

FINANCIAL STATEMENTS



COUNTY OF BUCHANAN, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2018

COUNTY OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**COUNTY OF BUCHANAN, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
------------------------------------	-----

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	10
Statement of Net Position - Proprietary Fund	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	12
Statement of Cash Flows - Proprietary Fund	9	13
Statement of Fiduciary Net Position - Fiduciary Fund	10	14
Notes to the Financial Statements		15-110

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	111
Special Revenue Funds:		
Coal Road Fund	12	112
Disaster Relief Fund	13	113
Pension Plan:		
Schedule of Changes in Net Pension Liability and Related Ratios		
Primary Government	14	114
Component Unit Public Service Authority	15	115
Component Unit School Board (nonprofessional)	16	116
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	17	117
Schedule of Employer Contributions	18	118
Notes to Required Supplementary Information	19	119

COUNTY OF BUCHANAN, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information: (Continued)		
Other Postemployment Benefits Plan - Health Insurance:		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios		
Primary Government	20	120
Component Unit School Board	21	121
Notes to Required Supplementary Information.....	22	122
Other Postemployment Benefits Plan - Group Life Insurance Program (GLI):		
Schedule of Employer's Share of Net OPEB Liability	23	123
Schedule of Employer Contributions	24	124
Notes to Required Supplementary Information.....	25	125-126
Other Postemployment Benefits Plan - Teacher Health Insurance Credit Program (HIC):		
Schedule of School Board's Share of Net OPEB Liability	26	127
Schedule of Employer Contributions	27	128
Notes to Required Supplementary Information.....	28	129
Other Postemployment Benefits Plan - Line of Duty Act Program (LODA)		
Schedule of Employer's Share of Net LODA OPEB Liability	29	130
Schedule of Employer Contributions	30	131
Notes to Required Supplementary Information.....	31	132
Other Supplementary Information:		
Discretely Presented Component Unit - School Board:		
Balance Sheet	32	133
Statement of Revenues, Expenditures, and Changes in Fund Balances -		
Governmental Funds	33	134
Schedule of Revenues, Expenditures, and Changes in Fund Balances -		
Budget and Actual	34	135
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	136-140
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	141-145
	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	146
Government-Wide Revenues	2	147
Fund information:		
General Governmental Expenditures by Function	3	148
General Governmental Revenues by Source	4	149
Property Tax Levies and Collections	5	150
Assessed Value of Taxable Property	6	151
Property Tax Rates	7	152

COUNTY OF BUCHANAN, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

	<u>Table</u>	<u>Page</u>
Other Statistical Information: (Continued)		
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	8	153
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	154

COMPLIANCE SECTION

Compliance:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	155-156
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	157-159
Schedule of Expenditures of Federal Awards.....	160-161
Notes to Schedule of Expenditures of Federal Awards.....	162
Schedule of Findings and Questioned Costs	163-167

INTRODUCTORY SECTION

COUNTY OF BUCHANAN, VIRGINIA

BOARD OF SUPERVISORS

Trey Adkins	James Branham, Chairman	Buddy Fuller
William Harris		Earl Scott
G. Roger Rife		Craig Stiltner

COUNTY SCHOOL BOARD

Tim Prater, Vice Chair	Scotty Owens, Chairman	Heath Harrison
Angie McClanahan		Easter Rife
Mike Thompson		David Thornbury
	Carolyn Dillow, Clerk	

OTHER OFFICIALS

Judge of the Circuit Court	Patrick Johnson
Clerk of the Circuit Court	Beverly Tiller
Judge of the General District Court	Henry Barringer
Judge of the Juvenile & Domestic Relations Court	Martha Ketron
Commonwealth's Attorney	Gerald Arrington
Commissioner of the Revenue	Anna Ruth Horn
Treasurer	Billy J. Keene
Sheriff	Ray Foster
Superintendent of Schools	Melanie Hibbitts
Director of Social Services	Ruth E. Horn
County Administrator	Robert Craig Horn
County Attorney	Lee Moise

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 Buchanan, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Component-Unit Industrial Development Authority, which represent 31 percent, 44 percent, and 2 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Buchanan County Industrial Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Buchanan, 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.

Emphasis of Matter

As reported in Note 23 to the financial statements, the County has historically relied on coal and methane related taxes to support operations. These taxes have decreased significantly in recent periods as the demand for and selling prices of these products has decreased significantly. Our opinion is not modified with respect of this matter.

Change in Accounting Principle

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

Restatement of Beginning Balances

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 111-113 and 114-132 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 Buchanan, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. 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 January 28, 2019, on our consideration of the County of Buchanan, 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 the County of Buchanan, 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 Buchanan, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 28, 2019

Basic Financial Statements

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

	Primary Government		Component Units	
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 21,567,310	\$ 5,880,819	\$ 744,165	\$ 1,974,686
Investments	-	-	1,200,000	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	27,218,804	-	-	-
Accounts receivable	1,031,124	13,386	741,207	-
Due from other governmental units	1,525,496	1,209,616	-	-
Prepaid items	28,122	-	94,302	-
Notes receivable (current portion)	-	-	-	13,557
Restricted assets:				
Cash and cash equivalents	24,047,740	-	242,271	1,746,470
Notes receivable (net of current portion)	-	-	-	1,447,278
Capital assets (net of accumulated depreciation):				
Land	2,248,721	2,436,395	105,000	15,175,825
Buildings and improvements	14,616,935	4,392,478	53,845	-
Machinery and equipment	3,040,401	1,090,915	87,611	-
Utility plant and equipment	-	-	95,629,947	-
Buildings and improvements and infrastructure	-	-	-	30,979,809
Construction in progress	2,981,154	-	2,055,295	-
Total assets	<u>\$ 98,305,807</u>	<u>\$ 15,023,609</u>	<u>\$ 100,953,643</u>	<u>\$ 51,337,625</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 1,690,000	\$ 3,213,358	\$ 382,049	\$ -
OPEB related items	92,431	252,063	8,266	-
Total deferred outflows of resources	<u>\$ 1,782,431</u>	<u>\$ 3,465,421</u>	<u>\$ 390,315</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 3,066,325	\$ 435,480	\$ 251,957	\$ 27,500
Accrued wages	-	3,989,489	35,783	-
Customers' deposits	-	-	177,075	-
Accrued interest payable	74,295	-	18,047	-
Long-term liabilities:				
Due within one year	1,792,461	614,261	1,283,744	10,500
Due in more than one year	19,893,252	37,910,277	13,808,894	8,762,109
Total liabilities	<u>\$ 24,826,333</u>	<u>\$ 42,949,507</u>	<u>\$ 15,575,500</u>	<u>\$ 8,800,109</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 23,750,723	\$ -	\$ -	\$ -
Pension related items	1,227,163	5,803,862	212,021	-
OPEB related items	330,300	413,000	22,700	-
Total deferred inflows of resources	<u>\$ 25,308,186</u>	<u>\$ 6,216,862</u>	<u>\$ 234,721</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 15,634,928	\$ 7,919,788	\$ 85,257,126	\$ 38,804,868
Restricted	24,713,521	363,483	65,196	1,746,470
Unrestricted	9,605,270	(38,960,610)	211,415	1,986,178
Total net position	<u>\$ 49,953,719</u>	<u>\$ (30,677,339)</u>	<u>\$ 85,533,737</u>	<u>\$ 42,537,516</u>

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

County of Buchanan, 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	Component Units			
					Primary Governmental Activities	School Board	Public Service Authority	Industrial Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,871,192	\$ 24,065	\$ 344,826	\$ -	\$ (2,502,301)	\$ -	\$ -	\$ -
Judicial administration	1,692,257	13,279	756,785	-	(922,193)	-	-	-
Public safety	7,715,877	131,448	1,811,084	-	(5,773,345)	-	-	-
Public works	7,393,821	687,307	9,071	-	(6,697,443)	-	-	-
Health and welfare	9,477,356	-	7,515,732	-	(1,961,624)	-	-	-
Education	10,356,398	-	-	-	(10,356,398)	-	-	-
Parks, recreation, and cultural	1,564,225	149,399	87,644	856,478	(470,704)	-	-	-
Community development	4,692,533	-	-	797,246	(3,895,287)	-	-	-
Interest on long-term debt	269,365	-	-	-	(269,365)	-	-	-
Total governmental activities	\$ 46,033,024	\$ 1,005,498	\$ 10,525,142	\$ 1,653,724	\$ (32,848,660)	\$ -	\$ -	\$ -
Total primary government	\$ 46,033,024	\$ 1,005,498	\$ 10,525,142	\$ 1,653,724	\$ (32,848,660)	\$ -	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 31,844,127	\$ 372,369	\$ 23,649,733	\$ -	\$ -	\$ (7,822,025)	\$ -	\$ -
Public Service Authority	10,243,622	6,162,959	-	830,185	-	-	(3,250,478)	-
Industrial Development Authority	10,412,140	425,636	100,963	357,777	-	-	-	(9,527,764)
Total component units	\$ 52,499,889	\$ 6,960,964	\$ 23,750,696	\$ 1,187,962	\$ -	\$ (7,822,025)	\$ (3,250,478)	\$ (9,527,764)
General revenues:								
General property taxes					\$ 19,441,376	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					1,758,443	-	-	-
Consumers' utility taxes					384,990	-	-	-
Mineral license tax					7,888,531	-	-	-
Methane gas tax					669,453	-	-	-
Coal road taxes					7,889,158	-	-	-
Other local taxes					420,596	-	-	-
Unrestricted revenues from use of money and property					252,807	22,336	490	4,938
Miscellaneous					66,610	106,761	-	-
Contributions from Buchanan County					-	10,288,399	1,165,740	5,000
Grants and contributions not restricted to specific programs					2,617,629	-	-	-
Total general revenues					\$ 41,389,593	\$ 10,417,496	\$ 1,166,230	\$ 9,938
Change in net position					\$ 8,540,933	\$ 2,595,471	\$ (2,084,248)	\$ (9,517,826)
Net position - beginning, as restated					41,412,786	(33,272,810)	87,617,985	52,055,342
Net position - ending					\$ 49,953,719	\$ (30,677,339)	\$ 85,533,737	\$ 42,537,516

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 20,116,456	\$ -	\$ 35,882	\$ 20,152,338
Receivables (net of allowance for uncollectibles):				
Taxes receivable	26,578,725	640,079	-	27,218,804
Accounts receivable	1,031,124	-	-	1,031,124
Due from other funds	-	100,000	-	100,000
Due from other governmental units	1,525,496	-	-	1,525,496
Prepaid items	28,122	-	-	28,122
Restricted assets:				
Cash and cash equivalents	13,231,303	10,816,437	-	24,047,740
Total assets	<u>\$ 62,511,226</u>	<u>\$ 11,556,516</u>	<u>\$ 35,882</u>	<u>\$ 74,103,624</u>
LIABILITIES				
Accounts payable	\$ 1,577,055	\$ 412,003	\$ -	\$ 1,989,058
Due to other funds	-	-	100,000	100,000
Total liabilities	<u>\$ 1,577,055</u>	<u>\$ 412,003</u>	<u>\$ 100,000</u>	<u>\$ 2,089,058</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 26,473,969	\$ -	\$ -	\$ 26,473,969
Total deferred inflows of resources	<u>\$ 26,473,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,473,969</u>
FUND BALANCES				
Nonspendable	\$ 28,122	\$ -	\$ -	\$ 28,122
Restricted (Note 16)	13,231,303	11,144,513	-	24,375,816
Assigned (Note 16)	1,231,441	-	-	1,231,441
Unassigned	19,969,336	-	(64,118)	19,905,218
Total fund balances	<u>\$ 34,460,202</u>	<u>\$ 11,144,513</u>	<u>\$ (64,118)</u>	<u>\$ 45,540,597</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,511,226</u>	<u>\$ 11,556,516</u>	<u>\$ 35,882</u>	<u>\$ 74,103,624</u>

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

County of Buchanan, 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	\$	45,540,597
--	----	------------

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

Land	\$	2,248,721	
Buildings and improvements		14,616,935	
Machinery and equipment		3,040,401	
Construction in progress		2,981,154	22,887,211

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

Unearned revenues			2,723,246
-------------------	--	--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

337,705

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

Pension related items	\$	1,690,000	
OPEB related items		92,431	1,782,431

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

General obligation bonds and capital leases	\$	(7,252,283)	
Accrued interest payable		(74,295)	
Accrued landfill closure/postclosure monitoring costs		(27,182)	
Compensated absences		(617,130)	
Net OPEB liabilities		(2,390,904)	
Net pension liability		(11,398,214)	(21,760,008)

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

Pension related items	\$	(1,227,163)	
OPEB related items		(330,300)	(1,557,463)

Net position of governmental activities

\$ 49,953,719

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 19,323,892	\$ -	\$ -	\$ 19,323,892
Other local taxes	11,122,013	7,889,158	-	19,011,171
Permits, privilege fees, and regulatory licenses	93,039	-	-	93,039
Fines and forfeitures	2,155	-	-	2,155
Revenue from the use of money and property	182,822	69,985	-	252,807
Charges for services	910,304	-	-	910,304
Miscellaneous	63,690	2,920	-	66,610
Recovered costs	725,084	-	-	725,084
Intergovernmental	13,567,640	372,377	-	13,940,017
Total revenues	<u>\$ 45,990,639</u>	<u>\$ 8,334,440</u>	<u>\$ -</u>	<u>\$ 54,325,079</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,459,019	\$ -	\$ -	\$ 3,459,019
Judicial administration	1,721,885	-	-	1,721,885
Public safety	7,397,298	-	-	7,397,298
Public works	4,931,594	2,365,196	-	7,296,790
Health and welfare	9,459,785	-	263,788	9,723,573
Education	9,296,998	-	-	9,296,998
Parks, recreation, and cultural	1,397,552	-	-	1,397,552
Community development	1,176,934	3,521,287	-	4,698,221
Capital projects	2,403,477	-	-	2,403,477
Debt service:				
Principal retirement	1,317,965	-	-	1,317,965
Interest and other fiscal charges	290,283	-	-	290,283
Total expenditures	<u>\$ 42,852,790</u>	<u>\$ 5,886,483</u>	<u>\$ 263,788</u>	<u>\$ 49,003,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,137,849</u>	<u>\$ 2,447,957</u>	<u>\$ (263,788)</u>	<u>\$ 5,322,018</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 270,000	\$ 270,000
Transfers out	-	(270,000)	-	(270,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (270,000)</u>	<u>\$ 270,000</u>	<u>\$ -</u>
Net change in fund balances	\$ 3,137,849	\$ 2,177,957	\$ 6,212	\$ 5,322,018
Fund balances - beginning	31,322,353	8,966,556	(70,330)	40,218,579
Fund balances - ending	<u>\$ 34,460,202</u>	<u>\$ 11,144,513</u>	<u>\$ (64,118)</u>	<u>\$ 45,540,597</u>

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

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

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

Net change in fund balances - total governmental funds	\$	5,322,018
--	----	-----------

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 outlays	\$ 2,909,012	
Depreciation expenses	<u>(2,284,317)</u>	624,695

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

Donation of assets		856,478
--------------------	--	---------

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

Property taxes		117,484
----------------	--	---------

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

Principal repayments:		
General obligation bonds	\$ 1,054,018	
Capital leases	263,947	
Increase in landfill accrued closure and post-closure monitoring costs	<u>(480)</u>	1,317,485

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	\$ (6,368)	
Pension expense	154,060	
OPEB expense	186,098	
Change in accrued interest payable	<u>20,918</u>	354,708

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(51,935)

Change in net position of governmental activities	\$	<u><u>8,540,933</u></u>
---	----	-------------------------

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

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

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,414,972
Total assets	<u>\$ 1,414,972</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,077,267
Total liabilities	<u>\$ 1,077,267</u>
NET POSITION	
Restricted for health insurance claims	\$ 337,705
Total net position	<u><u>\$ 337,705</u></u>

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

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

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,668,114
Total operating revenues	<u>\$ 10,668,114</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 10,724,074
Total operating expenses	<u>\$ 10,724,074</u>
Operating income (loss)	<u>\$ (55,960)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 4,025
Total nonoperating revenues (expenses)	<u>\$ 4,025</u>
Change in net position	\$ (51,935)
Total net position - beginning	<u>389,640</u>
Total net position - ending	<u><u>\$ 337,705</u></u>

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

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

	Internal Service <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,668,114
Payments for premiums	<u>(10,268,042)</u>
Net cash provided by (used for) operating activities	<u>\$ 400,072</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 4,025
Net cash provided by (used for) investing activities	<u>\$ 4,025</u>
Net increase (decrease) in cash and cash equivalents	\$ 404,097
Cash and cash equivalents - beginning	<u>1,010,875</u>
Cash and cash equivalents - ending	<u><u>\$ 1,414,972</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (55,960)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	\$ 456,032
Total adjustments	<u>\$ 456,032</u>
Net cash provided by (used for) operating activities	<u><u>\$ 400,072</u></u>

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

County of Buchanan, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Special Welfare <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 36,638
Total assets	<u>\$ 36,638</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 36,638
Total liabilities	<u>\$ 36,638</u>

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

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

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

Blended component units - None

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

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

The Buchanan County Public Service Authority ("PSA") provides water and sewer service to the County. The Public Service Authority board members are appointed by the Board of Supervisors. In addition, the County provides operational support. The complete financial report for the Authority may be obtained directly from the Authority.

The Buchanan County Industrial Development Authority ("IDA") encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices in the Buchanan County Courthouse, Grundy, Virginia 24614.

Related Organizations - The County has no related organizations.

Jointly Governed Organizations - The County participates in the Cumberland Mountain Regional Community Services Board. Contributions for the year ended June 30, 2018 were \$20,000.

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

The 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.

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

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of numerous funds merged for financial reporting purposes only. Fund balances of merged funds are either designated or restricted in the balance sheet.

The *coal road fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the specified purpose of improvements to roads used in conjunction with coal mining.

The *disaster relief fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources from the state and federal governments that are restricted or committed to expenditure for the specified purpose of natural disasters.

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

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare fund.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to employees for insurance premiums. Operating expenses for the internal service fund include insurance claims and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

2. 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. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

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

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

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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. 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 \$2,909,853 at June 30, 2018 and is comprised solely of delinquent property taxes.

6. Use of estimates

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

7. Capital assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

7. Capital assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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	20 - 40
Structures, lines, and accessories	20 - 40
Machinery and equipment	5 - 12

8. Compensated absences

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

9. Long-term obligations

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

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

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

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

10. 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.

11. 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 1-Summary of Significant Accounting Policies: (Continued)

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

11. Other postemployment benefits (OPEB) (Continued)

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

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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

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

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

13. Fund equity

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

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

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

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

14. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

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

14. Net Position (Continued)

- Restricted—consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

15. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information: (Continued)

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

B. Excess of expenditures over appropriations:

In the year ended June 30, 2018, the County's expenditures did not exceed its appropriations for any fund.

C. Deficit fund equity:

At June 30, 2018, the Disaster Relief Fund reported deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 4-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	\$ 383,662	\$ -
State sales tax	-	387,613
Categorical aid	234,195	257,146
Non-categorical aid	310,561	-
Comprehensive Services Act	77,863	-
Virginia public assistance funds	205,809	-
<u>Federal Government:</u>		
Virginia public assistance funds	296,546	-
Categorical aid	16,860	564,857
Totals	<u>\$ 1,525,496</u>	<u>\$ 1,209,616</u>

Note 5-Interfund Transfers and Balance:

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.

	Transfer in	Transfer out
Coal Road Fund	\$ -	\$ 270,000
Disaster Relief Fund	270,000	-
Total	<u>\$ 270,000</u>	<u>\$ 270,000</u>

Cash transfers to the Disaster Relief Fund have been necessary in the past to cover expenses the Fund. Amounts due will be returned to the Coal Road Fund as resources are available.

	Due From	Due To
Coal Road Fund	\$ 100,000	\$ -
Disaster Relief Fund	-	100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 6-Long-Term Obligations:Primary Government - Governmental Activities Indebtedness:

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 4,168,281	\$ -	\$ (1,054,018)	\$ 3,114,263
Capital lease	4,401,967	-	(263,947)	4,138,020
Landfill closure and post closure liability	26,702	480	-	27,182
Compensated absences	610,762	464,440	(458,072)	617,130
Net OPEB liabilities	2,904,333	193,517	(706,946)	2,390,904
Net pension liability	13,531,378	4,067,028	(6,200,192)	11,398,214
Total	\$ 25,643,423	\$ 4,725,465	\$ (8,683,175)	\$ 21,685,713

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 1,069,572	\$ 105,534
2020	1,035,756	60,325
2021	852,598	20,958
2022	156,337	1,115
Totals	\$ 3,114,263	\$ 187,932

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds						
GO school bond	4.35-5.225%	4/5/99	2020	\$ 4,000,000	\$ 400,000	\$ 200,000
GO school bond	3.6-5.1%	10/1/98	2019	1,000,000	50,000	50,000
VPSA GO bond	5.1-6.35%	5/18/00	2021	3,500,000	525,000	175,000
VPSA GO bond	4.975-5.85%	10/10/00	2021	5,740,370	1,075,384	347,774
DMME loan	1.90%	4/23/12	2022	2,332,000	1,063,879	296,798
Total General Obligation Bonds					<u>\$ 3,114,263</u>	<u>\$ 1,069,572</u>
Other Obligations:						
Capital lease	3.18%	11/3/2014	2031	\$ 4,844,746	\$ 4,138,020	\$ 260,041
Landfill postclosure liability	n/a	n/a	n/a	n/a	27,182	-
Compensated absences	n/a	n/a	n/a	n/a	617,130	462,848
Net OPEB liabilities	n/a	n/a	n/a	n/a	2,390,904	-
Net pension liability	n/a	n/a	n/a	n/a	11,398,214	-
Total Other Obligations					<u>\$ 18,571,450</u>	<u>\$ 722,889</u>
Total Long-term obligations					<u>\$ 21,685,713</u>	<u>\$ 1,792,461</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 7-Long-Term Obligations-Component Unit:****Discretely Presented Component Unit-School Board-Indebtedness:**

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

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Compensated absences	\$ 584,222	\$ 426,414	\$ (438,167)	\$ 572,469
Net OPEB liabilities	8,890,151	276,062	(1,559,436)	7,606,777
Early retirement incentive plan	1,083,210	-	(234,863)	848,347
Net pension liability	34,790,294	5,880,664	(11,174,013)	29,496,945
Total	\$ 45,347,877	\$ 6,583,140	\$ (13,406,479)	\$ 38,524,538

Details of long-term indebtedness:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 572,469	\$ 429,352
Net OPEB liabilities	7,606,777	-
Early retirement incentive plan	848,347	184,909
Net pension liability	29,496,945	-
Total Long-Term Obligations	\$ 38,524,538	\$ 614,261

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan:*Plan Description*

All full-time, salaried permanent employees of the County, Component Unit Public Service Authority, and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be reported by state and local governments for OPEB. In addition, the County implemented and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 8-Pension Plan:*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> • 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>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 8-Pension Plan:*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan:*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:*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:*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<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:

Plan Description (Continued)

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

JUNE 30, 2018

Note 8-Pension Plan:*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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan:*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>

Note 8-Pension Plan:*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</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.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><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:***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	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.
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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)***Employees Covered by Benefit Terms*

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

	Primary Government (Including PSA)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	189	165
Inactive members:		
Vested inactive members	25	7
Non-vested inactive members	48	9
Inactive members active elsewhere in VRS	59	16
Total inactive members	132	32
Active members	276	106
Total covered employees	597	303

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 12.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,127,203 and \$1,105,840 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit Public Service Authority contractually required employer contribution rate for the year ended June 30, 2018 was 12.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit Public Service Authority were \$199,274 and \$198,744 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 24.36% 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 Component Unit School Board's nonprofessional employees were \$489,281 and \$483,742 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-Hazardous Duty:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Note 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	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 46,390,324	\$ 32,858,946	\$ 13,531,378
Changes for the year:			
Service cost	\$ 902,161	\$ -	\$ 902,161
Interest	3,138,369	-	3,138,369
Changes of assumptions	(213,522)	-	(213,522)
Differences between expected and actual experience	(380,889)	-	(380,889)
Impact in change of proportion	(418,631)	(296,522)	(122,109)
Contributions - employer	-	1,105,840	(1,105,840)
Contributions - employee	-	438,299	(438,299)
Net investment income	-	3,939,533	(3,939,533)
Benefit payments, including refunds of employee contributions	(2,275,697)	(2,275,697)	-
Administrative expenses	-	(23,005)	23,005
Other changes	-	(3,493)	3,493
Net changes	\$ 751,791	\$ 2,884,955	\$ (2,133,164)
Balances at June 30, 2017	\$ 47,142,115	\$ 35,743,901	\$ 11,398,214

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit Public Service Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 7,843,513	\$ 5,555,676	\$ 2,287,837
Changes for the year:			
Service cost	\$ 162,139	\$ -	\$ 162,139
Interest	564,035	-	564,035
Changes of assumptions	(38,375)	-	(38,375)
Differences between expected and actual experience	(68,454)	-	(68,454)
Impact in change of proportion	418,631	296,522	122,109
Contributions - employer	-	198,744	(198,744)
Contributions - employee	-	78,772	(78,772)
Net investment income	-	708,022	(708,022)
Benefit payments, including refunds of employee contributions	(408,994)	(408,994)	-
Administrative expenses	-	(4,134)	4,134
Other changes	-	(628)	628
Net changes	\$ 628,982	\$ 868,304	\$ (239,322)
Balances at June 30, 2017	\$ 8,472,495	\$ 6,423,980	\$ 2,048,515

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 18,442,031	\$ 10,542,737	\$ 7,899,294
Changes for the year:			
Service cost	\$ 210,896	\$ -	\$ 210,896
Interest	1,243,970	-	1,243,970
Changes of assumptions	102,069	-	102,069
Differences between expected and actual experience	(258,786)	-	(258,786)
Contributions - employer	-	483,742	(483,742)
Contributions - employee	-	98,616	(98,616)
Net investment income	-	1,228,869	(1,228,869)
Benefit payments, including refunds of employee contributions	(1,342,066)	(1,342,066)	-
Administrative expenses	-	(7,654)	7,654
Other changes	-	(1,075)	1,075
Net changes	\$ (43,917)	\$ 460,432	\$ (504,349)
Balances at June 30, 2017	\$ 18,398,114	\$ 11,003,169	\$ 7,394,945

Note 8-Pension Plan: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 17,646,800	\$ 11,398,214	\$ 6,215,440
Component Unit Public Service Authority			
Net Pension Liability (Asset)	3,171,526	2,048,515	1,117,054
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	9,212,056	7,394,945	5,842,328

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, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$974,845, \$207,240, and \$675,562, respectively. At June 30, 2018, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Public Service Authority		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 562,797	\$ 475,791	\$ 95,156	\$ 83,605	\$ 109,263	\$ 151,406
Changes in assumptions	-	158,349	-	28,459	59,717	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	87,619	87,619	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	505,404	-	99,957	-	129,456
Employer contributions subsequent to the measurement date	1,127,203	-	199,274	-	489,281	-
Total	\$ 1,690,000	\$ 1,227,163	\$ 382,049	\$ 212,021	\$ 658,261	\$ 280,862

\$1,127,203, \$199,274, and \$489,281 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Public Service Authority's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Public Service Authority	Component Unit School Board (nonprofessional)
2019	\$ (401,046)	\$ (40,038)	\$ (63,933)
2020	183,638	59,279	42,017
2021	(109,619)	12,141	13,590
2022	(337,339)	(60,628)	(103,556)
Thereafter	-	-	-

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional):

Plan Description

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

Contributions

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

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$2,232,097 and \$2,047,817 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$22,102,000 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 0.17972% as compared to 0.19189% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$536,000. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 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)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,565,000
Change in assumptions	323,000	-
Net difference between projected and actual earnings on pension plan investments	-	803,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,155,000
Employer contributions subsequent to the measurement date	2,232,097	-
Total	\$ 2,555,097	\$ 5,523,000

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)***

\$2,232,097 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (1,963,000)
2020	(949,000)
2021	(882,000)
2022	(1,148,000)
Thereafter	(258,000)

Actuarial Assumptions

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)Component Unit School Board (professional): (Continued)*Net Pension Liability*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 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%.

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 Divisions Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 33,006,000	\$ 22,102,000	\$ 13,083,000

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.retire.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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Unavailable/Deferred Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 2,723,246
2nd half assessment-property tax	23,704,914	23,704,914
Prepaid property taxes due after June 30 but paid in advance by taxpayers	45,809	45,809
	<u>45,809</u>	<u>45,809</u>
Total unavailable/deferred revenue	<u>\$ 23,750,723</u>	<u>\$ 26,473,969</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 10-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,062,721	\$ 186,000	\$ -	\$ 2,248,721
Construction in progress	697,002	2,284,152	-	2,981,154
Total capital assets not being depreciated	<u>\$ 2,759,723</u>	<u>\$ 2,470,152</u>	<u>\$ -</u>	<u>\$ 5,229,875</u>
Capital assets, being depreciated:				
Buildings	\$ 33,623,990	\$ 657,320	\$ -	\$ 34,281,310
Machinery and equipment	10,332,142	638,018	-	10,970,160
Total capital assets, being depreciated	<u>\$ 43,956,132</u>	<u>\$ 1,295,338</u>	<u>\$ -</u>	<u>\$ 45,251,470</u>
Accumulated depreciation:				
Buildings	\$ (18,136,033)	\$ (1,528,342)	\$ -	\$ (19,664,375)
Machinery and equipment	(7,173,784)	(755,975)	-	(7,929,759)
Total accumulated depreciation	<u>\$ (25,309,817)</u>	<u>\$ (2,284,317)</u>	<u>\$ -</u>	<u>\$ (27,594,134)</u>
Total capital assets being depreciated, net	<u>\$ 18,646,315</u>	<u>\$ (988,979)</u>	<u>\$ -</u>	<u>\$ 17,657,336</u>
Governmental activities capital assets, net	<u>\$ 21,406,038</u>	<u>\$ 1,481,173</u>	<u>\$ -</u>	<u>\$ 22,887,211</u>

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

Governmental activities:

General government administration	\$ 135,484
Judicial administration	11,700
Public safety	457,069
Public works	293,980
Health and welfare	70,186
Education	1,059,400
Parks, recreation, and cultural	245,208
Community development	11,290
Total depreciation expense-governmental activities	<u>\$ 2,284,317</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 10-Capital Assets: (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,436,395	\$ -	\$ -	\$ 2,436,395
Total capital assets not being depreciated	<u>\$ 2,436,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,436,395</u>
Capital assets, being depreciated:				
Buildings	\$ 30,802,578	\$ 120,447	\$ -	\$ 30,923,025
Machinery and equipment	5,035,803	79,693	(126,058)	4,989,438
Total capital assets, being depreciated	<u>\$ 35,838,381</u>	<u>\$ 200,140</u>	<u>\$ (126,058)</u>	<u>\$ 35,912,463</u>
Accumulated depreciation:				
Buildings	\$ (25,896,600)	\$ (633,947)	\$ -	\$ (26,530,547)
Machinery and equipment	(3,811,413)	(213,168)	126,058	(3,898,523)
Total accumulated depreciation	<u>\$ (29,708,013)</u>	<u>\$ (847,115)</u>	<u>\$ 126,058</u>	<u>\$ (30,429,070)</u>
Total capital assets being depreciated, net	<u>\$ 6,130,368</u>	<u>\$ (646,975)</u>	<u>\$ -</u>	<u>\$ 5,483,393</u>
Governmental activities capital assets, net	<u>\$ 8,566,763</u>	<u>\$ (646,975)</u>	<u>\$ -</u>	<u>\$ 7,919,788</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Capital Lease:

The County has entered into a lease agreement to finance the acquisition of energy savings equipment. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the asset acquired through the capital leases are as follows:

	Energy Savings Equipment
Machinery & Equipment	\$ 4,844,746
Accumulated Depreciation	(242,237)
Total	<u>\$ 4,602,509</u>

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

Fiscal Year Ended	Energy Savings Equipment
2019	\$ 388,490
2020	391,266
2021	372,344
2022	373,393
2023	384,594
2024-2028	2,098,101
2029-2031	<u>1,044,143</u>
Total minimum lease payments	5,052,331
Less: amount representing interest	(914,311)
Present value of minimum lease payments	<u>\$ 4,138,020</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Risk Management:

The County and its' Component Unit - School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and School Board participate with other organizations in a public entity risk pool for their coverage of general liability, crime, and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay the 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 the 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 unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13-Contingencies:

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

A local Corporation filed an application for the correction of an erroneous assessment of real property tax. Specifically, the Corporation has indicated that the fair market value of certain real estate parcels total approximately \$24 million instead of the current assessed value of \$199 million. The Buchanan County Circuit Court entered a final order in this matter in the fall of 2018; however, the County has appealed same to the Virginia Supreme Court. While the outcome in this matter could result in a significant refund, the County does not believe such refund is probable and/or can be reasonably estimated. Accordingly, the County has not recorded a liability in the accompanying financial statements for same.

The County issued a supplemental tax assessment in excess of \$139,000 and seized funds of approximately \$144,000 related to same from the business owner's account. The business owner has filed a complaint and is seeking the return of seized funds. Currently, the amount of a refund, if any, cannot be reasonable estimated and the County has not recorded a liability in the accompanying financial statements for same.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Surety Bonds:

Primary Government:

<u>Virginia Association of Counties Group Self Insurance Risk Pool - Surety:</u>	
All public officials	\$250,000 per occurrence

<u>Travelers Casualty and Surety Company of America:</u>	
Treasurer	\$ 400,000
Clerk of the Court	450,000
Commissioner of the Revenue	3,000
Sheriff	30,000

Component Unit - School Board:

<u>Virginia Association of Counties (VACO) Risk Management Program</u>	
Melanie Hibbits, Superintendent of Schools	
Carolyn Dillow, Clerk of the School Board	\$ 250,000
Scotty Owens, Chairman, School Board	per
Carolyn Dillow, Textbook/Payable Clerk	occurrence
All School Board employees	

Note 15-Landfill Closure and Post Closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for at least thirty years after closure or leachate ceases to exist. The County has closed its landfill. \$27,182 is reported as landfill post closure care liability at June 30, 2018. This represents what it would cost to perform closure and post closure care in 2018. Actual costs for post closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post closure costs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 16- Restricted Net Position and Restricted/Assigned Fund Balances:**

	Governmental Activities	Governmental/Internal Service Funds		
		General Fund	Coal Road	Self Insurance
Restricted:				
Coal road expenditures	\$ 11,144,513	\$ -	\$ 11,144,513	\$ -
Law enforcement activities	104,834	104,834	-	-
Law library funds	33,029	33,029	-	-
Capital items (CNX Funds)	1,864,329	1,864,329	-	-
Courthouse construction	11,229,111	11,229,111	-	-
Health claims	337,705	-	-	337,705
Total restricted	\$ 24,713,521	\$ 13,231,303	\$ 11,144,513	\$ 337,705

	Governmental Funds
	General Fund
Assigned:	
Dog tax funds	\$ 46,620
E-911 system	1,184,821
Total assigned	\$ 1,231,441

Note 17-Other Postemployment Benefits (OPEB) - Health Insurance:Primary Government - Department of Social Services:***Plan Description***

In addition to the pension benefits described in Note 8, The County of Buchanan Department of Social Services (DSS) administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees of the DSS. The Plan does not issue a publicly available financial report.

Benefits Provided

The Plan will provide retiring employees and their dependents the option to continue health insurance offered by the DSS. To be eligible, the employee must meet the age and service criteria for immediate retirement benefits under VRS and must be 55 years of age or older. In addition, the retiree must have served at least five (5) years of employment with the DSS. The retiree may retain coverage through DSS for a period of 10 years or until they become eligible for Medicare, whichever occurs first. The benefits, employee contributions, and the employer contributions are governed by the DSS and can be amended through DSS Board action.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Primary Government - Department of Social Services: (Continued)

Plan Membership

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

Retirees employees	5
Spouses	<u>2</u>
Total	<u><u>7</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2018 was \$65,183.

Total OPEB Liability

The DSS's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	1.90%
Salary Increases	1.90%
Discount Rate	3.87%

The mortality rates were calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

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

Discount Rate

The discount rate was based on the 20-year tax exempt municipal bond yield.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)Primary Government - Department of Social Services: (Continued)*Changes in Total OPEB Liability*

		Primary Government (DSS) Total OPEB Liability
Balances at June 30, 2017	\$	783,598
Changes for the year:		
Service cost		75,833
Interest		33,086
Effect of economic/demographic gains or losses		(221,536)
Effect of assumption changes or inputs		3,598
Contributions - employer		(65,183)
Net changes		(174,202)
Balances at June 30, 2018	\$	609,396

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

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

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 638,305	\$ 609,396	\$ 582,606

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)**Primary Government - Department of Social Services: (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the DSS, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.60% for medical, 6.60% for pharmacy, 2.50% for dental, and 2.00% for vision decreasing ultimate rate of 3.70% for medical and pharmacy and 2.00% for dental and vision) or one percentage point higher (5.60% for medical, 8.60% for pharmacy, 4.50% for dental, and 4.00% for vision decreasing ultimate rate of 5.70% for medical and pharmacy and 4.00% for dental and vision) than the current healthcare cost trend rates:

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
(3.60% for medical, 6.60% for pharmacy, 2.50% for dental, and 2.00% for vision decreasing to 3.70% for medical and pharmacy and 2.00% for dental and vision)	(4.60% for medical, 7.60% for pharmacy, 3.50% for dental, and 3.00% for vision decreasing to 4.70% for medical and pharmacy and 3.00% for dental and vision)	(5.60% for medical, 8.60% for pharmacy, 4.50% for dental, and 4.00% for vision decreasing to 5.70% for medical and pharmacy and 4.00% for dental and vision)
\$ 581,106	\$ 609,396	\$ 639,356

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

For the year ended June 30, 2018, the DSS recognized OPEB expense in the amount of \$(109,019). At June 30, 2018, the DSS reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)Component Unit School Board:*Plan Description*

In addition to the pension benefits described in Note 8, the School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan was closed to all future entrants as of June 30, 2014. The Plan does not issue a publicly available financial report.

Benefits Provided

To be eligible, the employee must meet the age and service criteria for full-time retirement benefits under VRS, which requires that the employee be age 50 with 30 years of service. The employee may continue coverage until they become eligible for Medicare. The benefits, employee contributions, and the employer contributions are governed by the School Board and can be amended through School Board action.

Plan Membership

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

Total retirees with coverage	<u>61</u>
Total	<u><u>61</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$906,436.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)**Component Unit School Board: (Continued)*Actuarial Assumptions*

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

Inflation	Not applicable
Salary Increases	Not applicable
Discount Rate	The discount rate is 2.98% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

The mortality rate were based on Virginia Retirement System Retiree Mortality Experience Study.

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the S&P Municipal Bond 20 Year High Grade Rate Index. The final equivalent single discount rate used for this year's valuation is 2.98% as of the end of the fiscal year.

Changes in Total OPEB Liability

	Component Unit School Board <u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 4,801,151
Changes for the year:	
Interest	116,062
Benefit payments	(906,436)
Net changes	<u>(790,374)</u>
Balances at June 30, 2018	\$ <u><u>4,010,777</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 17-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)**Component Unit School Board: (Continued)*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current discount rate:

Rate		
1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
\$ 4,129,716	\$ 4,010,777	\$ 3,898,452

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00% decreasing to an ultimate rate of 4%) or one percentage point higher (9.00% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
\$ 3,928,462	\$ 4,010,777	\$ 4,096,194

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$116,062. At June 30, 2018, the School Board reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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

Note 18-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 18-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"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Primary Government were \$46,758 and \$45,917 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit Public Service Authority were \$8,266 and \$8,252 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$10,610 and \$11,204 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 \$72,112 and \$73,850 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 Primary Government reported a liability of \$720,508 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.04788% as compared to 0.05095% at June 30, 2016.

For the year ended June 30, 2018, the participating employer 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.

At June 30, 2018, the Component Unit Public Service Authority reported a liability of \$129,492 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00860% as compared to 0.00916% at June 30, 2016.

For the year ended June 30, 2018, the participating employer 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)***

At June 30, 2018, the Component Unit School Board (nonprofessional) reported a liability of \$176,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01168% as compared to 0.01281% at June 30, 2016.

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

At June 30, 2018, the Component Unit School Board (professional) reported a liability of \$1,158,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.07699% as compared to 0.08180% at June 30, 2016.

For the year ended June 30, 2018, the participating employer 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.

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 Public Service Authority		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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,105	\$ -	\$ 2,895	\$ -	\$ 4,000	\$ -	\$ 25,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	27,125	-	4,875	-	7,000	-	44,000
Change in assumptions	-	37,297	-	6,703	-	9,000	-	60,000
Changes in proportion	-	45,773	-	8,227	-	17,000	-	71,000
Employer contributions subsequent to the measurement date	46,758	-	8,266	-	10,610	-	72,112	-
Total	\$ 46,758	\$ 126,300	\$ 8,266	\$ 22,700	\$ 10,610	\$ 37,000	\$ 72,112	\$ 200,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 18-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)***

\$46,758, \$8,266, \$10,610, and \$72,112 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit Public Service Authority	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	\$ (24,582)	\$ (4,418)	\$ (7,000)	\$ (40,000)
2020	(24,582)	(4,418)	(7,000)	(40,000)
2021	(24,582)	(4,418)	(7,000)	(40,000)
2022	(24,582)	(4,418)	(7,000)	(40,000)
2023	(17,801)	(3,199)	(5,000)	(29,000)
Thereafter	(10,171)	(1,829)	(4,000)	(11,000)

Actuarial Assumptions

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****NET GLI OPEB Liability***

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

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

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

Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 18-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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Primary Government's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 931,575	\$ 720,508	\$ 549,282
Component Unit Public Service Authority proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 167,425	\$ 129,492	\$ 98,718
Component Unit School Board (Nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 227,000	\$ 176,000	\$ 134,000
Component Unit School Board (Professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,498,000	\$ 1,158,000	\$ 883,000

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 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):*Plan Description*

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

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

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

Note 19-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 \$169,341 and \$156,180 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$2,262,000 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 0.17829% as compared to 0.19188% 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 \$161,000. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 4,000
Change in assumptions	-	23,000
Change in proportion	-	149,000
Employer contributions subsequent to the measurement date	169,341	-
Total	\$ 169,341	\$ 176,000

\$169,341 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	\$ (28,000)
2020	(28,000)
2021	(28,000)
2022	(28,000)
2023	(27,000)
Thereafter	(37,000)

Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Actuarial Assumptions***

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

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

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

Mortality Rates - Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Actuarial Assumptions: (Continued)*****Mortality Rates - Teachers: (Continued)**

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

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

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<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 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

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

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 2,525,000	\$ 2,262,000	\$ 2,039,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 20-Line of Duty Act (LODA) Program:***Plan Description***

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

Note 20-Line of Duty Act (LODA) Program: (Continued)

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

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <u>Death</u> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • <u>Health Insurance</u> - The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. ○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 20-Line of Duty Act (LODA) Program: (Continued)*****Contributions***

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$45,673 and \$43,545 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of \$1,061,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.40376% as compared to 0.44137% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$81,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	109,000
Change in proportion	-	93,000
Employer contributions subsequent to the measurement date	<u>45,673</u>	<u>-</u>
Total	<u>\$ 45,673</u>	<u>\$ 204,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 20-Line of Duty Act (LODA) Program: (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)***

\$45,673 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (26,000)
2020	(26,000)
2021	(26,000)
2022	(26,000)
2023	(26,000)
Thereafter	(74,000)

Actuarial Assumptions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Line of Duty Act (LODA) Program: (Continued)**Actuarial Assumptions: (Continued)**

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

Mortality rates - General State Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 20-Line of Duty Act (LODA) Program: (Continued)***Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)*

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

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

Net LODA OPEB Liability

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

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

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

Note 20-Line of Duty Act (LODA) Program: (Continued)*Long-Term Expected Rate of Return*

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

Discount Rate

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

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

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

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,203,000	\$ 1,061,000	\$ 942,000

Note 20-Line of Duty Act (LODA) Program: (Continued)***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

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

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 900,000	\$ 1,061,000	\$ 1,260,000

LODA OPEB Fiduciary Net Position

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

Note 21-Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. This program is no longer open to new participants. Early retirement was available to those employees with a minimum of twenty years of service in the Buchanan County School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees had to be at least 50 years of age and less than "full retirement age" as defined by the Social Security Administration. To participate, the employee had to be a vested member of the Virginia Retirement System (VRS). In addition, employees could not work for any other agency covered under the VRS during their tenure in the program. The program allowed for payment from 18% to 25% of an employee's final contracted salary depending on their age at retirement, earned before the effective date of retirement, until the participant reaches full retirement age. At June 30, 2018 the commitment related to the Early Retirement Incentive Program was \$848,347.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 22-Self Health Insurance:**

The County (including component units) established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and component units and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of \$10,268,042 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. Incurred but not reported claims of \$1,077,267 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and the two prior fiscal year are as follows:

Fiscal Year	Current Year			
	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2017-18	\$ 621,235	\$ 10,724,074	\$ (10,268,042)	\$ 1,077,267
2016-17	887,847	11,307,850	(11,574,462)	621,235
2015-16	700,965	12,380,040	(12,193,158)	887,847

Note 23-Concentration Risk:

Historically, the County has relied on taxes generated by the Coal and Gas Industries. Direct taxes remitted from same include mineral license, methane gas and machinery and tools taxes as presented below by fiscal year.

	Fiscal Year Ending June 30,						
	2018	2017	2016	2015	2014	2013	2012
Machinery and Tools Taxes	\$ 6,215,897	\$ 5,255,072	\$ 5,697,213	\$ 7,338,716	\$ 7,051,923	\$ 5,939,790	\$ 5,133,834
Mineral License	7,888,531	7,702,654	4,338,710	6,779,747	8,206,375	9,426,585	13,950,912
Methane Gas	669,453	625,074	419,947	818,968	1,061,164	908,842	721,458
Total	\$ 14,773,881	\$ 13,582,800	\$ 10,455,870	\$ 14,937,431	\$ 16,319,462	\$ 16,275,217	\$ 19,806,204

Any significant decline in these revenues could adversely affect the County's ability to maintain current budget initiatives. In addition, the County anticipates that other revenue sources would be negatively impacted by a shrinking coal and gas economy.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 24-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:

	Primary Government	Component Unit School Board
Net position, July 1, 2017, as previously stated	\$ 43,628,629	\$ (26,399,406)
Remove prior year OPEB - health insurance liability	599,028	1,775,513
GASB 75 implementation- health insurance	(783,598)	(4,801,151)
GASB 75 implementation - group life insurance (GLI) program	(845,818)	(1,569,946)
GASB 75 implementation - health insurance credit (HIC) program	-	(2,277,820)
GASB 75 implementation - line of duty act (LODA) program	(1,185,455)	-
Net position, July 1, 2017, as restated	<u>\$ 41,412,786</u>	<u>\$ (33,272,810)</u>

Note 25-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 25-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 Buchanan, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 18,271,415	\$ 18,271,415	\$ 19,323,892	\$	1,052,477
Other local taxes	8,012,825	8,038,225	11,122,013		3,083,788
Permits, privilege fees, and regulatory licenses	32,200	32,200	93,039		60,839
Fines and forfeitures	-	-	2,155		2,155
Revenue from the use of money and property	85,765	85,765	182,822		97,057
Charges for services	652,212	752,212	910,304		158,092
Miscellaneous	101,600	101,600	63,690		(37,910)
Recovered costs	235,225	311,625	725,084		413,459
Intergovernmental	17,447,360	17,652,722	13,567,640		(4,085,082)
Total revenues	\$ 44,838,602	\$ 45,245,764	\$ 45,990,639	\$	744,875
EXPENDITURES					
Current:					
General government administration	\$ 2,817,511	\$ 4,563,292	\$ 3,459,019	\$	1,104,273
Judicial administration	1,780,409	1,999,351	1,721,885		277,466
Public safety	7,898,763	10,468,596	7,397,298		3,071,298
Public works	5,186,931	6,927,769	4,931,594		1,996,175
Health and welfare	16,433,944	16,807,691	9,459,785		7,347,906
Education	9,089,618	9,476,366	9,296,998		179,368
Parks, recreation, and cultural	1,147,398	2,602,402	1,397,552		1,204,850
Community development	3,068,617	3,419,421	1,176,934		2,242,487
Capital projects	4,144,000	3,960,206	2,403,477		1,556,729
Debt service:					
Principal retirement	1,327,087	1,327,087	1,317,965		9,122
Interest and other fiscal charges	315,921	315,921	290,283		25,638
Total expenditures	\$ 53,210,199	\$ 61,868,102	\$ 42,852,790	\$	19,015,312
Excess (deficiency) of revenues over (under) expenditures					
	\$ (8,371,597)	\$ (16,622,338)	\$ 3,137,849	\$	19,760,187
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 15,000	\$ 15,000	\$ -	\$	(15,000)
Total other financing sources (uses)	\$ 15,000	\$ 15,000	\$ -	\$	(15,000)
Net change in fund balances					
	\$ (8,356,597)	\$ (16,607,338)	\$ 3,137,849	\$	19,745,187
Fund balances - beginning	6,600,847	6,600,847	31,322,353		24,721,506
Fund balances - ending	\$ (1,755,750)	\$ (10,006,491)	\$ 34,460,202	\$	44,466,693

County of Buchanan, Virginia
Special Revenue Fund - Coal Road 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</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Other local taxes	\$ 4,000,000	\$ 4,350,000	\$ 7,889,158	\$ 3,539,158
Revenue from the use of money and property	20,000	20,000	69,985	49,985
Miscellaneous	-	-	2,920	2,920
Intergovernmental	-	-	372,377	372,377
Total revenues	<u>\$ 4,020,000</u>	<u>\$ 4,370,000</u>	<u>\$ 8,334,440</u>	<u>\$ 3,964,440</u>
EXPENDITURES				
Current:				
Public works	\$ 8,104,407	\$ 8,107,327	\$ 2,365,196	\$ 5,742,131
Community development	1,500,000	1,911,020	3,521,287	(1,610,267)
Total expenditures	<u>\$ 9,604,407</u>	<u>\$ 10,018,347</u>	<u>\$ 5,886,483</u>	<u>\$ 4,131,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,584,407)</u>	<u>\$ (5,648,347)</u>	<u>\$ 2,447,957</u>	<u>\$ 8,096,304</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (350,000)	\$ (350,000)	\$ (270,000)	\$ 80,000
Total other financing sources (uses)	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ (270,000)</u>	<u>\$ 80,000</u>
Net change in fund balances	<u>\$ (5,934,407)</u>	<u>\$ (5,998,347)</u>	<u>\$ 2,177,957</u>	<u>\$ 8,176,304</u>
Fund balances - beginning	5,934,407	5,934,407	8,966,556	3,032,149
Fund balances - ending	<u>\$ -</u>	<u>\$ (63,940)</u>	<u>\$ 11,144,513</u>	<u>\$ 11,208,453</u>

County of Buchanan, Virginia
Special Revenue Fund - Disaster Relief 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</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 350,000	\$ 350,000	\$ 263,788	\$ 86,212
Total expenditures	\$ 350,000	\$ 350,000	\$ 263,788	\$ 86,212
Excess (deficiency) of revenues over (under) expenditures	\$ (350,000)	\$ (350,000)	\$ (263,788)	\$ 86,212
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 350,000	\$ 350,000	\$ 270,000	\$ (80,000)
Total other financing sources (uses)	\$ 350,000	\$ 350,000	\$ 270,000	\$ (80,000)
Net change in fund balances	\$ -	\$ -	\$ 6,212	\$ 6,212
Fund balances - beginning	-	-	(70,330)	(70,330)
Fund balances - ending	\$ -	\$ -	\$ (64,118)	\$ (64,118)

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 902,161	\$ 897,687	\$ 890,472	\$ 893,679
Interest	3,138,369	2,969,931	2,885,434	2,763,194
Changes of assumptions	(213,522)	-	-	-
Differences between expected and actual experience	(380,889)	1,074,430	(639,454)	-
Impact in change of proportion	(418,631)	29,231	-	-
Benefit payments, including refunds of employee contributions	(2,275,697)	(1,958,614)	(1,958,543)	(1,862,638)
Net change in total pension liability	\$ 751,791	\$ 3,012,665	\$ 1,177,909	\$ 1,794,235
Total pension liability - beginning	46,390,324	43,377,659	42,199,750	40,405,515
Total pension liability - ending (a)	\$ 47,142,115	\$ 46,390,324	\$ 43,377,659	\$ 42,199,750
Plan fiduciary net position				
Impact in change of proportion	\$ (296,522)	\$ 21,935	\$ -	\$ -
Contributions - employer	1,105,840	1,237,155	1,210,444	1,146,351
Contributions - employee	438,299	460,784	464,747	453,657
Net investment income	3,939,533	566,735	1,432,891	4,310,695
Benefit payments, including refunds of employee contributions	(2,275,697)	(1,958,614)	(1,958,543)	(1,862,638)
Administrative expense	(23,005)	(20,095)	(19,600)	(23,245)
Other	(3,493)	(240)	(303)	227
Net change in plan fiduciary net position	\$ 2,884,955	\$ 307,660	\$ 1,129,636	\$ 4,025,047
Plan fiduciary net position - beginning	32,858,946	32,551,286	31,421,650	27,396,603
Plan fiduciary net position - ending (b)	\$ 35,743,901	\$ 32,858,946	\$ 32,551,286	\$ 31,421,650
County's net pension liability - ending (a) - (b)	\$ 11,398,214	\$ 13,531,378	\$ 10,826,373	\$ 10,778,100
Plan fiduciary net position as a percentage of the total pension liability	75.82%	70.83%	75.04%	74.46%
Covered payroll	\$ 8,775,714	\$ 9,202,667	\$ 8,958,100	\$ 9,080,106
County's net pension liability as a percentage of covered payroll	129.88%	147.04%	120.86%	118.70%

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 Buchanan, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit Public Service Authority
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 162,139	\$ 151,778	\$ 151,259	\$ 151,804
Interest	564,035	502,145	490,132	469,368
Changes of assumptions	(38,375)	-	-	-
Differences between expected and actual experience	(68,454)	181,661	(108,620)	-
Impact in change of proportion	418,631	(29,231)	-	-
Benefit payments, including refunds of employee contributions	(408,994)	(331,155)	(332,686)	(316,396)
Net change in total pension liability	\$ 628,982	\$ 475,198	\$ 200,085	\$ 304,776
Total pension liability - beginning	7,843,513	7,368,315	7,168,230	6,863,454
Total pension liability - ending (a)	\$ 8,472,495	\$ 7,843,513	\$ 7,368,315	\$ 7,168,230
Plan fiduciary net position				
Impact in change of proportion	\$ 296,522	\$ (21,935)	\$ -	\$ -
Contributions - employer	198,744	209,174	205,611	194,724
Contributions - employee	78,772	77,908	78,944	77,060
Net investment income	708,022	95,821	243,397	732,233
Benefit payments, including refunds of employee contributions	(408,994)	(331,155)	(332,686)	(316,396)
Administrative expense	(4,134)	(3,397)	(3,329)	(3,948)
Other	(628)	(41)	(52)	38
Net change in plan fiduciary net position	\$ 868,304	\$ 26,375	\$ 191,885	\$ 683,711
Plan fiduciary net position - beginning	5,555,676	5,529,301	5,337,416	4,653,705
Plan fiduciary net position - ending (b)	\$ 6,423,980	\$ 5,555,676	\$ 5,529,301	\$ 5,337,416
Authority's net pension liability - ending (a) - (b)	\$ 2,048,515	\$ 2,287,837	\$ 1,839,014	\$ 1,830,814
Plan fiduciary net position as a percentage of the total pension liability	75.82%	70.83%	75.04%	74.46%
Covered payroll	\$ 1,586,319	\$ 1,564,773	\$ 1,546,539	\$ 1,542,386
Authority's net pension liability as a percentage of covered payroll	129.14%	146.21%	118.91%	118.70%

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 Buchanan, Virginia
Schedule of Components of and 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	\$ 210,896	\$ 210,213	\$ 205,782	\$ 237,215
Interest	1,243,970	1,201,949	1,221,718	1,214,556
Changes of assumptions	102,069	-	-	-
Differences between expected and actual experience	(258,786)	594,881	(293,727)	-
Benefit payments, including refunds of employee contributions	(1,342,066)	(1,471,428)	(1,360,929)	(1,337,990)
Net change in total pension liability	\$ (43,917)	\$ 535,615	\$ (227,156)	\$ 113,781
Total pension liability - beginning	18,442,031	17,906,416	18,133,572	18,019,791
Total pension liability - ending (a)	\$ 18,398,114	\$ 18,442,031	\$ 17,906,416	\$ 18,133,572
Plan fiduciary net position				
Contributions - employer	\$ 483,742	\$ 495,623	\$ 511,145	\$ 486,675
Contributions - employee	98,616	108,112	112,065	115,377
Net investment income	1,228,869	170,940	502,728	1,602,403
Benefit payments, including refunds of employee contributions	(1,342,066)	(1,471,428)	(1,360,929)	(1,337,990)
Administrative expense	(7,654)	(7,278)	(7,507)	(9,208)
Other	(1,075)	(77)	(105)	85
Net change in plan fiduciary net position	\$ 460,432	\$ (704,108)	\$ (242,603)	\$ 857,342
Plan fiduciary net position - beginning	10,542,737	11,246,845	11,489,448	10,632,106
Plan fiduciary net position - ending (b)	\$ 11,003,169	\$ 10,542,737	\$ 11,246,845	\$ 11,489,448
School division's net pension liability - ending (a) - (b)	\$ 7,394,945	\$ 7,899,294	\$ 6,659,571	\$ 6,644,124
Plan fiduciary net position as a percentage of the total pension liability	59.81%	57.17%	62.81%	63.36%
Covered payroll	\$ 2,109,030	\$ 2,195,652	\$ 2,176,214	\$ 2,221,244
School Division's net pension liability as a percentage of covered payroll	350.63%	359.77%	306.02%	299.12%

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

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.17972%		0.19189%		0.20183%		0.20613%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 22,102,000	\$	26,891,000	\$	25,403,000	\$	24,910,000
Employer's Covered Payroll	14,045,869		14,599,875		14,585,895		14,950,792
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	157.36%		184.19%		174.16%		166.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%		68.28%		70.68%		70.88%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 1,127,203	\$ 1,127,203	\$ -	\$ 8,927,964	12.63%
2017	1,105,840	1,105,840	-	8,775,714	12.60%
2016	1,237,155	1,237,155	-	9,202,667	13.44%
2015	1,210,444	1,210,444	-	8,958,100	13.51%
Component Unit Public Service Authority					
2018	\$ 199,274	\$ 199,274	\$ -	\$ 1,637,446	12.17%
2017	198,744	198,744	-	1,586,319	12.53%
2016	209,174	209,174	-	1,564,773	13.37%
2015	205,611	205,611	-	1,546,539	13.29%
Component Unit School Board (nonprofessional)					
2018	\$ 489,281	\$ 489,281	\$ -	\$ 2,022,315	24.19%
2017	483,742	483,742	-	2,109,030	22.94%
2016	495,623	495,623	-	2,195,652	22.57%
2015	511,145	511,145	-	2,176,214	23.49%
2014	486,675	486,675	-	2,221,244	21.91%
2013	534,994	534,994	-	2,441,780	21.91%
2012	474,118	474,118	-	2,461,674	19.26%
2011	447,516	447,516	-	2,323,550	19.26%
2010	532,783	532,783	-	2,500,155	21.31%
2009	517,453	517,453	-	2,428,216	21.31%
Component Unit School Board (professional)					
2018	\$ 2,232,097	\$ 2,232,097	\$ -	\$ 13,767,550	16.21%
2017	2,047,817	2,047,817	-	14,045,869	14.58%
2016	2,041,487	2,041,487	-	14,599,875	13.98%
2015	2,169,000	2,169,000	-	14,585,895	14.87%
2014	1,743,262	1,743,262	-	14,950,789	11.66%
2013	2,097,458	2,097,458	-	17,988,491	11.66%
2012	1,016,983	1,016,983	-	16,066,082	6.33%
2011	588,178	588,178	-	14,966,361	3.93%
2010	1,093,921	1,093,921	-	16,777,929	6.52%
2009	1,447,407	1,447,407	-	16,429,137	8.81%

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

Schedule is intended to show information for 10 years. Prior to 2015, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

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

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 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 Buchanan, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 75,833
Interest	33,086
Effect of economic/demographic gains or losses	(221,536)
Effect of assumptions changes or inputs	3,598
Employer contributions	<u>(65,183)</u>
Net change in total OPEB liability	\$ (174,202)
Total OPEB liability - beginning	<u>783,598</u>
Total OPEB liability - ending	<u><u>\$ 609,396</u></u>
 Covered-employee payroll	 N/A
 County's total OPEB liability (asset) as a percentage of covered-employee payroll	 N/A

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

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

	<u>2018</u>
Total OPEB liability	
Interest	\$ 116,062
Benefit payments	(906,436)
Net change in total OPEB liability	\$ (790,374)
Total OPEB liability - beginning	4,801,151
Total OPEB liability - ending	<u>\$ 4,010,777</u>
 Covered-employee payroll	 N/A
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 N/A

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

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

Primary Government

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87%
Inflation	1.90%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.60% for medical, 7.60% for pharmacy, 3.50% for dental, and 3.00% for vision and gradually declines to 4.70% for medical and pharmacy and 3.00% for dental and vision.
Salary Increase Rates	1.90%
Retirement Age	The average age at retirement is 65
Mortality Rates	The mortality rates were calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

Component Unit School Board

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate is 2.98% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.
Inflation	Not applicable
Healthcare Trend Rate	The healthcare trend was reset to 8% grading to 5% over 10 years.
Salary Increase Rates	Not applicable
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rate were based on Virginia Retirement System Retiree Mortality Experience Study.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.04788% \$	720,508	\$ 8,775,714	8.21%	48.86%
Component Unit Public Service Authority					
2017	0.00860% \$	129,492	\$ 1,586,319	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.01168% \$	176,000	\$ 2,109,030	8.35%	48.86%
Component Unit School Board (professional)					
2017	0.07699% \$	1,158,000	\$ 14,045,869	8.24%	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 Buchanan, 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					
2018	\$ 46,758	\$ 46,758	\$ -	\$ 8,927,964	0.52%
2017	45,917	45,917	-	8,775,714	0.52%
Component Unit Public Service Authority					
2018	\$ 8,266	\$ 8,266	\$ -	\$ 1,637,446	0.50%
2017	8,252	8,252	-	1,586,319	0.52%
Component Unit School Board (nonprofessional)					
2018	\$ 10,610	\$ 10,610	\$ -	\$ 2,022,315	0.52%
2017	11,204	11,204	-	2,109,030	0.53%
2016	11,051	11,051	-	2,195,652	0.50%
2015	11,048	11,048	-	2,176,214	0.51%
2014	10,763	10,763	-	2,221,244	0.48%
2013	11,812	11,812	-	2,441,780	0.48%
2012	6,984	6,984	-	2,461,674	0.28%
2011	6,607	6,607	-	2,323,550	0.28%
2010	5,115	5,115	-	2,500,155	0.20%
2009	6,682	6,682	-	2,428,216	0.28%
Component Unit School Board (professional)					
2018	\$ 72,112	\$ 72,112	\$ -	\$ 13,767,550	0.52%
2017	73,850	73,850	-	14,045,869	0.53%
2016	70,557	70,557	-	14,599,875	0.48%
2015	72,406	72,406	-	14,585,895	0.50%
2014	73,220	73,220	-	14,950,789	0.49%
2013	77,386	77,386	-	17,988,491	0.43%
2012	45,898	45,898	-	16,066,082	0.29%
2011	42,218	42,218	-	14,966,361	0.28%
2010	33,790	33,790	-	16,777,929	0.20%
2009	44,623	44,623	-	16,429,137	0.27%

Schedule is intended to show information for 10 years. Prior to 2017, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

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

For the Year Ended June 30, 2016					
Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2017	0.17829% \$	2,262,000 \$	14,045,869	16.10%	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 Buchanan, 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	\$ 169,341	\$ 169,341	\$ -	\$ 13,767,550	1.23%
2017	156,180	156,180	-	14,045,869	1.11%
2016	155,088	155,088	-	14,599,875	1.06%
2015	159,066	159,066	-	14,585,895	1.09%
2014	167,322	167,322	-	14,950,789	1.12%
2013	175,742	175,742	-	17,988,491	0.98%
2012	96,405	96,405	-	16,066,082	0.60%
2011	90,016	90,016	-	14,966,361	0.60%
2010	129,135	129,135	-	16,777,929	0.77%
2009	177,435	177,435	-	16,429,137	1.08%

County of Buchanan, 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

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

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.40376%	\$ 1,061,000	\$ N/A	N/A	1.30%

*

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

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

County of Buchanan, Virginia
Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2016 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	\$ 45,673	\$ 45,673	\$ -	\$ N/A	N/A
2017	43,545	43,545	-	N/A	N/A
2016	43,064	43,064	-	N/A	N/A

*

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

FY 2016 was the first year information was available for the Line of Duty Act Program (LODA).

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

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

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

General State Employees

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

SPORS Employees

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

VaLORS Employees

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

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

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

Other Supplementary Information

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 5,880,819
Receivables (net of allowance for uncollectibles):	
Accounts receivable	13,386
Due from other governmental units	1,209,616
Total assets	<u>\$ 7,103,821</u>
LIABILITIES	
Accounts payable	\$ 435,480
Accrued liabilities	3,989,489
Total liabilities	<u>\$ 4,424,969</u>
FUND BALANCES	
Restricted	
Cafeteria Funds	\$ 363,483
Unassigned	2,315,369
Total fund balances	<u>\$ 2,678,852</u>
Total liabilities and fund balances	<u>\$ 7,103,821</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,678,852
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,436,395
Buildings and improvements	4,392,478
Machinery and equipment	<u>1,090,915</u>
	7,919,788
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 3,213,358
OPEB related items	<u>252,063</u>
	3,465,421
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (572,469)
Net OPEB liabilities	(7,606,777)
Net ERIP obligation	(848,347)
Net pension liability	<u>(29,496,945)</u>
	(38,524,538)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (5,803,862)
OPEB related items	<u>(413,000)</u>
	(6,216,862)
Net position of governmental activities	<u>\$ (30,677,339)</u>

County of Buchanan, 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

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 22,336
Charges for services	372,369
Miscellaneous	106,761
Recovered costs	514,056
Intergovernmental	32,878,732
Total revenues	<u>\$ 33,894,254</u>
EXPENDITURES	
Current:	
Education	\$ 33,258,263
Total expenditures	<u>\$ 33,258,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 635,991</u>
Net change in fund balances	\$ 635,991
Fund balances - beginning	2,042,861
Fund balances - ending	<u><u>\$ 2,678,852</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	\$ 635,991
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	\$ 200,140
Depreciation expenses	<u>(847,115)</u> (646,975)
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	\$ 11,753
OPEB expense	881,203
Change in net ERIP obligation	234,863
Pension expense	<u>1,478,636</u> 2,606,455
Change in net position of governmental activities	<u><u>\$ 2,595,471</u></u>

County of Buchanan, 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			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 6,600	\$ 6,600	\$ 22,336	\$ 15,736
Charges for services	327,000	327,000	372,369	45,369
Miscellaneous	141,856	141,856	106,761	(35,095)
Recovered costs	298,650	298,650	514,056	215,406
Intergovernmental	32,194,046	33,598,682	32,878,732	(719,950)
Total revenues	<u>\$ 32,968,152</u>	<u>\$ 34,372,788</u>	<u>\$ 33,894,254</u>	<u>\$ (478,534)</u>
EXPENDITURES				
Current:				
Education	\$ 33,127,852	\$ 34,532,488	\$ 33,258,263	\$ 1,274,225
Total expenditures	<u>\$ 33,127,852</u>	<u>\$ 34,532,488</u>	<u>\$ 33,258,263</u>	<u>\$ 1,274,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (159,700)</u>	<u>\$ (159,700)</u>	<u>\$ 635,991</u>	<u>\$ 795,691</u>
Net change in fund balances	\$ (159,700)	\$ (159,700)	\$ 635,991	\$ 795,691
Fund balances - beginning	159,700	159,700	2,042,861	1,883,161
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,678,852</u>	<u>\$ 2,678,852</u>

Supporting Schedules

County of Buchanan, 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	\$ 8,080,290	\$ 8,080,290	\$ 7,843,384	\$ (236,906)
Real and personal public service corporation taxes	526,568	526,568	568,709	42,141
Personal property taxes	2,667,305	2,667,305	2,651,322	(15,983)
Mobile home taxes	57,275	57,275	59,516	2,241
Machinery and tools taxes	5,167,472	5,167,472	6,215,897	1,048,425
Mineral taxes	1,210,129	1,210,129	1,302,112	91,983
Merchant's capital taxes	103,262	103,262	80,565	(22,697)
Penalties	131,234	131,234	165,598	34,364
Interest	327,880	327,880	436,789	108,909
Total general property taxes	\$ 18,271,415	\$ 18,271,415	\$ 19,323,892	\$ 1,052,477
Other local taxes:				
Local sales and use taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,758,443	\$ 173,443
Consumers' utility taxes	400,000	400,000	384,990	(15,010)
Consumption taxes	250,000	250,000	196,269	(53,731)
Mineral license tax	5,000,000	5,000,000	7,888,531	2,888,531
Methane gas tax	500,000	525,400	669,453	144,053
Utility license taxes	35,724	35,724	30,026	(5,698)
Bank stock taxes	104,621	104,621	105,974	1,353
Taxes on recordation and wills	40,825	40,825	13,006	(27,819)
Hotel and motel room taxes	24,655	24,655	26,717	2,062
Local tax on deeds	72,000	72,000	48,604	(23,396)
Total other local taxes	\$ 8,012,825	\$ 8,038,225	\$ 11,122,013	\$ 3,083,788
Permits, privilege fees, and regulatory licenses:				
Animal licenses and fees	\$ 3,000	\$ 3,000	\$ 6,891	\$ 3,891
Land use application fees	1,070	1,070	9,000	7,930
Transfer fees	-	-	759	759
Building permits	25,500	25,500	71,576	46,076
Other permits and licenses	2,630	2,630	4,813	2,183
Total permits, privilege fees, and regulatory licenses	\$ 32,200	\$ 32,200	\$ 93,039	\$ 60,839
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ -	\$ 2,155	\$ 2,155
Total fines and forfeitures	\$ -	\$ -	\$ 2,155	\$ 2,155
Revenue from use of money and property:				
Revenue from use of money	\$ 69,065	\$ 69,065	\$ 169,412	\$ 100,347
Revenue from use of property	16,700	16,700	13,410	(3,290)
Total revenue from use of money and property	\$ 85,765	\$ 85,765	\$ 182,822	\$ 97,057
Charges for services:				
Charges for law enforcement and traffic control	\$ 50,000	\$ 50,000	\$ 22,908	\$ (27,092)
Charges for courthouse maintenance	-	-	7,354	7,354
Charges for courthouse security	-	-	24,015	24,015

County of Buchanan, 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)				
Charges for services: (Continued)				
Charges for Commonwealth's Attorney	\$ -	\$ -	\$ 3,842	\$ 3,842
Miscellaneous jail and inmate fees	-	-	649	649
Law library fees	-	-	6,523	6,523
Charges for animal control	-	-	596	596
Charges for copies	-	-	65	65
Charges for sanitation and waste removal	520,000	520,000	679,953	159,953
Charges for parks and recreation	65,212	65,212	95,265	30,053
Charges for library	7,000	7,000	12,745	5,745
Charges for golf course	-	100,000	41,389	(58,611)
Other Charges for Services	10,000	10,000	15,000	5,000
Total charges for services	\$ 652,212	\$ 752,212	\$ 910,304	\$ 158,092
Miscellaneous:				
Miscellaneous	\$ 101,600	\$ 101,600	\$ 63,690	\$ (37,910)
Total miscellaneous	\$ 101,600	\$ 101,600	\$ 63,690	\$ (37,910)
Recovered costs:				
Health Department	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Rebates and refunds	100,450	100,450	593,410	492,960
VPA refunds	20,000	20,000	111,287	91,287
Other recovered costs	64,775	141,175	20,387	(120,788)
Total recovered costs	\$ 235,225	\$ 311,625	\$ 725,084	\$ 413,459
Total revenue from local sources	\$ 27,391,242	\$ 27,593,042	\$ 32,422,999	\$ 4,829,957
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 30,000	\$ 30,000	\$ 62,025	\$ 32,025
Motor vehicle rental tax	1,500	1,500	3,729	2,229
Rolling stock tax	180,000	180,000	168,069	(11,931)
Telecommunications taxes	894,762	894,762	772,098	(122,664)
State recordation tax	-	-	13,600	13,600
Personal property tax relief funds	1,598,108	1,598,108	1,598,108	-
Total noncategorical aid	\$ 2,704,370	\$ 2,704,370	\$ 2,617,629	\$ (86,741)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 472,442	\$ 472,442	\$ 455,124	\$ (17,318)
Sheriff	1,405,000	1,405,000	1,446,170	41,170
Commissioner of revenue	136,330	136,330	136,973	643
Treasurer	125,000	125,000	127,255	2,255
Registrar/electoral board	45,000	45,000	40,577	(4,423)
Clerk's fringes	300,000	300,000	301,661	1,661
Total shared expenses	\$ 2,483,772	\$ 2,483,772	\$ 2,507,760	\$ 23,988

County of Buchanan, 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 Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Litter control grant	\$ -	\$ -	\$ 9,071	\$ 9,071
Library grant	112,000	112,000	87,644	(24,356)
Public assistance and welfare administration	2,143,953	2,143,953	2,218,238	74,285
Victim-witness grant	94,709	94,709	24,232	(70,477)
Fire Program Funds	51,391	201,167	152,738	(48,429)
Asset Forfeiture	30,770	30,770	5,400	(25,370)
Office of justice programs	8,000	8,000	-	(8,000)
Violence against women	-	-	49,738	49,738
Two for Life Program	21,777	21,777	-	(21,777)
VA housing development authority	40,000	40,000	46,682	6,682
E-911 technology grant	537,862	537,862	46,792	(491,070)
Comprehensive services act program	1,137,439	1,139,014	425,894	(713,120)
Other State Funds	85,586	139,597	40,021	(99,576)
Total other categorical aid	\$ 4,263,487	\$ 4,468,849	\$ 3,106,450	\$ (1,362,399)
Total categorical aid	\$ 6,747,259	\$ 6,952,621	\$ 5,614,210	\$ (1,338,411)
Total revenue from the Commonwealth	\$ 9,451,629	\$ 9,656,991	\$ 8,231,839	\$ (1,425,152)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 3,271,047	\$ 3,271,047	\$ 3,384,384	\$ 113,337
Child and adult care food program	-	-	79,775	79,775
Community development block grant	2,950,000	2,950,000	424,869	(2,525,131)
State and community highway safety	-	-	1,500	1,500
Headstart programs	1,704,700	1,704,700	1,360,759	(343,941)
OAG Grant	35,500	35,500	-	(35,500)
Victim Witness Grant	-	-	72,699	72,699
Transportation grant	34,484	34,484	-	(34,484)
National safety programs	-	-	11,815	11,815
Total categorical aid	\$ 7,995,731	\$ 7,995,731	\$ 5,335,801	\$ (2,659,930)
Total revenue from the federal government	\$ 7,995,731	\$ 7,995,731	\$ 5,335,801	\$ (2,659,930)
Total General Fund	\$ 44,838,602	\$ 45,245,764	\$ 45,990,639	\$ 744,875
Special Revenue Funds:				
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 4,000,000	\$ 4,350,000	\$ 7,889,158	\$ 3,539,158
Total other local taxes	\$ 4,000,000	\$ 4,350,000	\$ 7,889,158	\$ 3,539,158

County of Buchanan, 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)				
Coal Road Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,000	\$ 20,000	\$ 69,985	\$ 49,985
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 69,985	\$ 49,985
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 2,920	\$ 2,920
Total miscellaneous	\$ -	\$ -	\$ 2,920	\$ 2,920
Total revenue from local sources	\$ 4,020,000	\$ 4,370,000	\$ 7,962,063	\$ 3,592,063
Revenue from the Commonwealth:				
Categorical aid:				
VDOT highway construction funds	\$ -	\$ -	\$ 372,377	\$ 372,377
Total categorical aid	\$ -	\$ -	\$ 372,377	\$ 372,377
Total revenue from the Commonwealth	\$ -	\$ -	\$ 372,377	\$ 372,377
Total Coal Road Fund	\$ 4,020,000	\$ 4,370,000	\$ 8,334,440	\$ 3,964,440
Total Primary Government	\$ 48,858,602	\$ 49,615,764	\$ 54,325,079	\$ 4,709,315
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 6,600	\$ 6,600	\$ 22,336	\$ 15,736
Total revenue from use of money and property	\$ 6,600	\$ 6,600	\$ 22,336	\$ 15,736
Charges for services:				
Charges for adult/GED testing	\$ 7,000	\$ 7,000	\$ 8,693	\$ 1,693
Charges for cafeteria sales	320,000	320,000	363,676	43,676
Total charges for services	\$ 327,000	\$ 327,000	\$ 372,369	\$ 45,369
Miscellaneous:				
Miscellaneous	\$ 101,856	\$ 101,856	\$ 101,367	\$ (489)
Donations	40,000	40,000	5,394	(34,606)
Total miscellaneous	\$ 141,856	\$ 141,856	\$ 106,761	\$ (35,095)
Recovered costs:				
Rebates and refunds	\$ 57,650	\$ 57,650	\$ 44,462	\$ (13,188)
Insurance adjustments	-	-	21,666	21,666
JROTC payments	36,000	36,000	38,815	2,815
E-rate reimbursement	130,000	130,000	167,628	37,628
Other recovered costs	75,000	75,000	241,485	166,485
Total recovered costs	\$ 298,650	\$ 298,650	\$ 514,056	\$ 215,406
Total revenue from local sources	\$ 774,106	\$ 774,106	\$ 1,015,522	\$ 241,416

County of Buchanan, 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:				
Revenues from local governments:				
Contribution from County of Buchanan, Virginia	\$ 9,078,367	\$ 9,290,954	\$ 9,228,999	\$ (61,955)
Total revenues from local governments	\$ 9,078,367	\$ 9,290,954	\$ 9,228,999	\$ (61,955)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,166,532	\$ 3,166,532	\$ 2,998,570	\$ (167,962)
Basic school aid	8,940,730	8,940,730	8,694,880	(245,850)
Gifted and talented	91,290	91,290	89,382	(1,908)
Remedial education	498,292	498,292	533,383	35,091
Special education	1,240,023	1,240,023	1,214,110	(25,913)
Textbook payment	208,788	208,788	204,425	(4,363)
Social security fringe benefits	631,423	631,423	618,228	(13,195)
Retirement fringe benefits	1,491,071	1,491,071	1,459,911	(31,160)
Salary Supplements	99,668	99,668	97,579	(2,089)
Mentor teacher grant	-	-	1,861	1,861
Early reading intervention	119,771	119,771	126,461	6,690
Alternative education	23,576	23,576	24,881	1,305
K3 initiative	483,765	483,765	478,625	(5,140)
Vocation education	949,893	949,893	908,114	(41,779)
Special education - foster children	31,417	31,417	35,004	3,587
At risk payments	547,328	547,328	546,199	(1,129)
School food	433,303	465,436	142,849	(322,587)
Technology	320,000	320,000	440,982	120,982
Standards of Learning algebra readiness	54,121	54,121	51,891	(2,230)
At risk four-year olds	117,117	117,117	117,117	-
Lottery proceeds	587,716	587,716	510,913	(76,803)
Adult literacy	-	-	7,569	7,569
Breakfast after the bell	-	-	5,755	5,755
Other state funds	6,237	6,237	21,270	15,033
Total categorical aid	\$ 20,042,061	\$ 20,074,194	\$ 19,329,959	\$ (744,235)
Total revenue from the Commonwealth	\$ 20,042,061	\$ 20,074,194	\$ 19,329,959	\$ (744,235)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,071,371	\$ 1,252,278	\$ 1,078,015	\$ (174,263)
Title VI-B, flow-through	765,679	765,679	978,918	213,239
Vocational education	65,655	65,655	93,738	28,083
Improving teacher quality	283,000	373,350	225,202	(148,148)
21st Century grant	-	-	178,940	178,940
School feeding programs	826,030	1,714,689	1,708,476	(6,213)
Rural and low income schools	61,883	61,883	56,485	(5,398)
Total categorical aid	\$ 3,073,618	\$ 4,233,534	\$ 4,319,774	\$ 86,240
Total revenue from the federal government	\$ 3,073,618	\$ 4,233,534	\$ 4,319,774	\$ 86,240
Total School Operating Fund	\$ 32,968,152	\$ 34,372,788	\$ 33,894,254	\$ (478,534)
Total Discretely Presented Component Unit - School Board	\$ 32,968,152	\$ 34,372,788	\$ 33,894,254	\$ (478,534)

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

Schedule 2
Page 1 of 5

<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	\$ 272,506	\$ 1,546,096	\$ 1,025,429	\$ 520,667
Total legislative	\$ 272,506	\$ 1,546,096	\$ 1,025,429	\$ 520,667
General and financial administration:				
County administrator	\$ 492,836	\$ 513,604	\$ 467,422	\$ 46,182
County attorney	160,862	218,489	178,550	39,939
Commissioner of revenue	431,235	431,235	350,495	80,740
Central purchasing	139,000	139,000	54,895	84,105
Treasurer	538,472	538,556	500,576	37,980
Data processing	33,115	33,115	27,077	6,038
County garage	506,502	528,726	438,643	90,083
Total general and financial administration	\$ 2,302,022	\$ 2,402,725	\$ 2,017,658	\$ 385,067
Board of elections:				
Electoral board	\$ 42,700	\$ 42,700	\$ 40,195	\$ 2,505
Registrar	180,283	180,283	175,167	5,116
Voting buildings and machines	20,000	391,488	200,570	190,918
Total board of elections	\$ 242,983	\$ 614,471	\$ 415,932	\$ 198,539
Total general government administration	\$ 2,817,511	\$ 4,563,292	\$ 3,459,019	\$ 1,104,273
Judicial administration:				
Courts:				
Circuit court	\$ 247,679	\$ 247,679	\$ 231,132	\$ 16,547
Combined court	12,500	12,500	6,751	5,749
Juvenile court	13,500	13,500	7,307	6,193
Magistrates	12,150	12,150	3,045	9,105
Victim witness assistance program	89,135	113,381	99,900	13,481
Clerk of circuit court	606,406	609,288	547,644	61,644
Community service diversion program	-	135,200	39,495	95,705
Total courts	\$ 981,370	\$ 1,143,698	\$ 935,274	\$ 208,424
Commonwealth's attorney:				
Commonwealth's attorney	\$ 799,039	\$ 855,653	\$ 786,611	\$ 69,042
Total commonwealth's attorney	\$ 799,039	\$ 855,653	\$ 786,611	\$ 69,042
Total judicial administration	\$ 1,780,409	\$ 1,999,351	\$ 1,721,885	\$ 277,466
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,380,667	\$ 3,719,385	\$ 3,097,689	\$ 621,696
Total law enforcement and traffic control	\$ 3,380,667	\$ 3,719,385	\$ 3,097,689	\$ 621,696
Fire and rescue services:				
Fire department	\$ 256,000	\$ 1,647,338	\$ 353,116	\$ 1,294,222
Rescue squads	150,000	860,277	110,008	750,269
Total fire and rescue services	\$ 406,000	\$ 2,507,615	\$ 463,124	\$ 2,044,491

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

Schedule 2
Page 2 of 5

<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)				
Correction and detention:				
Jail operation	\$ 2,057,880	\$ 2,057,880	\$ 2,226,122	\$ (168,242)
Juvenile detention	100,244	170,060	135,152	34,908
Total correction and detention	\$ 2,158,124	\$ 2,227,940	\$ 2,361,274	\$ (133,334)
Inspections:				
Building	\$ 114,210	\$ 116,911	\$ 112,094	\$ 4,817
Total inspections	\$ 114,210	\$ 116,911	\$ 112,094	\$ 4,817
Other protection:				
Animal control	\$ 330,705	\$ 330,705	\$ 294,391	\$ 36,314
Medical examiner	1,000	1,000	500	500
Emergency services	42,433	85,986	22,530	63,456
Forestry department	26,000	26,000	25,264	736
E-911	1,439,624	1,453,054	1,020,432	432,622
Total other protection	\$ 1,839,762	\$ 1,896,745	\$ 1,363,117	\$ 533,628
Total public safety	\$ 7,898,763	\$ 10,468,596	\$ 7,397,298	\$ 3,071,298
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 315,000	\$ 966,569	\$ 423,582	\$ 542,987
Total maintenance of highways, streets, bridges and sidewalks	\$ 315,000	\$ 966,569	\$ 423,582	\$ 542,987
Sanitation and waste removal:				
Waste authority	\$ 800,000	\$ 1,358,458	\$ 911,792	\$ 446,666
Landfill	2,188,572	2,736,478	1,955,905	780,573
Total sanitation and waste removal	\$ 2,988,572	\$ 4,094,936	\$ 2,867,697	\$ 1,227,239
Maintenance of general buildings and grounds:				
General properties	\$ 1,693,124	\$ 1,676,029	\$ 1,483,962	\$ 192,067
Construction	190,235	190,235	156,353	33,882
Total maintenance of general buildings and grounds	\$ 1,883,359	\$ 1,866,264	\$ 1,640,315	\$ 225,949
Total public works	\$ 5,186,931	\$ 6,927,769	\$ 4,931,594	\$ 1,996,175
Health and welfare:				
Health:				
Supplement of local health department	\$ 349,923	\$ 349,923	\$ 344,410	\$ 5,513
Total health	\$ 349,923	\$ 349,923	\$ 344,410	\$ 5,513
Welfare:				
Virginia housing development authority	\$ 96,983	\$ 96,983	\$ 79,164	\$ 17,819
Cumberland mountain community services	20,000	20,000	20,000	-
Cumberland mountain mental health	2,000	2,000	-	2,000
Disability Services Board	25,000	25,000	25,000	-
Senior citizens	81,993	384,165	18,021	366,144

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

Schedule 2
Page 3 of 5

<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)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Medical Assistance Services	\$ 23,577	\$ 23,577	\$ 18,825	\$ 4,752
Red Cross contributions	7,000	7,000	-	7,000
Food pantries	49,000	79,000	64,000	15,000
S V medical assistance	4,000	4,000	-	4,000
Social services	14,069,768	14,111,343	7,452,379	6,658,964
Head start	1,704,700	1,704,700	1,437,986	266,714
Total welfare	\$ 16,084,021	\$ 16,457,768	\$ 9,115,375	\$ 7,342,393
Total health and welfare	\$ 16,433,944	\$ 16,807,691	\$ 9,459,785	\$ 7,347,906
Education:				
Other instructional costs:				
Educational Contributions	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
Bus transportation	68,000	68,000	67,999	1
Contribution to County School Board	8,981,618	9,368,366	9,228,999	139,367
Total education	\$ 9,089,618	\$ 9,476,366	\$ 9,296,998	\$ 179,368
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 140,314	\$ 520,984	\$ 264,704	\$ 256,280
Park development	210,000	1,041,362	243,340	798,022
Community Events	15,500	15,500	15,500	-
Athletic programs	113,000	113,990	94,856	19,134
Buchanan little league football	30,000	30,000	30,000	-
FBLA	5,000	5,000	5,000	-
County fair	-	70,468	7,693	62,775
County golf course	-	160,433	80,400	80,033
Total parks and recreation	\$ 513,814	\$ 1,957,737	\$ 741,493	\$ 1,216,244
Library:				
Contribution to county library	\$ 633,584	\$ 644,665	\$ 656,059	\$ (11,394)
Total library	\$ 633,584	\$ 644,665	\$ 656,059	\$ (11,394)
Total parks, recreation, and cultural	\$ 1,147,398	\$ 2,602,402	\$ 1,397,552	\$ 1,204,850
Community development:				
Planning and community development:				
Planning commission	\$ 8,500	\$ 8,500	\$ 6,421	\$ 2,079
Hurley Community Development	10,000	10,000	10,000	-
Contribution to industrial development authority	209,490	370,258	236,647	133,611
Tourism	5,000	5,000	3,090	1,910
Cumberland plateau planning district	35,000	35,000	35,000	-
Chamber of commerce	13,000	13,000	13,000	-
Cumberland plateau regional housing	-	10,000	5,000	5,000
Humane society	3,600	3,600	3,600	-
Robotics team	10,000	10,000	10,000	-
Grundy Community Center	6,000	6,000	6,000	-
Contribution to public service authority	500,000	675,036	355,704	319,332
Capital contributions to the public service authority	2,200,000	2,200,000	424,869	1,775,131
Total planning and community development	\$ 3,000,590	\$ 3,346,394	\$ 1,109,331	\$ 2,237,063

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

Schedule 2
Page 4 of 5

<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: (Continued)				
Environmental management:				
Environmental management	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Litter control	12,500	17,500	13,937	3,563
Total environmental management	<u>\$ 28,500</u>	<u>\$ 33,500</u>	<u>\$ 29,937</u>	<u>\$ 3,563</u>
Cooperative extension program:				
Extension office	\$ 39,527	\$ 39,527	\$ 37,666	\$ 1,861
Total cooperative extension program	<u>\$ 39,527</u>	<u>\$ 39,527</u>	<u>\$ 37,666</u>	<u>\$ 1,861</u>
Total community development	<u>\$ 3,068,617</u>	<u>\$ 3,419,421</u>	<u>\$ 1,176,934</u>	<u>\$ 2,242,487</u>
Capital projects:				
Poplar Gap Athletic Park	\$ -	\$ 2,583	\$ 17	\$ 2,566
Hurley Gym	-	83,000	363	82,637
Courthouse renovations	2,944,000	2,944,000	2,284,152	659,848
Jail demolition	-	-	65,723	(65,723)
Other capital projects	1,200,000	930,623	53,222	877,401
Total capital projects	<u>\$ 4,144,000</u>	<u>\$ 3,960,206</u>	<u>\$ 2,403,477</u>	<u>\$ 1,556,729</u>
Debt service:				
Principal retirement	\$ 1,327,087	\$ 1,327,087	\$ 1,317,965	\$ 9,122
Interest and other fiscal charges	315,921	315,921	290,283	25,638
Total debt service	<u>\$ 1,643,008</u>	<u>\$ 1,643,008</u>	<u>\$ 1,608,248</u>	<u>\$ 34,760</u>
Total General Fund	<u>\$ 53,210,199</u>	<u>\$ 61,868,102</u>	<u>\$ 42,852,790</u>	<u>\$ 19,015,312</u>
Special Revenue Funds:				
Coal Road Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 7,516,216	\$ 7,516,216	\$ 1,696,112	\$ 5,820,104
Engineering	588,191	591,111	669,084	(77,973)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 8,104,407</u>	<u>\$ 8,107,327</u>	<u>\$ 2,365,196</u>	<u>\$ 5,742,131</u>
Total public works	<u>\$ 8,104,407</u>	<u>\$ 8,107,327</u>	<u>\$ 2,365,196</u>	<u>\$ 5,742,131</u>
Community development:				
Planning and community development:				
Virginia coalfield economic development authority	\$ 1,500,000	\$ 1,911,020	\$ 1,963,788	\$ (52,768)
Contribution to Public Service Authority	-	-	1,557,499	(1,557,499)
Total planning and community development	<u>\$ 1,500,000</u>	<u>\$ 1,911,020</u>	<u>\$ 3,521,287</u>	<u>\$ (1,610,267)</u>
Total community development	<u>\$ 1,500,000</u>	<u>\$ 1,911,020</u>	<u>\$ 3,521,287</u>	<u>\$ (1,610,267)</u>
Total Coal Road Fund	<u>\$ 9,604,407</u>	<u>\$ 10,018,347</u>	<u>\$ 5,886,483</u>	<u>\$ 4,131,864</u>

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

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Disaster Relief Fund:				
Health and welfare:				
Welfare:				
Disaster relief	\$ 350,000	\$ 350,000	\$ 263,788	\$ 86,212
Total welfare	\$ 350,000	\$ 350,000	\$ 263,788	\$ 86,212
 Total health and welfare	 \$ 350,000	 \$ 350,000	 \$ 263,788	 \$ 86,212
 Total Disaster Relief Fund	 \$ 350,000	 \$ 350,000	 \$ 263,788	 \$ 86,212
 Total Primary Government	 \$ 63,164,606	 \$ 72,236,449	 \$ 49,003,061	 \$ 23,233,388
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Instruction costs:				
Instruction	\$ 23,022,756	\$ 23,290,413	\$ 22,896,622	\$ 393,791
Total instruction costs	\$ 23,022,756	\$ 23,290,413	\$ 22,896,622	\$ 393,791
Operating costs:				
Administration and health services	\$ 2,629,623	\$ 2,629,623	\$ 2,302,804	\$ 326,819
Pupil transportation	2,048,655	2,048,655	1,995,029	53,626
Operation and maintenance of school plant	3,687,385	3,903,572	4,059,504	(155,932)
Total operating costs	\$ 8,365,663	\$ 8,581,850	\$ 8,357,337	\$ 224,513
School food services:				
Administration of school food program	\$ 1,629,433	\$ 2,550,225	\$ 2,004,304	\$ 545,921
Total school food services	\$ 1,629,433	\$ 2,550,225	\$ 2,004,304	\$ 545,921
Capital projects:				
Capital projects	\$ 110,000	\$ 110,000	\$ -	\$ 110,000
Total capital projects	\$ 110,000	\$ 110,000	\$ -	\$ 110,000
 Total School Fund	 \$ 33,127,852	 \$ 34,532,488	 \$ 33,258,263	 \$ 1,274,225
 Total Discretely Presented Component Unit - School Board	 \$ 33,127,852	 \$ 34,532,488	 \$ 33,258,263	 \$ 1,274,225

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration		Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
	\$										
2017-18	\$ 2,871,192	\$ 1,692,257	\$ 7,715,877	\$ 7,393,821	\$ 9,477,356	\$ 10,356,398	\$ 1,564,225	\$ 4,692,533	\$ 269,365	\$ 46,033,024	
2016-17	3,070,027	2,613,986	9,033,466	8,606,781	7,349,145	10,190,731	1,596,030	5,874,705	328,480	48,663,351	
2015-16	2,882,937	1,734,853	7,865,210	11,243,516	9,912,486	10,548,453	1,755,004	10,541,739	375,812	56,860,010	
2014-15	2,343,344	1,577,370	6,350,151	10,788,125	9,321,766	21,471,935	1,868,048	11,109,178	384,825	65,214,742	
2013-14	3,004,076	1,634,452	6,855,341	10,418,098	9,669,758	11,666,828	1,104,072	13,053,565	378,338	57,784,528	
2012-13	2,326,934	1,569,540	6,725,396	12,869,342	9,800,358	11,625,233	821,133	11,679,658	352,676	57,770,270	
2011-12	2,818,130	1,568,188	6,744,323	13,353,221	9,692,455	11,303,923	1,605,149	16,244,692	455,633	63,785,714	
2010-11	2,445,816	1,458,837	6,255,234	9,092,200	10,005,009	10,596,199	1,338,390	12,495,596	474,006	54,161,287	
2009-10	2,526,597	1,503,610	7,238,733	12,220,224	9,854,812	10,950,125	1,110,865	10,889,281	488,371	56,782,618	
2008-09	2,236,065	1,496,850	5,582,374	9,775,242	8,554,662	10,451,349	1,036,665	10,585,692	585,818	50,304,717	

Table 2

County of Buchanan, 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	Revenues from the Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2017-18	\$ 1,005,498	\$ 10,525,142	\$ 1,653,724	\$	\$ 19,441,376	\$ 19,011,171	\$ 252,807	\$ 66,610	\$ 2,617,629	\$	\$ 54,573,957
2016-17	690,248	10,730,178	1,099,261		18,876,886	18,423,372	86,226	224,748	2,643,253		52,774,172
2015-16	726,683	10,192,525	4,747,962		18,651,861	11,530,695	112,839	540,611	2,671,849		49,175,025
2014-15	813,583	9,889,135	5,033,833		21,530,748	16,917,529	121,344	346,200	2,707,232		57,359,604
2013-14	1,029,968	10,028,632	5,342,473		20,134,556	20,130,214	82,263	232,331	2,766,625		59,747,062
2012-13	1,188,911	9,548,475	2,209,643		18,306,411	22,474,152	101,469	158,550	2,942,825		56,930,436
2011-12	1,207,732	9,307,174	3,951,232		18,104,724	31,622,190	118,174	264,758	2,755,390		67,331,374
2010-11	985,509	9,118,369	2,219,707		15,652,382	33,797,596	105,569	459,343	2,683,453		65,021,928
2009-10	732,911	9,827,820	1,182,479		15,424,011	24,251,463	248,058	255,339	2,774,371		54,696,452
2008-09	915,235	11,395,185	-		15,321,741	24,511,300	452,499	15,697,206	1,903,615		70,196,781

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

Fiscal Year	General Government Administration			Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital projects	Debt Service	Total									
	\$	3,459,019	\$	1,721,885	\$	7,397,298	\$	9,723,573	\$	33,326,262	\$	4,698,221	\$	2,403,477	\$	1,608,248	\$	73,032,325				
2016-17		2,575,583		1,614,247		7,171,794		8,939,812		10,320,972		1,289,690		5,831,045		422,463		1,751,958		73,144,531		
2015-16		2,674,089		1,677,499		8,523,901		10,497,468		9,748,726		36,443,553		1,467,776		10,555,201		-		1,661,302		83,249,515
2014-15		3,138,807		1,685,128		7,443,502		11,800,510		10,159,334		36,625,617		1,310,737		11,103,905		-		1,633,640		84,901,180
2013-14		2,983,450		1,627,515		6,710,279		10,936,376		9,719,488		34,415,959		1,326,676		13,044,551		-		1,383,814		82,148,108
2012-13		2,887,435		1,606,134		6,860,562		13,178,521		9,832,464		38,854,582		1,253,938		11,668,890		-		2,443,717		88,586,243
2011-12		2,940,042		1,551,048		6,597,098		13,359,206		9,767,726		38,510,376		1,366,309		16,487,517		-		1,522,762		92,102,084
2010-11		2,523,105		1,441,724		6,350,355		9,391,015		9,928,023		35,026,718		1,206,455		12,503,481		-		1,450,786		79,821,662
2009-10		2,505,591		1,481,044		7,564,899		12,248,097		9,794,702		38,250,585		1,132,458		10,916,029		-		1,581,334		85,474,739
2008-09		2,502,236		1,475,155		5,472,036		9,725,018		8,951,879		40,198,777		1,231,734		10,572,371		-		1,758,416		81,887,622

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2017-18	\$ 19,323,892	\$ 19,011,171	\$ 93,039	\$ 2,155	\$ 275,143	\$ 1,282,673	\$ 173,371	\$ 1,239,140	\$ 37,589,750	\$ 78,990,334
2016-17	18,686,187	18,423,372	41,992	2,083	100,283	1,112,777	396,611	706,050	37,589,331	77,058,686
2015-16	18,713,474	11,530,695	59,045	2,153	129,607	989,825	727,546	933,289	38,977,136	72,062,770
2014-15	21,393,564	16,917,529	39,820	18,930	134,118	1,184,376	3,195,791	991,814	39,301,304	83,177,246
2013-14	20,346,636	20,130,214	57,013	9,693	88,547	1,798,500	2,893,713	859,327	40,066,029	86,249,672
2012-13	18,944,960	22,474,152	62,389	10,392	113,480	2,194,715	2,741,324	649,088	37,521,938	84,712,438
2011-12	17,523,639	31,622,190	64,360	1,873	131,824	2,194,608	2,522,943	752,872	41,409,940	96,224,249
2010-11	15,979,714	33,797,596	60,128	2,093	120,887	1,937,550	2,729,414	499,737	37,443,980	92,571,099
2009-10	15,669,518	24,251,463	56,514	3,150	299,638	1,843,880	3,494,636	610,602	41,759,387	87,988,788
2008-09	14,691,267	24,511,300	55,582	3,874	541,759	1,488,043	565,654	1,028,861	41,720,789	84,607,129

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

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

Table 5

County of Buchanan, 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	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 18,230,412	\$ 17,170,280	94.18%	\$ 1,551,225	\$ 18,721,505	102.69%	\$ 5,258,440	28.84%
2016-17	18,455,082	17,645,743	95.61%	579,749	18,225,492	98.76%	5,953,459	32.26%
2015-16	19,591,659	17,715,307	90.42%	666,131	18,381,438	93.82%	5,955,601	30.40%
2014-15	21,310,350	20,494,128	96.17%	536,306	21,030,434	98.69%	4,832,859	22.68%
2013-14	20,199,537	19,458,083	96.33%	518,455	19,976,538	98.90%	4,759,841	23.56%
2012-13	18,347,580	17,491,799	95.34%	1,055,371	18,547,170	101.09%	4,004,450	21.83%
2011-12	17,497,786	16,582,159	94.77%	561,959	17,144,118	97.98%	5,022,496	28.70%
2010-11	15,773,431	14,928,378	94.64%	628,790	15,557,168	98.63%	4,826,997	30.60%
2009-10	17,017,825	16,287,430	95.71%	615,532	16,902,962	99.33%	4,871,095	28.62%
2008-09	16,555,917	15,470,562	93.44%	566,623	16,037,185	96.87%	3,822,322	23.09%

(1) Exclusive of penalties and interest.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)			Total
					Real Estate	Personal Property	Personal Property	
2017-18	\$ 2,398,279,560	\$ 242,177,785	\$ 282,012,161	\$ 4,018,554	\$ 145,467,117	\$ 71,251	\$ 3,072,026,428	
2016-17	2,497,191,694	247,050,765	268,856,403	5,453,555	134,661,922	77,923	3,153,292,262	
2015-16	2,502,263,538	249,728,111	324,762,915	4,657,483	132,277,106	204,260	3,213,893,413	
2014-15	2,390,731,754	268,114,506	378,230,918	4,565,989	101,845,133	70,780	3,143,559,080	
2013-14	2,182,637,360	273,535,357	363,102,846	4,738,581	99,344,750	84,076	2,923,442,970	
2012-13	2,033,790,897	263,312,445	310,190,160	4,756,721	104,988,298	39,009	2,717,077,530	
2011-12	2,054,634,044	258,035,354	268,621,205	4,122,968	96,364,828	21,783	2,681,800,182	
2010-11	1,901,488,554	246,368,041	200,965,971	3,612,117	98,131,122	73,428	2,450,639,233	
2009-10	1,963,249,615	232,988,630	209,908,959	4,060,911	96,957,674	51,570	2,507,217,359	
2008-09	1,844,570,316	249,653,108	193,314,185	4,060,298	95,546,061	30,968	2,387,174,936	

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2017-18	\$ 0.39	\$ 1.95	\$ 1.95	\$ 2.00
2016-17	0.39	1.95	1.95	2.00
2015-16	0.39	1.95	1.95	2.00
2014-15	0.43	1.95	1.95	2.00
2013-14	0.43	1.95	1.95	2.00
2012-13	0.43	1.95	1.95	2.00
2011-12	0.43	1.95	1.95	2.00
2010-11	0.43	1.95	1.95	2.00
2009-10	0.43	1.95	1.95	2.00
2008-09	0.43	1.95	1.95	2.00

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	24,098	\$ 3,072,026	\$ 3,114,263	\$ 3,114,263	0.10%	129
2016-17	24,098	3,153,292	4,168,281	4,168,281	0.13%	173
2015-16	24,098	3,213,893	5,207,344	5,207,344	0.16%	216
2014-15	24,098	3,143,559	6,162,427	6,162,427	0.20%	256
2013-14	24,098	2,923,443	7,242,881	7,242,881	0.25%	301
2012-13	24,098	2,717,078	8,106,089	8,106,089	0.30%	336
2011-12	24,098	2,681,800	8,825,941	8,825,941	0.33%	366
2010-11	24,098	2,450,639	8,651,967	8,651,967	0.35%	359
2009-10	26,978	2,507,217	9,562,967	9,562,967	0.38%	354
2008-09	26,978	2,387,175	10,465,367	10,465,367	0.44%	388

(1) Center for Public Service at the University of Virginia.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2017-18	\$ 1,317,965	\$ 290,283	\$ 1,608,248	\$ 73,032,325	2.20%
2016-17	1,404,534	347,424	1,751,958	73,144,531	2.40%
2015-16	1,195,546	465,756	1,661,302	83,249,515	2.00%
2014-15	1,314,635	319,005	1,633,640	84,901,180	1.92%
2013-14	992,028	391,786	1,383,814	82,148,108	1.68%
2012-13	1,997,774	445,943	2,443,717	88,586,243	2.76%
2011-12	1,043,211	479,551	1,522,762	92,102,084	1.65%
2010-11	947,291	503,495	1,450,786	79,821,662	1.82%
2009-10	1,059,841	521,493	1,581,334	85,474,739	1.85%
2008-09	1,140,358	615,905	1,756,263	81,887,622	2.14%

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

COMPLIANCE SECTION

Compliance

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 Buchanan, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Buchanan, 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 Buchanan, Virginia's basic financial statements and have issued our report thereon dated January 28, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented Component Unit Industrial Development Authority, as described in our report on the County of Buchanan, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2018-001)

Compliance and Other Matters

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

County of Buchanan, Virginia's Response to Findings

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

Purpose of this Report

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



Blacksburg, Virginia
January 28, 2019

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 Buchanan, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Buchanan, 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 Buchanan, Virginia's major federal programs for the year ended June 30, 2018. The County of Buchanan, 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 Buchanan, 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 Buchanan, 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County of Buchanan, Virginia's compliance.

Basis for Qualified Opinion on Major Federal Programs (CFDA 84.010, 84.027, and 10.553/10.555/10.559)

As described in the accompanying schedule of findings and questioned costs, the County of Buchanan, Virginia did not comply with allowable cost requirements regarding CFDA 84.010 Title I Grants to Local Educational Agencies and CFDA 84.027 Special Education-Grants to States (Title VI-B) as described in finding number 2018-002 and 2018-003, respectively. Compliance with such requirements is necessary, in our opinion, for the County of Buchanan, Virginia to comply with the requirements applicable to that program.

As described in the accompanying schedule of findings and questioned costs, the County of Buchanan, Virginia did not comply with eligibility requirements regarding CFDA 10.553/10.555/10.559 Child Nutrition Cluster as described in finding number 2018-004. Compliance with such requirements is necessary, in our opinion, for the County of Buchanan, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs (Programs (CFDA 84.010, 84.027, and 10.553/10.555/10.559)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, the County of Buchanan, 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 the major federal programs listed in the Basis for Qualified Opinion on Major Federal Programs paragraphs for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Buchanan, 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

Management of the County of Buchanan, 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 Buchanan, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Buchanan, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, and 2018-004 to be material weaknesses.

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.

The County of Buchanan, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Buchanan, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 28, 2019

COUNTY OF BUCHANAN, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
Child and Adult Care Food Program	10.558	NA	\$	79,775
Pass Through Payments:				
Child Nutrition Cluster:				
State Department of Agriculture:				
Food Distribution-Summer Food Service Program for Children (Note C)	10.559	80285	\$	28,179
Food Distribution-Schools (Note C)	10.555	00070	\$	104,652
Department of Education:				
National School Lunch Program	10.555	40623	1,013,933	1,118,585
School Breakfast Program	10.553	40591		493,159
Total Child Nutrition Cluster				1,639,923
Child Nutrition Discretionary Grants Limited Availability	10.579	Unknown		31,565
Fresh Fruit and Vegetable Program	10.582	40599		36,988
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0110117/0010118		583,562
Total Department of Agriculture			\$	2,371,813
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
State Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	59131	\$	1,500
National Highway Traffic Safety Administration:				
National Priority Safety Program	20.616	Unknown		11,815
Total Department of Transportation			\$	13,315
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct Payment:				
Head Start	93.600	NA	\$	1,360,759
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950116/0950117		13,922
Temporary Assistance for Needy Families (TANF)	93.558	0400117/0400118		438,297
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118		712
Chafee Education and Training Vouchers Program	93.599	9160117		2,335
Low-Income Home Energy Assistance	93.568	0600417/0600418		59,695
Chafee Foster Care Independence Program	93.674	9150117/9150118		6,872
Children's Health Insurance Program	93.767	0540117/0540118		24,039
Social Services Block Grant	93.667	1000117/1000118		391,705
Medical Assistance Program	93.778	1200117/1200118		597,163
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117		1,416
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/070118		71,956
Foster Care - Title IV-E	93.658	1100117/1100118		593,864
Adoption Assistance	93.659	1120117/1120118		598,846
Total Department of Health and Human Services			\$	4,161,581
DEPARTMENT OF JUSTICE:				
Pass Through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	Unknown	\$	72,699
Total Department of Justice			\$	72,699
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass Through Payments:				
State Department of Housing and Community Development:				
Community Development Block Grants/States Program and Non- Entitlement Grants in Hawaii*	14.228	50796/50799/50798	\$	424,869
Total Department of Housing and Urban Development			\$	424,869

COUNTY OF BUCHANAN, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	86647	\$ 93,738
Twenty-First Century Community Learning Centers	84.287	86784	178,940
Rural Education	84.358	86619	56,485
Supporting Effective Instruction State Grant	84.367	86739	225,202
Title I Grants to Local Educational Agencies	84.010	86595	1,078,015
Special Education-Grants to States (Title VI-B)	84.027	87007A	978,918
Total Department of Education			<u>\$ 2,611,298</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 9,655,575</u></u>

COUNTY OF BUCHANAN, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE A--BASIS OF PRESENTATION:

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

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

NOTE C -- FOOD DONATION

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

NOTE D -- OUTSTANDING BALANCE OF FEDERAL LOANS

The County has received federal funding through loans. At June 30, 2018 the outstanding balance of these loans was: \$ 1,063,879

NOTE E -- SUBRECIPIENTS

The County did not have any subrecipients for the year ended June 30, 2018.

NOTE F -- RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

Primary government:

General Fund-Intergovernmental	\$ 13,567,640
Less: Revenue from the Commonwealth	(8,231,839)
Coal Road Fund-Intergovernmental	372,377
Less: Revenue from the Commonwealth	(372,377)

Component Unit School Board:

School Operating Fund-Intergovernmental	32,878,732
Less: Revenue from Local Governments	(9,228,999)
Less: Revenue from the Commonwealth	<u>(19,329,959)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,655,575</u></u>
---	----------------------------

*These federal awards were received by the County of Buchanan, Virginia and passed through to the Buchanan County PSA. Since the PSA is a component of the County the federal awards will be shown in the County's report.

County of Buchanan, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR section,
200.516 (a)?

Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.667	Social Services Block Grant
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education-Grants to States (Title VI-B)
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

No

County of Buchanan, Virginia

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

Section II - Financial Statement Findings

Finding 2018-001
(Significant Deficiency)

Criteria:	Per Statement on Auditing Standards 115, identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a significant deficiency over financial reporting may exist.
Condition:	The audit recommended material entries for the financial statements to be presented in accordance with current reporting standards.
Cause of Condition:	Controls in place were inadequate to identify all year end adjustments that were necessary for the financial statements in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County and School Board should review proposed audit adjustments and consider same as they close out the books for the 2018/2019 fiscal year.
Management's Response	Management will implement the procedures recommended by the Auditor above.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs

Finding 2018-002

Agency:	Department of Education
Federal Award Number/Year:	S010A150046/2015; S010A160046/2016; S010A160046/2017
Program and CFDA Numbers:	Title I Grants to Local Educational Agencies (84.010)
Pass-through Entities:	Department of Education
Compliance Requirement:	Allowable Cost
Finding Type:	Noncompliance and Material Weakness
Criteria and Condition:	Grant reimbursement requests should be reconciled to underlying documentation.
Questioned Costs:	\$39,254 - undetermined as it appears that allowable costs were posted to incorrect accounts
Context:	The School Board did not reconcile Title I expenditures to reimbursement requests and requested funds in excess of amounts reported in the general ledger
Cause:	Reconciliations were not performed and reviewed prior to the reimbursement requested being submitted.
Effect:	Amounts could be under or over-requested from the federal government.
Recommendation:	The School System should reconcile actual expenditures as posted in the Title 1 departments to their reimbursement requests to ensure reimbursements are correct.
Views of Responsible Officials and Planned Corrective Action:	The School System will implement the recommendation above.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2018-003

Agency:	Department of Education
Federal Award Number/Year:	H027A160107/2016; H027A170107/2017; H027A150107/2015; H027A150107
Program and CFDA Numbers:	Special Education-Grants to States (Title VI-B) (84.027)
Pass-through Entities:	Department of Education
Compliance Requirement:	Allowable Cost
Finding Type:	Noncompliance and Material Weakness
Criteria and Condition:	Grant reimbursement requests should be reconciled to underlying documentation.
Questioned Costs:	\$56,138 - undetermined as it appears that allowable costs were posted to incorrect accounts
Context:	The School Board did not reconcile Title VI-B expenditures to reimbursement requests and requested funds in excess of amounts reported in the general ledger.
Cause:	Reconciliations were not performed and reviewed prior to the reimbursement requested being submitted.
Effect:	Amounts could be under or over-requested from the federal government.
Recommendation:	The School System should reconcile actual expenditures as posted in the Title VI-B departments to their reimbursement requests to ensure reimbursements are correct.
Views of Responsible Officials and Planned Corrective Action:	The School System will implement the recommendation above.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2018-004

Agency:	Department of Agriculture
Federal Award Number/Year:	201717N109941/2017; 201818N109941/2018
Program and CFDA Numbers:	Child Nutrition Cluster (10.553/10.555/10.559)
Pass-through Entities:	State Department of Agriculture and Department of Education
Compliance Requirement:	Eligibility
Finding Type:	Noncompliance and Material Weakness
Criteria and Condition:	Free and reduced lunch applications should be entered in the system exactly as the amounts are shown on the application.
Questioned Costs:	Unknown
Context:	A review of 25 free and reduced lunch applications resulted in 3 individuals being inappropriately classified as denied/reduced/free in the system due to clerical errors in entering data in the system.
Cause:	Clerical errors were made while entering data in the system from free and reduced lunch applications .
Effect:	3 individuals were inappropriately classified as denied/reduced/free.
Recommendation:	Management should establish a system to review amounts keyed in the system to ensure that data agrees to underlying applications.
Views of Responsible Officials and Planned Corrective Action:	Management acknowledges that there were errors in the input of information on the applications and is working to establish a process to ensure that this is corrected going forward.

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2017-001 is recurring in fiscal year 2018 as 2018-001.