 1,732,404 | 1,576,986 | 6,107,460 | 314,111 | 261,084 | 544,738 | 15,918,560 |
| 2013-14 | 1,121,324 | 901,284 | 3,383,379 | 1,629,690 | 2,017,139 | 6,826,189 | 294,817 | 1,794,392 | 586,840 | 18,555,054 |
| 2012-13 | 1,441,385 | 653,873 | 3,378,798 | 1,337,042 | 1,724,585 | 5,363,536 | 299,345 | 426,620 | 626,805 | 15,251,989 |
| 2011-12 | 1,370,445 | 662,893 | 3,369,356 | 1,344,955 | 1,708,336 | 4,907,803 | 284,145 | 387,713 | 677,762 | 14,713,408 |
| 2010-11 | 1,234,218 | 580,392 | 3,094,884 | 1,155,191 | 1,580,615 | 5,737,881 | 264,853 | 416,021 | 723,796 | 14,787,851 |
| 2009-10 | 1,670,581 | 582,654 | 3,104,849 | 1,139,165 | 1,756,824 | 5,591,957 | 300,663 | 339,872 | 792,376 | 15,278,941 |
| 2008-09 | 1,329,648 | 589,541 | 3,002,667 | 1,201,286 | 1,839,317 | 5,353,202 | 357,695 | 319,489 | 878,274 | 14,871,119 |

Notes:

- 1.) Maintenance of properties was reported under general government administration prior to the 2013-2014 fiscal year. Thereafter, same is reported in public works.
- 2.) Cost related to court activity of the Sheriff was reported in public safety prior to the 2013-2014 fiscal year. Thereafter, same is reported in judicial administration.
- 3.) Includes the transfer of a building and land during the 2013-2014 fiscal year totaling \$1,363,850.

County of Floyd, 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 | | | |
| 2017-18 | \$ 969,098 | \$ 3,457,698 | \$ 25,000 | \$ | \$ 12,360,981 | \$ 1,789,751 | \$ 75,193 | \$ 26,636 | \$ 1,564,750 | \$ 20,269,107 | | |
| 2016-17 | 934,788 | 3,042,936 | 36,300 | | 11,722,686 | 1,786,832 | 72,008 | 45,178 | 1,611,233 | 19,251,961 | | |
| 2015-16 | 740,546 | 2,695,822 | 12,750 | | 11,357,048 | 1,682,658 | 70,273 | 57,260 | 1,614,105 | 18,230,462 | | |
| 2014-15 | 964,336 | 2,717,408 | 90,729 | | 10,884,157 | 1,684,197 | 90,873 | 52,641 | 1,600,210 | 18,084,551 | | |
| 2013-14 | 792,635 | 3,152,668 | 26,535 | | 10,476,419 | 1,632,967 | 263,667 | 5,219 | 1,620,369 | 17,970,479 | | |
| 2012-13 | 828,529 | 2,703,733 | 18,655 | | 10,026,812 | 2,332,055 | 36,829 | 7,133 | 947,258 | 16,901,004 | | |
| 2011-12 | 867,964 | 3,227,246 | 17,420 | | 9,978,277 | 2,279,216 | 37,118 | 6,228 | 950,845 | 17,364,314 | | |
| 2010-11 | 669,200 | 2,448,965 | 15,469 | | 9,430,383 | 2,396,573 | 59,097 | 7,891 | 942,652 | 15,970,230 | | |
| 2009-10 | 903,722 | 2,544,873 | 72,088 | | 9,690,586 | 2,169,806 | 112,664 | 50,799 | 905,044 | 16,449,582 | | |
| 2008-09 | 717,873 | 2,771,379 | 353,520 | | 9,382,280 | 2,170,720 | 163,721 | 8,202 | 1,032,674 | 16,600,369 | | |

Note: State communications tax allocations are reported as other local taxes prior to the 2013-14 fiscal year, thereafter they are reported as grants and contributions not restricted to specific programs.

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

| Fiscal Year | General Government Administration (3) | Judicial Administration(4) | Public Safety (4) | Public Works (3) | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development (5) | Debt Service | Total |
|-------------|---------------------------------------|----------------------------|-------------------|------------------|--------------------|---------------|---------------------------------|---------------------------|--------------|---------------|
| | | | | | | | | | | |
| 2017-18 | \$ 1,299,716 | \$ 931,290 | \$ 4,501,608 | \$ 1,816,996 | \$ 2,255,019 | \$ 23,444,988 | \$ 307,996 | \$ 357,137 | \$ 2,092,534 | \$ 37,007,284 |
| 2016-17 | 1,224,288 | 892,993 | 4,242,824 | 1,702,009 | 1,831,878 | 20,970,693 | 312,960 | 322,782 | 1,852,491 | 33,352,918 |
| 2015-16 | 1,073,384 | 900,242 | 3,462,062 | 1,780,079 | 1,583,268 | 20,726,647 | 296,560 | 248,572 | 1,992,722 | 32,063,536 |
| 2014-15 | 1,233,287 | 891,424 | 3,264,554 | 1,512,674 | 1,646,621 | 20,049,552 | 273,475 | 259,004 | 1,817,237 | 30,947,828 |
| 2013-14 | 1,146,905 | 896,080 | 3,268,916 | 1,539,330 | 2,045,758 | 19,583,094 | 263,000 | 1,791,284 | 1,878,772 | 32,413,139 |
| 2012-13 | 1,399,783 | 643,972 | 3,179,691 | 1,169,183 | 1,716,104 | 18,550,878 | 267,787 | 427,993 | 1,887,332 | 29,242,723 |
| 2011-12 | 1,344,702 | 652,992 | 3,152,116 | 1,156,775 | 1,703,558 | 17,860,304 | 252,587 | 383,339 | 1,880,725 | 28,387,098 |
| 2010-11 | 1,189,294 | 570,491 | 3,133,541 | 1,482,318 | 1,577,706 | 19,021,947 | 242,195 | 414,213 | 1,731,103 | 29,362,808 |
| 2009-10 | 1,628,664 | 572,753 | 2,898,201 | 1,177,625 | 1,751,651 | 20,204,293 | 269,105 | 338,392 | 2,068,342 | 30,909,026 |
| 2008-09 | 1,266,567 | 579,640 | 3,677,344 | 1,163,279 | 1,841,316 | 21,141,687 | 326,136 | 327,908 | 2,078,232 | 32,402,109 |

(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 and capital projects.

(3) Maintenance of properties was reported under general government administration prior to the 2013-2014 fiscal year. Thereafter, same is reported in public works.

(4) Cost related to court activity of the Sheriff was reported in public safety prior to the 2013-2014 fiscal year. Thereafter, same is reported in judicial administration.

(5) Includes the transfer of a building and land during the 2013-2014 fiscal year totaling \$1,363,850.

(6) Excludes current refunding principal payment of \$1,696,626 during the fiscal year 2017.

County of Floyd, 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 | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|--------------------|---------------|
| | | | | | | | | | | |
| 2017-18 | \$ 12,395,535 | \$ 1,789,751 | \$ 105,525 | \$ 25,451 | \$ 237,693 | \$ 1,171,362 | \$ 115,045 | \$ 292,880 | \$ 19,260,457 | \$ 35,393,699 |
| 2016-17 | 11,714,536 | 1,786,832 | 125,121 | 1,343 | 234,508 | 1,194,198 | 79,925 | 244,918 | 18,576,997 | 33,958,378 |
| 2015-16 | 11,351,835 | 1,682,658 | 122,396 | 1,319 | 232,773 | 1,182,199 | 86,890 | 331,429 | 17,981,381 | 32,972,880 |
| 2014-15 | 10,988,181 | 1,684,197 | 126,682 | 2,737 | 185,667 | 1,103,298 | 132,876 | 177,845 | 17,914,903 | 32,316,386 |
| 2013-14 | 10,313,229 | 1,632,967 | 114,441 | 3,357 | 263,667 | 990,430 | 47,943 | 108,587 | 17,805,672 | 31,280,293 |
| 2012-13 | 9,999,012 | 2,293,901 | 118,534 | 1,296 | 76,380 | 1,129,802 | 38,987 | 279,633 | 16,665,184 | 30,602,729 |
| 2011-12 | 10,023,595 | 2,249,172 | 113,667 | 2,019 | 80,318 | 1,232,726 | 17,790 | 340,457 | 16,756,774 | 30,816,518 |
| 2010-11 | 9,352,323 | 2,284,927 | 103,143 | 369 | 98,406 | 1,211,318 | 27,580 | 219,914 | 16,377,285 | 29,675,265 |
| 2009-10 | 9,622,323 | 2,156,204 | 105,299 | 21,515 | 155,864 | 1,134,792 | 48,767 | 267,145 | 17,755,770 | 31,267,679 |
| 2008-09 | 9,282,097 | 2,142,339 | 129,507 | 10,598 | 204,580 | 1,147,435 | 15,140 | 230,221 | 18,441,780 | 31,603,697 |
| 2007-08 | 9,250,277 | 2,327,988 | 160,041 | 18,329 | 201,309 | 960,068 | 1,135 | 314,590 | 17,337,978 | 30,571,715 |

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

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|
| 2017-18 | \$ 12,133,218 | \$ 11,921,139 | 98.25% | \$ 242,154 | \$ 12,163,293 | 100.25% |
| 2016-17 | 11,525,353 | 11,321,050 | 98.23% | 196,835 | 11,517,885 | 99.94% |
| 2015-16 | 11,145,856 | 10,715,502 | 96.14% | 428,572 | 11,144,074 | 99.98% |
| 2014-15 | 10,667,263 | 10,382,783 | 97.33% | 395,208 | 10,777,991 | 101.04% |
| 2013-14 | 10,567,840 | 10,225,051 | 96.76% | 310,415 | 10,535,466 | 99.69% |
| 2012-13 | 11,638,602 | 11,320,876 | 97.27% | 127,339 | 11,448,215 | 98.36% |
| 2011-12 | 11,503,857 | 11,199,325 | 97.35% | 136,163 | 11,335,488 | 98.54% |
| 2010-11 | 11,198,967 | 10,865,523 | 97.02% | 242,866 | 11,108,389 | 99.19% |
| 2009-10 | 10,651,549 | 10,327,803 | 96.96% | 265,046 | 10,592,849 | 99.45% |
| 2008-09 | 10,169,940 | 9,156,946 | 90.04% | 993,052 | 10,149,998 | 99.80% |

(1) Exclusive of penalties and interest. For years prior to 2013-14, the levy and collections included PPTRA payments from the Commonwealth and taxes abated under relief programs and land use programs of the County.

County of Floyd, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Merchant's Capital | Public Service Corporation | Mobile Homes | Total |
|-------------|------------------|-------------------|---------------------|--------------------|----------------------------|--------------|------------------|
| 2017-18 | \$ 1,769,881,050 | \$ 113,534,666 | \$ 11,834,401 | \$ 1,836,526 | \$ 60,397,417 | \$ 8,960,280 | \$ 1,966,444,340 |
| 2016-17 | 1,754,973,700 | 108,545,983 | 12,221,078 | 1,835,453 | 58,852,393 | 8,827,356 | 1,945,255,963 |
| 2015-16 | 1,741,451,550 | 101,444,306 | 8,498,992 | 1,798,177 | 58,207,051 | 8,610,200 | 1,920,010,276 |
| 2014-15 | 1,729,802,350 | 100,337,126 | 9,001,502 | 2,166,141 | 56,699,842 | 9,805,608 | 1,907,812,569 |
| 2013-14 | 1,718,580,400 | 99,049,234 | 9,547,310 | 1,978,236 | 52,179,669 | 9,624,608 | 1,890,959,457 |
| 2012-13 | 1,713,460,100 | 96,726,393 | 9,576,889 | 1,668,252 | 51,951,775 | 9,642,650 | 1,883,026,059 |
| 2011-12 | 1,698,467,400 | 94,384,042 | 10,213,298 | 1,540,093 | 56,284,341 | 9,685,700 | 1,870,574,874 |
| 2010-11 | 1,685,064,100 | 93,824,459 | 7,233,844 | 1,668,037 | 50,096,979 | 9,685,500 | 1,847,572,919 |
| 2009-10 | 1,677,140,200 | 89,705,582 | 10,266,338 | 1,593,199 | 34,930,266 | 10,741,328 | 1,824,376,913 |
| 2008-09 | 1,336,291,100 | 97,479,299 | 10,550,891 | 938,652 | 36,023,932 | 10,139,861 | 1,491,423,735 |

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property.

Table 7

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

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Merchant's Capital | Mobile Homes |
|-------------|-------------|-------------------|---------------------|--------------------|--------------|
| 2017-18 | 0.55/0.60 | \$ 2.95 | \$ 1.55 | \$ 3.50 | \$ 0.55 |
| 2016-17 | 0.55 | 2.95 | 1.55 | 3.50 | 0.55 |
| 2015-16 | 0.55 | 2.95 | 1.55 | 3.50 | 0.55 |
| 2014-15 | 0.50 | 2.95 | 1.55 | 3.50 | 0.50 |
| 2013-14 | 0.50 | 2.95 | 1.55 | 3.50 | 0.50 |
| 2012-13 | 0.50 | 2.95 | 1.55 | 3.50 | 0.50 |
| 2011-12 | 0.50 | 2.95 | 1.55 | 3.50 | 0.50 |
| 2010-11 | 0.47 | 2.70 | 1.55 | 3.50 | 0.47 |
| 2009-10 | 0.47 | 2.70 | 1.55 | 3.50 | 0.47 |
| 2008-09 | 0.60 | 2.70 | 1.55 | 3.50 | 0.60 |

(1) Per \$100 of assessed value.

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

| Fiscal Year | Population (1) | Assessed Value(2) | Net Bonded Debt (3) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|-------------------|---------------------|-----------------|--|----------------------------|
| 2017-18 | 15,279 | \$ 1,966,444,340 | \$ 6,083,166 | \$ 6,083,166 | 0.31% | \$ 398 |
| 2016-17 | 15,279 | 1,945,255,963 | 6,996,782 | 6,996,782 | 0.36% | 458 |
| 2015-16 | 15,279 | 1,920,010,276 | 7,893,718 | 7,893,718 | 0.41% | 517 |
| 2014-15 | 15,279 | 1,907,812,569 | 8,963,331 | 8,963,331 | 0.47% | 587 |
| 2013-14 | 15,279 | 1,890,959,457 | 10,566,179 | 10,566,179 | 0.56% | 692 |
| 2012-13 | 15,279 | 1,883,026,059 | 11,680,581 | 11,680,581 | 0.62% | 764 |
| 2011-12 | 15,279 | 1,870,574,874 | 12,875,145 | 12,875,145 | 0.69% | 843 |
| 2010-11 | 15,279 | 1,847,572,919 | 13,991,379 | 13,991,379 | 0.76% | 916 |
| 2009-10 | 15,013 | 1,827,376,913 | 14,912,453 | 14,912,453 | 0.82% | 993 |
| 2008-09 | 14,821 | 1,491,423,735 | 15,094,766 | 15,094,766 | 1.01% | 1,018 |

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

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

Table 9

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

| Fiscal Year | Principal | Interest (2) | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|----------------|--------------|--------------|--------------------------|--|--|
| 2017-18 | \$ 1,686,473 | \$ 406,061 | \$ 2,092,534 | \$ 37,007,284 | 5.65% |
| 2016-17 | 1,284,947 | 484,344 | 1,769,291 | 33,352,918 | 5.30% |
| 2015-16 | 1,466,817 | 525,905 | 1,992,722 | 32,063,536 | 6.21% |
| 2014-15 | 1,262,310 | 554,927 | 1,817,237 | 30,947,828 | 5.87% |
| 2013-14 | 1,274,664 | 604,108 | 1,878,772 | 32,413,139 | 5.80% |
| 2012-13 | 1,194,564 | 559,182 | 1,753,746 | 29,242,723 | 6.00% |
| 2011-12 | 1,116,234 | 623,310 | 1,739,544 | 28,387,098 | 6.13% |
| 2010-11 | 921,074 | 673,887 | 1,594,961 | 29,362,808 | 5.43% |
| 2009-10 | 1,102,313 | 671,165 | 1,773,478 | 30,909,026 | 5.74% |
| 2008-09 | 1,030,166 | 711,756 | 1,741,922 | 32,402,109 | 5.38% |

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

(2) Excludes bond issuance and other costs.

(3) Excludes current refunding principal payment of \$1,696,626 during the fiscal year 2017.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Floyd, Virginia's basic financial statements and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 material weaknesses [2018-001 and 2018-002].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Floyd, 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*.

The County of Floyd, Virginia's Response to Findings

The County of Floyd, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Floyd, Virginia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Robinson, James, Cox Associates

Blacksburg, Virginia
November 28, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Floyd, Virginia
Floyd, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Floyd, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Floyd, 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Floyd, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Blacksburg, Virginia
November 28, 2018

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

| Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | | | Federal Expenditures |
|--|---------------------------|---|---------|-----------|-------------------------|
| <i>Department of Health and Human Services:</i> | | | | | |
| Pass Through Payments: | | | | | |
| <i>Department of Social Services:</i> | | | | | |
| Promoting Safe and Stable Families | 93.556 | 0950116, 0950117 | | | \$ 466 |
| Temporary Assistance for Needy Families | 93.558 | 0400117, 0400118 | | | 106,359 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500117, 0500118 | | | 151 |
| Low-Income Home Energy Assistance | 93.568 | 0600417, 0600418 | | | 14,481 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760117, 0760118 | | | 16,758 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900117, 0900118 | | | 326 |
| Foster Care - Title IV-E | 93.658 | 1100117, 1100118 | | | 151,784 |
| Adoption Assistance | 93.659 | 1120117, 1120118 | | | 48,596 |
| Social Services Block Grant | 93.667 | 1000117, 1000118 | | | 144,633 |
| Chafee Foster Care Independence Program | 93.674 | 9150117, 9150118 | | | 1,340 |
| Children's Health Insurance Program | 93.767 | 0540117, 0540118 | | | 5,136 |
| Medical Assistance Program | 93.778 | 1200117, 1200118 | | | 132,826 |
| | | | | | <u>622,856</u> |
| Total Department of Health and Human Services | | | | | \$ 622,856 |
| <i>Department of Agriculture:</i> | | | | | |
| Direct Payments: | | | | | |
| Rural Business Enterprise Grants | 10.769 | Not applicable | | | \$ 9,281 |
| Community Facilities Loans and Grants | 10.766 | Not applicable | | | 25,000 |
| Pass Through Payments: | | | | | |
| Child Nutrition Cluster: | | | | | |
| <i>Department of Agriculture and Consumer Services:</i> | | | | | |
| Food Distribution (Note 3) | 10.559 | Not applicable | \$ 552 | | |
| Summer Food Service Program for Children | 10.559 | Not available | 14,555 | \$ 15,107 | |
| Food Distribution (Note 3) | 10.555 | Not applicable | 66,833 | | |
| <i>Department of Education:</i> | | | | | |
| Child Nutrition Cluster: | | | | | |
| National School Lunch Program | 10.555 | APE40254 | 450,815 | 517,648 | |
| School Breakfast Program | 10.553 | APE40253 | | 197,335 | |
| Total Child Nutrition Cluster | | | | | \$ 730,090 |
| <i>Department of Social Services:</i> | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010117, 0010118 0040117, 0040118 | | | 131,134 |
| | | | | | <u>131,134</u> |
| Total Department of Agriculture | | | | | \$ 895,505 |
| <i>Department of Justice:</i> | | | | | |
| Pass Through Payments: | | | | | |
| <i>Department of Criminal Justice Services:</i> | | | | | |
| Violence Against Women Formula Grants | 16.588 | 16WFA0001 | | | \$ 31,000 |
| Bulletproof Vest Partnership Program | 16.607 | Not available | | | 2,962 |
| | | | | | <u>33,962</u> |
| Total Department of Justice | | | | | \$ 33,962 |
| <i>Department of Transportation:</i> | | | | | |
| Pass Through Payments: | | | | | |
| <i>Department of Motor Vehicles:</i> | | | | | |
| Highway Safety Cluster: | | | | | |
| State and Community Highway Safety | 20.600 | FSC-2018-58030-8030 | | | \$ 3,667 |
| Alcohol Open Container Requirements | 20.607 | 154AL-2017-57047-6696 | | | 1,810 |
| | | | | | <u>5,477</u> |
| Total Department of Transportation | | | | | \$ 5,477 |
| <i>Department of Homeland Security:</i> | | | | | |
| Pass Through Payments: | | | | | |
| <i>Department of Emergency Management:</i> | | | | | |
| Emergency Management Performance Grants | 97.042 | EMP-2017-EP-00006 | | | 7,500 |

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

| Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| <i>Department of Education:</i> | | | |
| Pass Through Payments: | | | |
| <i>Department of Education:</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | APE42901 | \$ 453,411 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | APE43071 | \$ 495,299 |
| Special Education - Preschool Grants | 84.173 | APE62521 | <u>22,330</u> |
| Total Special Education Cluster | | | 517,629 |
| Career and Technical Education: Basic Grants to States | 84.048 | APE61095 | 37,030 |
| English Language Acquisition State Grants | 84.365 | APE86783 | 9,367 |
| Supporting Effective Instruction State Grant | 84.367 | APE61480 | 78,803 |
| Student Support and Academic Enrichment Program | 84.424 | APE60019 | <u>10,730</u> |
| Total Department of Education | | | <u>\$ 1,106,970</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,672,270</u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

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

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.
- (4) The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 3 -- Food Distribution

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

Note 4 -- Subrecipients

No awards were passed through to subrecipients.

Note 5 -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

| | |
|---|---------------------|
| Primary government: | |
| General Fund | \$ 836,796 |
| Less: Payment in lieu of taxes | <u>(10,867)</u> |
| Total primary government | <u>\$ 825,929</u> |
| Component Unit School Board: | |
| School Operating Fund | <u>\$ 1,837,060</u> |
| Component Unit EDA: | <u>\$ 9,281</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ 2,672,270</u> |

County of Floyd, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

County of Floyd, Virginia

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

Section II - Financial Statement Findings

2018-001

| | |
|------------------------|--|
| Criteria: | A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets. |
| Condition: | The County lacks proper segregation of duties over collections in the Treasurer's office. |
| Cause of Condition: | The County lacks the funding to fully support a completely segregated Treasurer's office. |
| Effect of Condition: | There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting. |
| Recommendation: | Management should further try to segregate duties among current staff to help alleviate risk created by improper segregation of duties. |
| Management's Response: | Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County has decided not to address the aforementioned internal control deficiency; however, the County will consider implementing compensating controls to improve internal controls. |

2018-002

| | |
|----------------------|---|
| Criteria: | Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. |
| Condition: | The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. |
| Cause of Condition: | The County staff is working to provide properly adjusted trial balances and related schedules but is still learning the nuances of this process. |
| Effect of Condition: | There is a reasonable possibility that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting. |

County of Floyd, Virginia

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

Section II - Financial Statement Findings (Continued)

2018-002 (Continued)

Recommendation: The County should review the auditors' proposed audit adjustments for 2018 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2018 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

Findings 2017-001 and 2017-002 repeated in the current year as 2018-001 and 2018-002, respectively.