

FINANCIAL STATEMENTS



COUNTY OF ALLEGHANY, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2018

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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INTRODUCTORY SECTION

COUNTY OF ALLEGHANY, VIRGINIA

BOARD OF SUPERVISORS

Stephen A. Bennett, Chairman	
G. Matt Garten, Vice Chairman	Shannon P. Cox
James M. Griffith	Cletus W. Nicely
Richard L. Shull	M. Joan Vannorsdall

COUNTY SCHOOL BOARD

Randall S. Tucker, Chairman	
Jennifer S. Seckner, Vice-Chairman	Gerald E. Franson
Donnie T. Kern	R. Craig Lane
Danielle I. Morgan	Jacob Wright

SOCIAL SERVICES BOARD

David Crosier, Chair	
Thomas Sibold, Jr., C	Carolyn T. Barnette
Kenneth R. Lane	Shannon P. Cox
Kathy Harris	

OTHER OFFICIALS

Clerk of the Circuit Court	Debbie Byer
Commissioner of the Revenue	Valerie Bruffey
Treasurer	Wanda Simpson
Sheriff	Kevin Hall
Director of Social Services	Dawn Riddle
County Administrator	Jon Lanford
County Attorney	Jim Guynn
Commonwealth's Attorney	Edward Stein
Finance Director	Suzanne Adcock

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Board of Supervisors
County of Alleghany, Virginia
Covington, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principles

As described in Note 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 85 *Omnibus 2017*, and 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to OPEB funding and pensions on pages 97-98 and 99-111 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 Alleghany, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the County of Alleghany, 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 Alleghany, 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 Alleghany, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 7, 2018

Basic Financial Statements

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

	Primary Government			Component
	Governmental	Business-type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>School Board</u>
ASSETS				
Cash and cash equivalents	\$ 2,853,028	816,950	\$ 3,669,978	\$ 6,045,903
Cash in custody of others	-	-	-	351,993
Investments	4,906,544	-	4,906,544	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	615,850	-	615,850	-
Accounts receivable	152,161	716,878	869,039	36,867
Due from component unit	80,000	-	80,000	-
Due from other governmental units-current portion	1,677,440	262,015	1,939,455	370,126
Inventories	6,074	-	6,074	11,858
Prepaid items	-	-	-	379,042
Net pension asset	-	-	-	344,819
Restricted assets:				
Investments	7,414,390	58,171	7,472,561	-
Cash and cash equivalents - debt reserves	-	1,088,616	1,088,616	-
Due from other governmental units-net of current portion	-	857,053	857,053	-
Capital assets (net of accumulated depreciation):				
Land	3,577,209	88,980	3,666,189	1,019,216
Buildings and improvements	20,865,262	-	20,865,262	5,689,698
Land improvements	2,730,063	-	2,730,063	-
Machinery and equipment	1,450,856	417,629	1,868,485	2,464,066
Infrastructure	-	42,079,340	42,079,340	-
Construction in progress	1,273,614	301,247	1,574,861	-
Total assets	\$ 47,602,491	\$ 46,686,879	\$ 94,289,370	\$ 16,713,588
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 782,895	\$ 97,493	\$ 880,388	\$ 2,206,740
OPEB related items	49,703	3,960	53,663	219,081
Total deferred outflows of resources	\$ 832,598	\$ 101,453	\$ 934,051	\$ 2,425,821
LIABILITIES				
Accounts payable	\$ 481,772	\$ 383,186	\$ 864,958	\$ 162,768
Retainage payable	-	11,492	11,492	-
Accrued liabilities	159,002	17,723	176,725	1,755,751
Customers' deposits	-	58,171	58,171	-
Accrued interest payable	101,957	33,622	135,579	-
Due to primary government	-	-	-	80,000
Amounts held for others	6,241	-	6,241	-
Long-term liabilities:				
Due within one year	1,892,016	1,085,575	2,977,591	126,482
Due in more than one year	17,486,245	12,565,451	30,051,696	22,766,488
Total liabilities	\$ 20,127,233	\$ 14,155,220	\$ 34,282,453	\$ 24,891,489
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 36,121	-	\$ 36,121	-
Pension related items	1,628,538	124,311	1,752,849	4,606,439
OPEB related items	59,734	4,960	64,694	285,082
Total deferred inflows of resources	\$ 1,724,393	\$ 129,271	\$ 1,853,664	\$ 4,891,521
NET POSITION				
Net Investment in capital assets	\$ 23,179,920	\$ 29,736,323	\$ 52,916,243	\$ 9,172,980
Restricted:				
Jail Operations	269,001	-	269,001	-
CDBG Housing	25,731	-	25,731	-
Law Library	19,269	-	19,269	-
Asset Forfeiture Funds	71,422	-	71,422	-
Courthouse Security	12,278	-	12,278	-
Indoor Plumbing Rehab	69,242	-	69,242	-
Emergency Repair Fund	49,470	-	49,470	-
Employee Function Fund	9,311	-	9,311	-
CCWD Fund	200	-	200	-
Bond covenants	-	1,088,616	1,088,616	-
School Cafeterias	-	-	-	351,993
Health insurance	341,644	-	341,644	-
Unrestricted	2,535,975	1,678,902	4,214,877	(20,168,574)
Total net position	\$ 26,583,463	\$ 32,503,841	\$ 59,087,304	\$ (10,643,601)

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

County of Alleghany, 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		Primary Government Business-type Activities		Total	Component Unit School Board
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,202,672	\$ 74,781	\$ 285,661	\$ -	\$ (1,842,230)	\$ -	\$ (1,842,230)	\$ -
Judicial administration	1,712,583	8,886	753,903	-	(949,794)	-	(949,794)	-
Public safety	6,486,342	127,640	2,684,307	-	(3,674,395)	-	(3,674,395)	-
Public works	2,925,303	339,242	16,678	-	(2,569,383)	-	(2,569,383)	-
Health and welfare	4,063,044	-	3,128,673	-	(934,371)	-	(934,371)	-
Education	11,964,651	-	2,219,449	-	(9,745,202)	-	(9,745,202)	-
Parks, recreation, and cultural	925,770	40,763	14,229	306,639	(564,139)	-	(564,139)	-
Community development	498,773	-	135,684	-	(363,089)	-	(363,089)	-
Interest on long-term debt	301,115	-	-	-	(301,115)	-	(301,115)	-
Total governmental activities	\$ 31,080,253	\$ 591,312	\$ 9,238,584	\$ 306,639	\$ (20,943,718)	\$ -	\$ (20,943,718)	\$ -
Business-type activities:								
Water and Sewer Fund	\$ 5,097,889	\$ 4,548,447	\$ -	\$ 17,000	\$ -	\$ (532,442)	\$ (532,442)	\$ -
Total primary government	\$ 36,178,142	\$ 5,139,759	\$ 9,238,584	\$ 323,639	\$ (20,943,718)	\$ (532,442)	\$ (21,476,160)	\$ -
COMPONENT UNIT:								
School Board	\$ 24,446,070	\$ 499,457	\$ 14,556,718	\$ -	\$ -	\$ -	\$ -	\$ (9,389,895)
Total component unit	\$ 24,446,070	\$ 499,457	\$ 14,556,718	\$ -	\$ -	\$ -	\$ -	\$ (9,389,895)
General revenues:								
General property taxes		\$ 16,431,926	\$ -	\$ -	\$ 16,431,926	\$ -		
Other local taxes								
Local sales and use taxes		792,082	-	-	792,082	-		
Consumers' utility taxes		278,339	-	-	278,339	-		
Business license taxes		358,788	-	-	358,788	-		
Utility consumption taxes		222,586	-	-	222,586	-		
Motor vehicle licenses		400,138	-	-	400,138	-		
Restaurant food taxes		365,054	-	-	365,054	-		
Transient lodging taxes		191,724	-	-	191,724	-		
Other local taxes		57,730	-	-	57,730	-		
Unrestricted revenues from use of money and property		93,392	10,799	-	104,191	17,952		
Miscellaneous		189,859	12,457	-	202,316	563,281		
Payments from the County of Alleghany		-	-	-	-	11,307,417		
Grants and contributions not restricted to specific programs		2,430,722	-	-	2,430,722	-		
Total general revenues		\$ 21,812,340	\$ 23,256	\$ 21,835,596	\$ 11,888,650			
Change in net position		\$ 868,622	\$ (509,186)	\$ 359,436	\$ 2,498,755			
Net position - beginning, as restated		25,714,841	33,013,027	58,727,868	(13,142,356)			
Net position - ending		\$ 26,583,463	\$ 32,503,841	\$ 59,087,304	\$ (10,643,601)			

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

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

	General <u>Fund</u>	Special Law <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,236,980	\$ 274,404	\$ 2,511,384
Investments	4,906,544	-	4,906,544
Receivables (net of allowance for uncollectibles):			
Taxes receivable	615,850	-	615,850
Accounts receivable	152,161	-	152,161
Due from component unit	80,000	-	80,000
Due from other governmental units	1,677,440	-	1,677,440
Inventories	6,074	-	6,074
Restricted assets:			
Investments	7,414,390	-	7,414,390
Total assets	<u>\$ 17,089,439</u>	<u>\$ 274,404</u>	<u>\$ 17,363,843</u>
LIABILITIES			
Accounts payable	\$ 476,369	\$ 5,403	\$ 481,772
Accrued liabilities	159,002	-	159,002
Amounts held for others	6,241	-	6,241
Total liabilities	<u>\$ 641,612</u>	<u>\$ 5,403</u>	<u>\$ 647,015</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 572,638	\$ -	\$ 572,638
Unavailable revenue - prepaid taxes	36,121	-	36,121
Total deferred inflows of resources	<u>\$ 608,759</u>	<u>\$ -</u>	<u>\$ 608,759</u>
FUND BALANCES			
Nonspendable			
Inventory	\$ 6,074	\$ -	6,074
Restricted			
Jail Operations	-	269,001	269,001
CDBG Housing	25,731	-	25,731
Law Library	19,269	-	19,269
Asset Forfeiture Funds	71,422	-	71,422
Courthouse Security	12,278	-	12,278
Indoor Plumbing Rehab	69,242	-	69,242
Emergency Repair Fund	49,470	-	49,470
Employee Function Fund	9,311	-	9,311
CCWD Fund	200	-	200
Capital projects	7,414,390	-	7,414,390
Unassigned	8,161,681	-	8,161,681
Total fund balances	<u>\$ 15,839,068</u>	<u>\$ 269,001</u>	<u>\$ 16,108,069</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,089,439</u>	<u>\$ 274,404</u>	<u>\$ 17,363,843</u>

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

County of Alleghany, 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	\$	16,108,069
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 3,577,209	
Buildings and improvements	20,865,262	
Land improvements	2,730,063	
Machinery and equipment	1,450,856	
Construction in progress	<u>1,273,614</u>	29,897,004

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

Unavailable revenue - property taxes		572,638
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Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

341,644

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

Pension related items	\$ 782,895	
OPEB related items	<u>49,703</u>	832,598

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.

General obligation bonds	\$ (3,466,518)	
Premium on issuance	(24,956)	
Literary loans	(3,000,000)	
Capital lease	(7,640,000)	
Accrued interest payable	(101,957)	
Compensated absences	(329,238)	
Net pension liability	(4,379,039)	
Net OPEB liability	<u>(538,510)</u>	(19,480,218)

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

Pension related items	\$ (1,628,538)	
OPEB related items	<u>(59,734)</u>	(1,688,272)

Net position of governmental activities	\$	<u><u>26,583,463</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	Special Law <u>Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,460,574	\$ -	\$ 16,460,574
Other local taxes	2,666,441	-	2,666,441
Permits, privilege fees, and regulatory licenses	38,140	-	38,140
Fines and forfeitures	74,780	-	74,780
Revenue from the use of money and property	91,319	1,368	92,687
Charges for services	478,392	-	478,392
Miscellaneous	145,142	44,717	189,859
Recovered costs	1,442,436	-	1,442,436
Intergovernmental	11,975,945	-	11,975,945
Total revenues	<u>\$ 33,373,169</u>	<u>\$ 46,085</u>	<u>\$ 33,419,254</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,433,382	\$ -	\$ 2,433,382
Judicial administration	1,861,223	-	1,861,223
Public safety	7,165,170	35,040	7,200,210
Public works	2,952,696	-	2,952,696
Health and welfare	4,314,905	-	4,314,905
Education	11,316,647	-	11,316,647
Parks, recreation, and cultural	1,114,578	-	1,114,578
Community development	507,543	-	507,543
Capital projects	1,010,547	-	1,010,547
Debt service:			
Principal retirement	1,607,072	-	1,607,072
Interest and other fiscal charges	348,377	-	348,377
Total expenditures	<u>\$ 34,632,140</u>	<u>\$ 35,040</u>	<u>\$ 34,667,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,258,971)</u>	<u>\$ 11,045</u>	<u>\$ (1,247,926)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital lease	\$ 7,640,000	\$ -	\$ 7,640,000
Sale of capital assets	3,812	-	3,812
Total other financing sources (uses)	<u>\$ 7,643,812</u>	<u>\$ -</u>	<u>\$ 7,643,812</u>
Net change in fund balances	\$ 6,384,841	\$ 11,045	\$ 6,395,886
Fund balances - beginning	9,454,227	257,956	9,712,183
Fund balances - ending	<u>\$ 15,839,068</u>	<u>\$ 269,001</u>	<u>\$ 16,108,069</u>

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

County of Alleghany, 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	\$	6,395,886
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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 outlay	\$	1,507,579
Depreciation expense	(1,641,034)	(133,455)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. This is the carrying amount of disposed of assets during the year.		(178,792)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(28,648)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of capital lease	\$	(7,640,000)
Principal repayments:		
General obligation bonds	857,072	
Literary loans	750,000	(6,032,928)

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	\$	(460)
Change in accrued interest payable	24,454	
Pension expense	771,015	
OPEB expense	28,037	
Amortization of bond premium	22,808	845,854

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

705

Change in net position of governmental activities	\$	868,622
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The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 816,950	\$ 341,644
Accounts receivable, net of allowance for uncollectibles	716,878	-
Due from other governmental units	262,015	-
Total current assets	<u>\$ 1,795,843</u>	<u>\$ 341,644</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers' deposits	\$ 58,171	\$ -
Debt reserves (bond covenants)	1,088,616	-
Total restricted assets	<u>\$ 1,146,787</u>	<u>\$ -</u>
Due from other governmental units	<u>\$ 857,053</u>	<u>\$ -</u>
Capital assets:		
Infrastructure and equipment	\$ 55,883,684	\$ -
Land	88,980	-
Machinery and equipment	802,882	-
Accumulated depreciation	(14,189,597)	-
Construction in progress	301,247	-
Total capital assets	<u>\$ 42,887,196</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 44,891,036</u>	<u>\$ -</u>
Total assets	<u>\$ 46,686,879</u>	<u>\$ 341,644</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 97,493	\$ -
OPEB related items	3,960	-
Total deferred outflows of resources	<u>\$ 101,453</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 383,186	\$ -
Retainage payable	11,492	-
Payroll liabilities	17,723	-
Customers' deposits	58,171	-
Accrued interest payable	33,622	-
Compensated absences - current portion	68,867	-
Bonds payable - current portion	1,016,708	-
Total current liabilities	<u>\$ 1,589,769</u>	<u>\$ -</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 22,955	\$ -
Bonds payable - net of current portion	12,134,165	-
Net pension liability	363,616	-
Net OPEB liability	44,715	-
Total noncurrent liabilities	<u>\$ 12,565,451</u>	<u>\$ -</u>
Total liabilities	<u>\$ 14,155,220</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 124,311	\$ -
OPEB related items	4,960	-
Total deferred inflows of resources	<u>\$ 129,271</u>	<u>\$ -</u>
NET POSITION		
Net Investment in capital assets	\$ 29,736,323	\$ -
Restricted by bond covenants	1,088,616	-
Restricted for health claims	-	341,644
Unrestricted	1,678,902	-
Total net position	<u>\$ 32,503,841</u>	<u>\$ 341,644</u>

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

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

	Enterprise Fund	Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Funds</u>
OPERATING REVENUES		
Charges for services:		
Water revenues (serves as security for revenue bonds)	\$ 2,026,379	\$ -
Sewer revenues (serves as security for revenue bonds)	2,481,490	-
Penalty	40,578	-
Miscellaneous	12,457	-
Total operating revenues	<u>\$ 4,560,904</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries and wages	\$ 676,405	\$ -
Fringe benefits	282,025	-
Professional services	596,616	-
Utilities	292,623	-
Materials and supplies	371,350	-
Insurance	42,681	-
Travel	2,775	-
Dues and memberships	430	-
Permits	19,962	-
Rentals and leases	8,120	-
Repairs and maintenance	73,313	-
Purchased services	1,414,353	-
Depreciation	1,181,210	-
Total operating expenses	<u>\$ 4,961,863</u>	<u>\$ -</u>
Operating income (loss)	<u>\$ (400,959)</u>	<u>\$ -</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 10,799	\$ 705
Connection fees	17,000	-
Interest expense	(136,026)	-
Total nonoperating revenues (expenses)	<u>\$ (108,227)</u>	<u>\$ 705</u>
Change in net position	\$ (509,186)	\$ 705
Total net position - beginning, as restated	33,013,027	340,939
Total net position - ending	<u><u>\$ 32,503,841</u></u>	<u><u>\$ 341,644</u></u>

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

County of Alleghany, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,597,300	\$ -
Payments to suppliers	(2,830,296)	-
Payments to and for employees	(993,864)	-
Net cash provided by (used for) operating activities	<u>\$ 773,140</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (257,290)	\$ -
Principal payments on bonds	(931,131)	-
Connection fees	17,000	-
Proceeds from indebtedness	83,018	-
Interest expense	(158,518)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,246,921)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 10,799	\$ 705
Net cash provided by (used for) investing activities	<u>\$ 10,799</u>	<u>\$ 705</u>
Net increase (decrease) in cash and cash equivalents	\$ (462,982)	\$ 705
Cash and cash equivalents - beginning - including restricted of \$762,445	2,426,719	340,939
Cash and cash equivalents - ending - including restricted of \$765,973	<u><u>\$ 1,963,737</u></u>	<u><u>\$ 341,644</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (400,959)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,181,210	\$ -
(Increase) decrease in accounts receivable	(229,147)	-
(Increase) decrease in due from other governments	262,015	-
(Increase) decrease in deferred outflows of resources	37,102	-
Increase (decrease) in customer deposits	3,528	-
Increase (decrease) in operating accounts payable	(8,073)	-
Increase (decrease) in compensated absences	6,940	-
Increase (decrease) in payroll liabilities	3,631	-
Increase (decrease) in deferred inflows of resources	37,240	-
Increase (decrease) in net pension liability	(114,334)	-
Increase (decrease) in net OPEB liability	(6,013)	-
Total adjustments	<u>\$ 1,174,099</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u><u>\$ 773,140</u></u>	<u><u>\$ -</u></u>

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

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

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,123,764
Total assets	<u>\$ 1,123,764</u>
LIABILITIES	
Accounts payable	\$ 32,751
Accrued liabilities	3,386
Amounts held for Alleghany Highlands Economic Development Corporation	95,472
Amounts held for social services clients	6,047
Amounts held for Friends of Youth	3,508
Amounts held for Human and Leisure Activity	802
Amounts held for Jackson River Vocational Center	221,959
Amounts held for United Fire and Rescue Association	734,460
Amounts held for other localities	20,248
Amounts held for Humane Society	5,131
Total liabilities	<u>\$ 1,123,764</u>

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

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO 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 Alleghany, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component unit, 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 column in the financial statements include the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Alleghany County School Board operates the elementary and secondary public schools in the County. School Board members are appointed. 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. The School Board does not issue separate financial statements.

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

Jointly Governed Organizations - None

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

B. Government-wide and fund financial statements (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library, Employee Function, Indoor Plumbing Rehab, Emergency Repair, Drug Asset Forfeiture, Courthouse Security, Children Coping with Divorce and Community Development Block Grant Funds. Such funds have been merged for financial reporting purposes.

The *special law fund* is a major special revenue fund. It accounts for and reports revenues generated by the Jail that are restricted as to use.

The County reports the following major proprietary funds:

The County operates a sewage collection and treatment system and water distribution system. The activities of these systems are accounted for in the Water and Sewer Fund.

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund. The self-insurance plan was terminated on July 1, 2012 and the fund remains solely to pay any lingering claims.

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Friends of Youth, Humane Society Capital Improvements, Human and Leisure Service, Jackson River Vocational Center, United Fire and Rescue Association, Covington Holding Account, and the AHEDC Fund.

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

3. Receivables and Payables

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

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

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

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 \$147,273 at June 30, 2018 and is comprised of \$110,497 in property taxes and \$36,776 in water and sewer billings.

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.

6. Inventories

All inventories are valued at cost using the weighted average method. Inventories of proprietary funds are recorded as expenses when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

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.

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.

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)

Property, plant, and equipment and infrastructure of the primary government, as well as the component unit, are 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 - 65
Machinery and equipment	5 - 12

8. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay 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 benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

9. Pensions

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

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

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

10. 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.

Political Subdivision and Teacher Employee Health Insurance Credit Program - The Component Unit School Board (nonprofessional) and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the Component Unit School Board (nonprofessional) and VRS Teacher Employee HIC Programs; and the additions to/deductions from the Component Unit School Board (nonprofessional) and VRS Teacher Employee HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Component Unit School Board's (nonprofessional) coverage was not effective until July 1, 2017.

11. 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)

12. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

Committed -items that have been committed (modified or rescinded) by formal action by the entity's "highest level of decision-making authority"; which the County considers to be the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change constraint.

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

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

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

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

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 (asset) liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension (asset) 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 and amounts prepaid on taxes due December 5th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on taxes due on December 5th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension (asset) liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. 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.
5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. 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.
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 part of the County's accounting system.

B. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**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). At year end, the government was not in compliance with certain requirements of the State Code regarding investments.

The investments, as reported in the financial statements as of June 30, 2018, consist of non-negotiable certificate of deposits with an original maturity date over three months and have a balance of \$1,728,104.

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA	AA-
Fidelity money market	\$ 7,599,838	\$ -	\$ -	\$ -	\$ -
LGIP	1,400	-	-	-	-
Corporate bonds and notes	-	195,533	397,554	99,714	197,606
Municipal bonds	-	-	243,863	-	-
U.S. Agencies	-	-	1,857,322	-	-

External Investment Pools

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 3-Deposits and Investments: (Continued)Interest Rate Risk

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

Investment Type	Investment Maturities (in years)		
	Fair Value	1 Year	1-5 Years
Money market funds	\$ 7,601,238	\$ 7,601,238	\$ -
US Agency Securities	1,857,322	397,022	1,460,300
Corporate bonds	890,407	199,487	690,920
Municipal bonds	243,863	-	243,863
Certificates of deposit	1,728,104	398,838	1,329,266
Totals	\$ 12,320,934	\$ 8,596,585	\$ 3,724,349

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Local:</u>			
City of Covington	\$ 221,759	\$ -	\$ -
County of Bath	87,577	-	-
Clifton Forge	-	1,119,068	-
<u>Commonwealth of Virginia:</u>			
Local sales tax	138,453	-	-
State sales tax	294,599	-	-
Categorical aid, shared expenses	278,209	-	-
Other categorical aid	19,725	-	91,052
Non-categorical aid	69,594	-	-
Virginia public assistance funds	42,578	-	-
Community Services Authority	249,499	-	-
<u>Federal government:</u>			
Virginia public assistance funds	100,491	-	-
Categorical aid	174,956	-	279,074
	<u>\$ 1,677,440</u>	<u>\$ 1,119,068</u>	<u>\$ 370,126</u>

Note 5-Component-Unit Obligations and Contributions:

At June 30, 2018 there was a balance of \$80,000 due to the Primary Government from the Component Unit School Board to reimburse costs related to the School Resource Officer Program.

Primary government contributions to the component unit for the year ended June 30, 2018, consisted of the following:

Component Unit:	
School Board	\$ 11,307,417

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

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 4,323,590	\$ -	\$ (857,072)	\$ 3,466,518
Premium on issuance	47,764	-	(22,808)	24,956
Literary loans	3,750,000	-	(750,000)	3,000,000
Capital lease	-	7,640,000	-	7,640,000
Compensated absences	328,778	247,044	(246,584)	329,238
Net pension liability	6,146,052	2,924,701	(4,691,714)	4,379,039
Net OPEB liability	610,914	21,722	(94,126)	538,510
Total	\$ 15,207,098	\$ 10,833,467	\$ (6,662,304)	\$ 19,378,261

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

Year Ending June 30,	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2019	\$ 895,087	\$ 142,319	\$ 750,000	\$ 60,000
2020	523,339	109,474	750,000	45,000
2021	541,736	83,589	750,000	30,000
2022	565,508	56,437	750,000	15,000
2023	179,493	38,507	-	-
2024-2027	761,355	70,645	-	-
Totals	\$ 3,466,518	\$ 500,971	\$ 3,000,000	\$ 150,000

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

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds						
VPSA Issuance	5.60%	3/20/01	2022	\$ 5,000,000	\$ 1,450,000	\$ 335,000
GO Bond - Series 2006	4.225% to 5.100%	11/1/06	2027	3,205,141	1,621,518	165,087
GO Bond - Series 2013	3.05% to 4.05%	5/9/13	2019	1,825,000	395,000	395,000
Total General Obligation Bonds					\$ 3,466,518	\$ 895,087
Premium on Issuance	n/a	n/a	n/a	n/a	\$ 24,956	\$ -
Literary Loans						
Literary Loan	2.00%	1/15/2002	2023	\$ 7,500,000	\$ 1,500,000	\$ 375,000
Literary Loan	2.00%	1/15/2002	2023	7,500,000	1,500,000	375,000
Total Literary Loans					\$ 3,000,000	\$ 750,000
Other Obligations:						
Capital Lease	2.4095%	10/5/2017	2033	\$ 7,640,000	\$ 7,640,000	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	329,238	246,929
Net Pension Liability	n/a	n/a	n/a	n/a	4,379,039	-
Net OPEB Liability	n/a	n/a	n/a	n/a	538,510	-
Total Other Obligations					\$ 12,886,787	\$ 246,929
Total Long-term obligations					\$ 19,378,261	\$ 1,892,016

For the governmental activities, compensated absences, net OPEB liability, and net pension liability are generally liquidated by the General Fund.

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

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2018.

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bonds	\$ 13,998,986	\$ 83,018	\$ (931,131)	\$ 13,150,873
Compensated absences	84,882	70,602	(63,662)	91,822
Net pension liability	477,950	269,930	(384,264)	363,616
Net OPEB liability	50,728	1,804	(7,817)	44,715
Total	\$ 14,612,546	\$ 425,354	\$ (1,386,874)	\$ 13,651,026

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 1,016,708	\$ 134,621
2020	1,021,515	129,814
2021	1,026,428	124,900
2022	927,719	119,878
2023	797,479	114,743
2024-2028	3,338,948	494,502
2029-2033	2,453,512	359,965
2034-2038	1,418,306	212,353
2039-2043	508,317	106,228
2044-2048	427,535	49,045
2049-2051	214,406	5,835
Totals	\$ 13,150,873	\$ 1,851,884

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

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bonds						
Rural Development Bond	4.50%	2/13/01	2039	\$ 463,000	\$ 331,097	\$ 10,108
VRA Bond	0.00%	12/17/99	2021	2,153,232	311,195	103,732
Rural Development Bond	2.25%	11/9/10	2051	2,429,000	2,187,111	46,580
VRA Bond	0.00%	12/8/10	2020	4,385,649	3,069,954	219,282
VRA Bond	3.00%	10/18/12	2044	563,500	488,109	13,840
VRA Bond	0.00%	12/13/00	2023	1,759,875	1,218,375	270,750
VRA Bond	1.45%	10/22/15	2038	3,733,313	3,649,570	168,161
VRA Bond	3.00%	2/1/05	2032	248,548	106,170	13,846
VRA Bond	0.00%	2/28/07	2029	3,408,175	1,789,292	170,409
Total Revenue Bonds					<u>\$ 13,150,873</u>	<u>\$ 1,016,708</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 91,822	\$ 68,867
Net Pension Liability	n/a	n/a	n/a	n/a	363,616	-
Net OPEB Liability	n/a	n/a	n/a	n/a	44,715	-
Total Other Obligations					<u>\$ 500,153</u>	<u>\$ 68,867</u>
Total Long-term obligations					<u>\$ 13,651,026</u>	<u>\$ 1,085,575</u>

For the business-type activities, compensated absences, net OPEB liability, and net pension liability are generally liquidated by the Water and Sewer Fund.

VRA bonds require that the County maintain a debt service coverage ratio of at least 1.15. For the year ending June 30, 2018, the County was not in compliance with this requirement.

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

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

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Compensated absences	\$ 167,716	\$ 126,713	\$ (125,787)	\$ 168,642
Net OPEB liabilities	4,734,205	249,238	(588,115)	4,395,328
Net pension liability	21,716,000	3,704,000	(7,091,000)	18,329,000
Total	\$ 26,617,921	\$ 4,079,951	\$ (7,804,902)	\$ 22,892,970

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations: (liquidated in School Operating Fund)</u>		
Compensated absences	\$ 168,642	\$ 126,482
Net OPEB liabilities	4,395,328	-
Net pension liability	18,329,000	-
Total Long-Term Obligations	\$ 22,892,970	\$ 126,482

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan:****Plan Description**

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the County of Alleghany and the participating entities report their proportionate information on the basis of a cost-sharing plan.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	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. Employees are eligible for 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</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, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan:** (Continued)Plan Description: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</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:** (Continued)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.

Note 8-Pension Plan: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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 11.29% 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 \$844,368 and \$812,492 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the County reported a liability of \$4,742,655 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions during the year ended June 30, 2017 and 2016 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 98.0210% and 98.5707%, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Actuarial Assumptions – General Employees: (Continued)**

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

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 the Alleghany 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.

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)**Actuarial Assumptions - Public Safety 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 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Pension Plan: (Continued)Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total 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 Alleghany County Retirement Plan, Alleghany County Public Schools Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 9,181,624	\$ 4,742,655	\$ 1,042,757

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

For the year ended June 30, 2018, the County recognized pension expense of \$9,653. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,064,673
Changes in assumptions	-	140,183
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,020	109,159
Net difference between projected and actual earnings on pension plan investments	-	438,834
Employer contributions subsequent to the measurement date	844,368	-
Total	\$ 880,388	\$ 1,752,849

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**

\$844,368 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2019	\$ (854,155)
2020	(364,072)
2021	(201,387)
2022	(297,215)
Thereafter	-

Component Unit School Board (nonprofessional):**Plan Description**

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

Employees Covered by Benefit Terms

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

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	75
Inactive members:	
Vested inactive members	8
Non-vested inactive members	10
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	25
Active members	<u>80</u>
Total covered employees	<u><u>180</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Component Unit School Board (nonprofessional):****Contributions**

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.10% 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 \$106,589 and \$109,051 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

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

Changes in Net Pension Liability (Asset)

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 10,338,907	\$ 9,786,345	\$ 552,562
Changes for the year:			
Service cost	\$ 190,443	\$ -	\$ 190,443
Interest	703,866	-	703,866
Changes of assumptions	(91,796)		
Differences between expected and actual experience	(327,761)	-	(327,761)
Contributions - employer	-	109,051	(109,051)
Contributions - employee	-	96,832	(96,832)
Net investment income	-	1,174,286	(1,174,286)
Benefit payments, including refunds of employee contributions	(567,357)	(567,357)	-
Administrative expenses	-	(7,001)	7,001
Other changes	-	(1,035)	1,035
Net changes	\$ (92,605)	\$ 804,776	\$ (897,381)
Balances at June 30, 2017	\$ 10,246,302	\$ 10,591,121	\$ (344,819)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Component Unit School Board (nonprofessional): (Continued)****Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	753,967	(344,819)	(1,281,830)

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$(224,036). At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 243,713
Changes of assumptions	-	58,171
Net difference between projected and actual earnings on pension plan investments	-	149,555
Employer contributions subsequent to the measurement date	106,589	-
Total	\$ 106,589	\$ 451,439

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Component Unit School Board (nonprofessional): (Continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)**

\$106,589 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (291,360)
2020	(62,727)
2021	3,083
2022	(100,435)
Thereafter	-

Component Unit School Board (professional):**Plan Description**

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,833,151 and \$1,698,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 8-Pension Plan: (Continued)****Component Unit School Board (professional): (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the school division reported a liability of \$18,329,000 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 0.14904% as compared to 0.15496% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$504,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,297,000
Net difference between projected and actual earnings on pension plan investments	-	666,000
Changes of assumptions	267,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,192,000
Employer contributions subsequent to the measurement date	1,833,151	-
Total	\$ 2,100,151	\$ 4,155,000

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)

\$1,833,151 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Component Unit School Board (professional)
2019	\$ (1,568,000)
2020	(728,000)
2021	(616,000)
2022	(824,000)
Thereafter	(152,000)

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, 2018Note 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>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

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

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

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>

School division's proportionate
share of the VRS Teacher
Employee Retirement Plan
Net Pension Liability (Asset)

27,372,000

18,329,000

10,849,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Plan Fiduciary Net Position

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

Note 9-Other Postemployment Benefits - Health Insurance:

Component Unit School Board:

Plan Description

In addition to the pension benefits described in Note 8, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Alleghany County Public Schools. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Component Unit School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The Component Unit School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. 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 active employees	341
Total retirees	18
Total spouses of retirees	<u>8</u>
Total	<u><u>367</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Other Postemployment Benefits - Health Insurance: (Continued)

Component Unit School Board: (Continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Component Unit School Board. The amount paid by the Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$97,233.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2017 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate consist of an inflation of 2.50%, a productivity component of 1.00%, and a variable merit component that is dependent on years of services.
Discount Rate	3.50% as of June 30, 2017 3.87% as of June 30, 2018

The mortality rates for pre-retirement was calculated using RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. The mortality rates for post-retirement was calculated using RP-2000 Combined Health Mortality tables projects to 2020 using Scale AA with Females set back 1 year. The mortality rates for post-disablement was calculated using RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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

Discount Rate

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Other Postemployment Benefits - Health Insurance: (Continued)Component Unit School Board: (Continued)*Changes in Total OPEB Liability*

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$	1,440,205
Changes for the year:		
Service cost		50,742
Interest		50,496
Effect of assumptions changes or inputs		(35,882)
Benefit payments		(97,233)
Net changes		(31,877)
Balances at June 30, 2018	\$	1,408,328

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

The following amounts present the total OPEB liability of the Component Unit 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 (5.75%) or one percentage point higher (7.75%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 1,506,723	\$ 1,408,328	\$ 1,314,878

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 9-Other Postemployment Benefits - Health Insurance: (Continued)****Component Unit School Board: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.60% decreasing to an ultimate rate of 3.30%) or one percentage point higher (8.60% decreasing to an ultimate rate of 5.30%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.60% decreasing to 3.30%)	Healthcare Cost Trend (7.60% decreasing to 4.30%)	1% Increase (8.60% decreasing to 5.30%)
\$ 1,269,223	\$ 1,408,328	\$ 1,568,456

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

For the year ended June 30, 2018, the Component Unit School Board recognized OPEB expense in the amount of \$93,438. At June 30, 2018, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 28,082
Total	\$ -	\$ 28,082

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

Year Ended June 30	
2019	\$ (7,800)
2020	(7,800)
2021	(7,800)
2022	(4,682)
2023	-
Thereafter	-

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

Note 10-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 10-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.

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the County were \$39,940 and \$37,187 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 \$9,478 and \$9,599 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 \$59,103 and \$60,848 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

County of Alleghany, Virginia Group Life Insurance Program

At June 30, 2018, the entity reported a liability of \$583,225 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 0.0388% as compared to 0.0378% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$9,803. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional) Group Life Insurance Program

At June 30, 2018, the entity reported a liability of \$151,000 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 0.0100% as compared to 0.0100% at June 30, 2016.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Contributions (Continued)**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**Component Unit School Board (professional) Group Life Insurance Program*

At June 30, 2018, the entity reported a liability of \$955,000 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 0.0634% as compared to 0.0660% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$4,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	County of Alleghany, Virginia Group Life Insurance Program		Component Unit School Board (nonprofessional) Group Life Insurance Program		Component Unit School Board (professional) Group Life Insurance Program	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,743	\$ -	\$ 3,000	\$ -	\$ 21,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	21,564	-	6,000	-	36,000
Change in assumptions	-	30,387	-	8,000	-	49,000
Changes in proportion	13,723	-	-	-	-	37,000
Employer contributions subsequent to the measurement date	39,940	-	9,478	-	59,103	-
Total	\$ 53,663	\$ 64,694	\$ 9,478	\$ 17,000	\$ 59,103	\$ 143,000

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

\$39,940, \$9,478, and \$59,103 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	County of Alleghany, Virginia Group Life Insurance Program	Component Unit School Board (nonprofessional) Group Life Insurance Program	Component Unit School Board (professional) Group Life Insurance Program
2019	\$ (10,783)	\$ (3,000)	(29,000)
2020	(10,783)	(3,000)	(29,000)
2021	(10,783)	(3,000)	(29,000)
2022	(10,783)	(3,000)	(29,000)
2023	(5,881)	(2,000)	(20,000)
Thereafter	(1,958)	(3,000)	(7,000)

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*

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities

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

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

Post-Retirement:

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

Post-Disablement:

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

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 10-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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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 10-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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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

Note 10-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%

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Actuarial Assumptions: (Continued)*****Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions: (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

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

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
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 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

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

Note 10-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 follow 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%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	753,782	583,225	444,035
Component Unit School Board's (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	195,000	151,000	115,000
Component Unit School Board's (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	1,235,000	955,000	728,000

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 11-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 11-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 \$139,405 and \$129,845 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,881,000 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 0.1482% as compared to 0.1550% 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 \$142,000. 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, 2018Note 11-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	20,000
Change in proportion	-	74,000
Employer contributions subsequent to the measurement date	<u>139,405</u>	<u>-</u>
Total	<u>\$ 139,405</u>	<u>\$ 97,000</u>

\$139,405 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	\$ (15,000)
2020	(15,000)
2021	(15,000)
2022	(15,000)
2023	(14,000)
Thereafter	(23,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-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 11-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 11-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

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

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

Discount Rate

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

Note 11-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 follow 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	2,099,000	1,881,000	1,695,000

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 12-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional):*Plan Description*

Effective July 1, 2017, all full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • <u>Disability Retirement</u>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<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. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 12-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional):**
(Continued)***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (nonprofessional) to the Health Insurance Credit Program were \$11,095 for the year ended June 30, 2018.

Net HIC OPEB Liability

The Component Unit School Board (nonprofessional) joined the Health Insurance Credit (HIC) Program effective July 1, 2017. As of June 30, 2017, there was no liability to report.

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized Health Insurance Credit Program no OPEB expense. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (nonprofessional) Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 11,095	\$ -
Total	<u>\$ 11,095</u>	<u>\$ -</u>

\$11,095 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019.

Health Insurance Credit Program Plan Data

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 13-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	\$ 3,706,509	\$ -	\$ (129,300)	\$ 3,577,209
Construction in progress	2,720,646	1,283,031	(2,730,063)	1,273,614
Total capital assets not being depreciated	<u>\$ 6,427,155</u>	<u>\$ 1,283,031</u>	<u>\$ (2,859,363)</u>	<u>\$ 4,850,823</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,970,983	\$ -	\$ (119,400)	\$ 38,851,583
Land improvements	-	2,730,063	-	2,730,063
Machinery and equipment	5,875,330	224,548	(613,573)	5,486,305
Total capital assets being depreciated	<u>\$ 44,846,313</u>	<u>\$ 2,954,611</u>	<u>\$ (732,973)</u>	<u>\$ 47,067,951</u>
Accumulated depreciation:				
Buildings and improvements	\$ (16,816,849)	\$ (1,239,835)	\$ 70,363	\$ (17,986,321)
Land improvements	-	-	-	-
Machinery and equipment	(4,247,368)	(401,199)	613,118	(4,035,449)
Total accumulated depreciation	<u>\$ (21,064,217)</u>	<u>\$ (1,641,034)</u>	<u>\$ 683,481</u>	<u>\$ (22,021,770)</u>
Total capital assets being depreciated, net	<u>\$ 23,782,096</u>	<u>\$ 1,313,577</u>	<u>\$ (49,492)</u>	<u>\$ 25,046,181</u>
Governmental activities capital assets, net	<u>\$ 30,209,251</u>	<u>\$ 2,596,608</u>	<u>\$ (2,908,855)</u>	<u>\$ 29,897,004</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 13-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 88,980	\$ -	\$ -	\$ 88,980
Construction in progress	249,435	242,785	(190,973)	301,247
Total capital assets not being depreciated	<u>\$ 338,415</u>	<u>\$ 242,785</u>	<u>\$ (190,973)</u>	<u>\$ 390,227</u>
Capital assets, being depreciated:				
Infrastructure	\$ 55,692,711	\$ 190,973	\$ -	\$ 55,883,684
Machinery and equipment	776,885	25,997	-	802,882
Total capital assets being depreciated	<u>\$ 56,469,596</u>	<u>\$ 216,970</u>	<u>\$ -</u>	<u>\$ 56,686,566</u>
Accumulated depreciation:				
Infrastructure	\$ (12,698,841)	\$ (1,105,503)	\$ -	\$ (13,804,344)
Machinery and equipment	(309,546)	(75,707)	-	(385,253)
Total accumulated depreciation	<u>\$ (13,008,387)</u>	<u>\$ (1,181,210)</u>	<u>\$ -</u>	<u>\$ (14,189,597)</u>
Total capital assets being depreciated, net	<u>\$ 43,461,209</u>	<u>\$ (964,240)</u>	<u>\$ -</u>	<u>\$ 42,496,969</u>
Business-type activities capital assets, net	<u>\$ 43,799,624</u>	<u>\$ (721,455)</u>	<u>\$ (190,973)</u>	<u>\$ 42,887,196</u>

Note 13-Capital Assets: (Continued)

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

Governmental activities:

General government administration	\$ 572,841
Judicial administration	13,477
Public safety	220,745
Public works	71,165
Health and welfare	76,476
Education	648,004
Parks, recreation, and culture	<u>38,326</u>

Total depreciation expense-governmental activities	<u>\$ 1,641,034</u>
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Business-type activities:

Water and sewer fund	<u>\$ 1,181,210</u>
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Total depreciation expense-primary government	<u>\$ 2,822,244</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 13-Capital Assets: (Continued)**

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 971,024	\$ 49,532	\$ (1,340)	\$ 1,019,216
Construction in progress	176,549	184,635	(361,184)	-
Total capital assets not being depreciated	<u>\$ 1,147,573</u>	<u>\$ 234,167</u>	<u>\$ (362,524)</u>	<u>\$ 1,019,216</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,955,564	\$ 500,843	\$ (13,546)	\$ 13,442,861
Machinery and equipment	5,816,130	875,458	(435,157)	6,256,431
Total capital assets being depreciated	<u>\$ 18,771,694</u>	<u>\$ 1,376,301</u>	<u>\$ (448,703)</u>	<u>\$ 19,699,292</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,361,111)	\$ (405,598)	\$ 13,546	\$ (7,753,163)
Machinery and equipment	(3,704,314)	(523,208)	435,157	(3,792,365)
Total accumulated depreciation	<u>\$ (11,065,425)</u>	<u>\$ (928,806)</u>	<u>\$ 448,703</u>	<u>\$ (11,545,528)</u>
Total capital assets being depreciated, net	<u>\$ 7,706,269</u>	<u>\$ 447,495</u>	<u>\$ -</u>	<u>\$ 8,153,764</u>
Governmental activities capital assets, net	<u>\$ 8,853,842</u>	<u>\$ 681,662</u>	<u>\$ (362,524)</u>	<u>\$ 9,172,980</u>

Note 14-Capital Lease:

The County has entered into a capital lease for the purchase of radio equipment. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

\$823,079 in capital assets have been acquired through this capital lease. As of June 30, 2018, the capital assets are in construction in progress, therefore, no depreciation has been taken.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 14-Capital Lease: (Continued)**

Present value of future minimum lease payments:

Year Ending June 30,	Capital Lease
2019	\$ 184,086
2020	332,279
2021	353,363
2022	373,845
2023	813,605
2024-2028	3,823,340
2029-2033	3,419,266
Total minimum lease payments	\$ 9,299,784
Less: amount representing interest	(1,659,784)
Present value of future minimum lease payments	\$ 7,640,000

Note 15-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessment 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 are not available for the funding of current expenditures	\$ -	\$ 572,638
Prepaid property taxes due after June 30 but paid in advance by taxpayers	36,121	36,121
	<u>\$ 36,121</u>	<u>\$ 608,759</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 16-Risk Management:**

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

Note 17-Contingencies:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this regulation 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.

The County provides certain shared services to the City of Covington, Virginia. At year end, the County believes approximately \$708,252 is due to the County from this City in accordance with the shared services agreement. The County has refrained from recording a receivable for this amount as it cannot be reasonably estimated how much (if any) of this amount will be received.

Note 18-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:

Debbie Byer, Clerk of the Circuit Court	\$ 103,000
Wanda Simpson, Treasurer	400,000
Valerie Bruffey, Commissioner of the Revenue	3,000
Kevin Hall, Sheriff	30,000
All Constitutional Office employees: blanket bond	50,000
Additional Treasurer's Office bond	100,000
All Social Services employees: blanket bond	100,000

Virginia Association of Counties Group Self Insurance Risk Pool:

County Administrator's Employees	\$ 250,000
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**Note 18-Surety Bonds: (Continued)**

Component Unit School Board:

VACoRP:

All School Board employees: blanket bond	\$	250,000
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Note 19-Litigation:

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

Note 20-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
	Governmental Activities	Business-type Activities	School Board
Net Position, July 1, 2017, as previously stated	\$ 26,291,419	\$ 33,060,904	\$ (9,091,351)
Remove prior year OPEB liability	-	-	482,908
GASB 75 implementation - health insurance	-	-	(1,440,205)
GASB 75 implementation - group life insurance program	(576,578)	(47,877)	(1,258,553)
GASB 75 implementation - health insurance credit	-	-	(1,835,155)
Net Position, July 1, 2017, as restated	\$ 25,714,841	\$ 33,013,027	\$ (13,142,356)

In addition, the County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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. The implementation of this Statement had no impact on beginning net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-Tax Abatements:

The County entered into an economic incentive tax abatement agreement with Love's Travel Stops & Country Stores (Love's) in June of 2015 in accordance with the *Code of Virginia, 1950 as amended*. Terms of the agreement require the County to remit the aggregate sum of all taxes collected from Love's to the Industrial Development Authority of Alleghany County (IDA) within three months of the end of each calendar year for a period of ten years or until the taxes remitted reach \$800,000. The IDA will subsequently transfer funds received from the County to Love's. Terms of the agreement require Love's to invest \$8,500,000 in site improvements and employ 31 individuals (working at least 30 hours per week) with a cumulative hourly wage of not less than \$9.00 per hour plus benefits. Taxes remitted under the agreement are prorated if the aforementioned targets are not achieved by Love's. A complete copy of the tax abatement agreement is maintained at the County Offices. The County did not transfer any amount as of June 30, 2018.

Note 22-Upcoming Pronouncements:

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

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 22-Upcoming Pronouncements: (Continued)

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

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

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 16,327,150	\$ 16,327,150	\$ 16,460,574	\$ 133,424
Other local taxes	2,549,902	2,549,902	2,666,441	116,539
Permits, privilege fees, and regulatory licenses	31,750	31,750	38,140	6,390
Fines and forfeitures	51,500	51,500	74,780	23,280
Revenue from the use of money and property	57,218	57,218	91,319	34,101
Charges for services	438,548	441,548	478,392	36,844
Miscellaneous	258,720	293,382	145,142	(148,240)
Recovered costs	1,522,259	1,540,325	1,442,436	(97,889)
Intergovernmental	8,952,344	11,562,346	11,975,945	413,599
Total revenues	\$ 30,189,391	\$ 32,855,121	\$ 33,373,169	\$ 518,048
EXPENDITURES				
Current:				
General government administration	\$ 2,515,356	\$ 2,838,645	\$ 2,433,382	\$ 405,263
Judicial administration	1,836,849	1,872,975	1,861,223	11,752
Public safety	6,645,791	7,458,285	7,165,170	293,115
Public works	2,914,571	3,215,075	2,952,696	262,379
Health and welfare	4,240,957	4,402,849	4,314,905	87,944
Education	8,985,699	11,329,054	11,316,647	12,407
Parks, recreation, and cultural	800,345	1,414,910	1,114,578	300,332
Community development	724,581	1,588,656	507,543	1,081,113
Nondepartmental	117,662	261,793	-	261,793
Capital projects	9,801,600	10,061,330	1,010,547	9,050,783
Debt service:				
Principal retirement	1,553,033	1,553,033	1,607,072	(54,039)
Interest and other fiscal charges	311,769	311,769	348,377	(36,608)
Total expenditures	\$ 40,448,213	\$ 46,308,374	\$ 34,632,140	\$ 11,676,234
Excess (deficiency) of revenues over (under) expenditures	\$ (10,258,822)	\$ (13,453,253)	\$ (1,258,971)	\$ 12,194,282
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 21,082	\$ -	\$ (21,082)
Issuance of capital lease	9,775,000	9,775,000	7,640,000	(2,135,000)
Sale of capital assets	-	3,812	3,812	-
Total other financing sources (uses)	\$ 9,775,000	\$ 9,799,894	\$ 7,643,812	\$ (2,156,082)
Net change in fund balances	\$ (483,822)	\$ (3,653,359)	\$ 6,384,841	\$ 10,038,200
Fund balances - beginning	483,822	3,653,359	9,454,227	5,800,868
Fund balances - ending	\$ -	\$ -	\$ 15,839,068	\$ 15,839,068

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

	Special Law Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 1,368	\$ 368
Miscellaneous	40,000	40,000	44,717	4,717
Total revenues	\$ 41,000	\$ 41,000	\$ 46,085	\$ 5,085
EXPENDITURES				
Current:				
Public safety	\$ 41,000	\$ 52,611	\$ 35,040	\$ 17,571
Total expenditures	\$ 41,000	\$ 52,611	\$ 35,040	\$ 17,571
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (11,611)	\$ 11,045	\$ 22,656
OTHER FINANCING SOURCES (USES)				
Net change in fund balances	\$ -	\$ (11,611)	\$ 11,045	\$ 22,656
Fund balances - beginning	-	11,611	257,956	246,345
Fund balances - ending	\$ -	\$ -	\$ 269,001	\$ 269,001

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

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2017	98.0210%	\$ 4,742,655	\$ 7,149,766	66.33%	86.70%
2016	98.5707%	6,624,002	6,810,317	97.26%	80.95%
2015	99.6400%	6,769,225	6,838,216	98.99%	80.70%
2014	99.6400%	6,554,832	6,909,250	94.87%	80.72%
Component Unit School Board (professional)					
2017	0.14904%	\$ 18,329,000	\$ 11,675,097	156.99%	72.92%
2016	0.15496%	21,716,000	11,761,955	184.63%	68.28%
2015	0.16061%	20,215,000	11,937,215	169.34%	70.68%
2014	0.16831%	20,340,000	12,304,443	165.31%	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 Alleghany, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 190,443	\$ 194,012	\$ 202,249	\$ 205,338
Interest	703,866	687,123	680,454	657,392
Changes of assumptions	(91,796)	-	-	-
Differences between expected and actual experience	(327,761)	(81,090)	(233,793)	-
Benefit payments, including refunds of employee contributions	(567,357)	(554,368)	(552,911)	(513,630)
Net change in total pension liability	\$ (92,605)	\$ 245,677	\$ 95,999	\$ 349,100
Total pension liability - beginning	10,338,907	10,093,230	9,997,231	9,648,131
Total pension liability - ending (a)	\$ 10,246,302	\$ 10,338,907	\$ 10,093,230	\$ 9,997,231
Plan fiduciary net position				
Contributions - employer	\$ 109,051	\$ 161,091	\$ 161,117	\$ 167,792
Contributions - employee	96,832	89,220	88,820	89,850
Net investment income	1,174,286	166,660	443,017	1,355,703
Benefit payments, including refunds of employee contributions	(567,357)	(554,368)	(552,911)	(513,630)
Administrative expense	(7,001)	(6,273)	(6,277)	(7,457)
Other	(1,035)	(72)	(93)	72
Net change in plan fiduciary net position	\$ 804,776	\$ (143,742)	\$ 133,673	\$ 1,092,330
Plan fiduciary net position - beginning	9,786,345	9,930,087	9,796,414	8,704,084
Plan fiduciary net position - ending (b)	\$ 10,591,121	\$ 9,786,345	\$ 9,930,087	\$ 9,796,414
School division's net pension liability (asset) - ending (a) - (b)	\$ (344,819)	\$ 552,562	\$ 163,143	\$ 200,817
Plan fiduciary net position as a percentage of the total pension liability	103.37%	94.66%	98.38%	97.99%
Covered payroll	\$ 1,835,735	\$ 1,788,428	\$ 1,794,106	\$ 1,800,159
School Division's net pension liability as a percentage of covered payroll	-18.78%	30.90%	9.09%	11.16%

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 Allegheny, 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	\$ 844,368	\$ 844,368	\$ -	\$ 7,680,737	10.99%
2017	812,492	812,492	-	7,149,766	11.36%
2016	1,002,243	1,002,243	-	6,810,317	14.72%
2015	999,546	999,546	-	6,838,216	14.62%
Component Unit School Board (nonprofessional)					
2018	\$ 106,589	\$ 106,589	\$ -	\$ 1,821,022	5.85%
2017	109,051	109,051	-	1,835,735	5.94%
2016	161,091	161,091	-	1,788,428	9.01%
2015	161,117	161,117	-	1,794,106	8.98%
2014	167,792	167,792	-	1,800,159	9.32%
2013	179,312	179,312	-	1,921,890	9.33%
2012	102,371	102,371	-	1,871,505	5.47%
2011	103,401	103,401	-	1,890,329	5.47%
2010	54,792	54,792	-	1,915,803	2.86%
2009	54,725	54,725	-	1,913,469	2.86%
Component Unit School Board (professional)					
2018	\$ 1,833,151	\$ 1,833,151	\$ -	\$ 11,333,472	16.17%
2017	1,698,000	1,698,000	-	11,675,097	14.54%
2016	1,645,809	1,645,809	-	11,761,955	13.99%
2015	1,726,000	1,726,000	-	11,937,215	14.46%
2014	1,434,698	1,434,698	-	12,304,443	11.66%
2013	1,532,448	1,532,448	-	13,142,779	11.66%
2012	832,414	832,414	-	13,150,300	6.33%
2011	519,276	519,276	-	13,213,130	3.93%
2010	896,563	896,563	-	14,367,997	6.24%
2009	1,282,735	1,282,735	-	14,559,989	8.81%

Current year contributions are from County 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 County information reported in the County's report included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County.

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

	2018
Total OPEB liability	
Service cost	\$ 50,742
Interest	50,496
Effect of assumptions changes or inputs	(35,882)
Benefit payments	(97,233)
Net change in total OPEB liability	\$ (31,877)
Total OPEB liability - beginning	1,440,205
Total OPEB liability - ending	\$ 1,408,328
Covered-employee payroll	\$ 13,372,300
Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	10.53%

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

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

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.60% in 2017 and gradually declines to 4.30% over 57 years.
Salary Increase Rates	The salary increase rate consist of an inflation of 2.50%, a productivity component of 1.00%, and a variable merit component that is dependent on years of services.
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for pre-retirement was calculated using RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. The mortality rates for post-retirement was calculated using RP-2000 Combined Health Mortality tables projects to 2020 using Scale AA with Females set back 1 year. The mortality rates for post-disablement was calculated using RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

County of Alleghany, 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	0.0388% \$	583,225 \$	7,149,766	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.0100% \$	151,000 \$	1,835,735	8.23%	48.86%
Component Unit School Board (professional)					
2017	0.0634% \$	955,000 \$	11,675,097	8.18%	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 Allegheny, 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	\$ 39,940	\$ 39,940	\$ -	\$ 7,680,737	0.52%
2017	37,187	37,187	-	7,149,766	0.52%
2016	32,803	32,803	-	6,810,317	0.48%
2015	33,173	33,173	-	6,838,216	0.49%
Component Unit School Board (nonprofessional)					
2018	\$ 9,478	\$ 9,478	\$ -	\$ 1,821,022	0.52%
2017	9,599	9,599	-	1,835,735	0.52%
2016	8,643	8,643	-	1,788,428	0.48%
2015	8,723	8,723	-	1,794,106	0.49%
2014	8,669	8,669	-	1,800,159	0.48%
2013	9,225	9,225	-	1,921,890	0.48%
2012	5,240	5,240	-	1,871,505	0.28%
2011	5,293	5,293	-	1,890,329	0.28%
2010	3,760	3,760	-	1,915,803	0.20%
2009	5,196	5,196	-	1,913,469	0.27%
Component Unit School Board (professional)					
2018	\$ 59,103	\$ 59,103	\$ -	\$ 11,333,472	0.52%
2017	60,848	60,848	-	11,675,097	0.52%
2016	56,883	56,883	-	11,761,955	0.48%
2015	57,576	57,576	-	11,937,215	0.48%
2014	59,117	59,117	-	12,304,443	0.48%
2013	63,095	63,095	-	13,142,779	0.48%
2012	36,851	36,851	-	13,150,300	0.28%
2011	37,006	37,006	-	13,213,130	0.28%
2010	27,487	27,487	-	14,367,997	0.19%
2009	39,311	39,311	-	14,559,989	0.27%

Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's report included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County.

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.1482% \$	1,881,000 \$	11,675,097	16.11%	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 Allegheny, 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)
Component Unit School Board (nonprofessional)					
2018	\$ 11,095	\$ 11,095	\$ -	\$ 1,821,022	0.61%
Component Unit School Board (professional)					
2018	\$ 139,405	\$ 139,405	\$ -	\$ 11,333,472	1.23%
2017	129,845	129,845	-	11,675,097	1.11%
2016	125,236	125,236	-	11,761,955	1.06%
2015	126,579	126,579	-	11,937,215	1.06%
2014	136,626	136,626	-	12,304,443	1.11%
2013	145,885	145,885	-	13,142,779	1.11%
2012	78,902	78,902	-	13,150,300	0.60%
2011	79,279	79,279	-	13,213,130	0.60%
2010	105,483	105,483	-	14,367,997	0.73%
2009	157,248	157,248	-	14,559,989	1.08%

Schedule is intended to show information for 10 years. Coverage for Component Unit School Board (nonprofessional) was effective July 1, 2017. However, additional years will be included as they become available.

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

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

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

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

Other Supplementary Information

FIDUCIARY FUNDS

Friends of Youth - The Friends of Youth fund accounts for funds belonging to the youth in the area for health and welfare purposes.

Human and Leisure - The Human and Leisure fund accounts for funds from patrons for prepayments of recreational activities.

Humane Society Capital Improvements - The Humane Society Capital Improvements fund accounts for funds held in a fiduciary capacity for the Humane Society for capital improvements.

Jackson River Vocational Center - The Jackson River Vocational Center fund accounts for funds held in a fiduciary capacity for the Jackson River Vocational Center.

Covington Holding Account - The Covington Holding Account fund accounts for those funds collected by the County for the City of Covington.

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

United Fire and Rescue Association - The United Fire and Rescue fund accounts for funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation - The Alleghany Highlands Economic Development Corporation fund accounts for funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

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

	Agency Funds									
	Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	Covington Holding Account	United Fire & Rescue Association	Alleghany Highlands Economic Development Corporation	Total	
ASSETS										
Cash and cash equivalents	\$ 3,508	\$ 802	\$ 5,131	\$ 221,959	\$ 6,047	\$ 20,248	\$ 734,460	\$ 131,609	\$ 1,123,764	
Total assets	\$ 3,508	\$ 802	\$ 5,131	\$ 221,959	\$ 6,047	\$ 20,248	\$ 734,460	\$ 131,609	\$ 1,123,764	
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,751	\$ 32,751	
Accrued liabilities	-	-	-	-	-	-	-	3,386	3,386	
Amounts held for AHEDC	-	-	-	-	-	-	-	95,472	95,472	
Amounts held for social services clients	-	-	-	-	6,047	-	-	-	-	
Amounts held for Friends of Youth	3,508	-	-	-	-	-	-	-	-	
Amounts held for Human and Leisure activity	-	802	-	-	-	-	-	-	-	
Amounts held for Jackson River Vocational Center	-	-	-	221,959	-	-	-	-	-	
Amounts held for United Fire and Rescue Association	-	-	-	-	-	-	734,460	-	-	
Amounts held for other localities	-	-	-	-	-	20,248	-	-	-	
Amounts held for Humane Society	-	-	5,131	-	-	-	-	-	-	
Total liabilities	\$ 3,508	\$ 802	\$ 5,131	\$ 221,959	\$ 6,047	\$ 20,248	\$ 734,460	\$ 131,609	\$ 1,123,764	

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund 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 Allegheny, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,806,978	\$ 238,925	\$ 6,045,903
Cash in custody of others	351,993	-	351,993
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,765	34,102	36,867
Due from other funds	-	24,637	24,637
Due from other governmental units	370,126	-	370,126
Inventories	11,858	-	11,858
Prepaid items	379,042	-	379,042
Total assets	<u>\$ 6,922,762</u>	<u>\$ 297,664</u>	<u>\$ 7,220,426</u>
LIABILITIES			
Accounts payable	\$ 162,470	\$ 298	\$ 162,768
Accrued liabilities	1,723,685	32,066	1,755,751
Due to other funds	24,637	-	24,637
Due to primary government	80,000	-	80,000
Total liabilities	<u>\$ 1,990,792</u>	<u>\$ 32,364</u>	<u>\$ 2,023,156</u>
FUND BALANCES			
Nonspendable	\$ 390,900	\$ -	\$ 390,900
Restricted for the school food program	351,993	-	351,993
Committed	4,189,077	265,300	4,454,377
Total fund balances	<u>\$ 4,931,970</u>	<u>\$ 265,300</u>	<u>\$ 5,197,270</u>
Total liabilities and fund balances	<u>\$ 6,922,762</u>	<u>\$ 297,664</u>	<u>\$ 7,220,426</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above		\$ 5,197,270
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 1,019,216	
Buildings and improvements	5,689,698	
Machinery and equipment	<u>2,464,066</u>	9,172,980
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset		344,819
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 2,206,740	
OPEB related items	<u>219,081</u>	2,425,821
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$ (168,642)	
Net OPEB liabilities	(4,395,328)	
Net pension liability	<u>(18,329,000)</u>	(22,892,970)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (4,606,439)	
OPEB related items	<u>(285,082)</u>	(4,891,521)
Net position of governmental activities		<u>\$ (10,643,601)</u>

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

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 17,952	\$ -	\$ 17,952
Charges for services	347,466	151,991	499,457
Miscellaneous	256,151	307,130	563,281
Recovered costs	263,943	-	263,943
Intergovernmental	25,755,532	108,603	25,864,135
Total revenues	<u>\$ 26,641,044</u>	<u>\$ 567,724</u>	<u>\$ 27,208,768</u>
EXPENDITURES			
Current:			
Education	\$ 25,618,994	\$ 538,345	\$ 26,157,339
Capital projects	599,859	-	599,859
Total expenditures	<u>\$ 26,218,853</u>	<u>\$ 538,345</u>	<u>\$ 26,757,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 422,191</u>	<u>\$ 29,379</u>	<u>\$ 451,570</u>
Net change in fund balances	\$ 422,191	\$ 29,379	\$ 451,570
Fund balances - beginning	4,509,779	235,921	4,745,700
Fund balances - ending	<u>\$ 4,931,970</u>	<u>\$ 265,300</u>	<u>\$ 5,197,270</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 \$ 451,570

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 outlay	\$ 1,249,284	
Depreciation expense	<u>(928,806)</u>	320,478

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) affects net position. This is the carrying amount of disposed of assets during the year. (1,340)

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	\$ (926)	
OPEB expense	72,584	
Pension expense	<u>1,656,389</u>	1,728,047

Change in net position of governmental activities \$ 2,498,755

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

	School Operating Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 900	\$ 900	\$ 17,952	\$ 17,052
Charges for services	457,470	457,470	347,466	(110,004)
Miscellaneous	171,177	171,177	256,151	84,974
Recovered costs	130,114	130,114	263,943	133,829
Intergovernmental	26,205,700	26,205,700	25,755,532	(450,168)
Total revenues	\$ 26,965,361	\$ 26,965,361	\$ 26,641,044	\$ (324,317)
EXPENDITURES				
Current:				
Education	\$ 27,110,361	\$ 27,110,361	\$ 25,618,994	\$ 1,491,367
Capital projects	1,160,000	1,160,000	599,859	560,141
Total expenditures	\$ 28,270,361	\$ 28,270,361	\$ 26,218,853	\$ 2,051,508
Excess (deficiency) of revenues over (under) expenditures	\$ (1,305,000)	\$ (1,305,000)	\$ 422,191	\$ 1,727,191
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total other financing sources (uses)	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Net change in fund balances	\$ (1,300,000)	\$ (1,300,000)	\$ 422,191	\$ 1,722,191
Fund balances - beginning	1,300,000	1,300,000	4,509,779	3,209,779
Fund balances - ending	\$ -	\$ -	\$ 4,931,970	\$ 4,931,970

County of Alleghany, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2018

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 49,771	\$ 189,154	\$ 238,925
Receivables (net of allowance for uncollectibles):			
Accounts receivable	34,102	-	34,102
Due from other funds	24,637	-	24,637
Total assets	<u>\$ 108,510</u>	<u>\$ 189,154</u>	<u>\$ 297,664</u>
LIABILITIES			
Accrued liabilities	\$ 32,066	\$ -	\$ 32,066
Accounts payable	-	298	298
Total liabilities	<u>\$ 32,066</u>	<u>\$ 298</u>	<u>\$ 32,364</u>
FUND BALANCES			
Committed	\$ 76,444	\$ 188,856	\$ 265,300
Total fund balances	<u>\$ 76,444</u>	<u>\$ 188,856</u>	<u>\$ 265,300</u>
Total liabilities and fund balances	<u>\$ 108,510</u>	<u>\$ 189,154</u>	<u>\$ 297,664</u>

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

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ -	\$ 151,991	\$ 151,991
Miscellaneous	307,130	-	307,130
Intergovernmental	-	108,603	108,603
Total revenues	<u>\$ 307,130</u>	<u>\$ 260,594</u>	<u>\$ 567,724</u>
 EXPENDITURES			
Current:			
Education	<u>\$ 308,254</u>	<u>\$ 230,091</u>	<u>\$ 538,345</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,124)</u>	<u>\$ 30,503</u>	<u>\$ 29,379</u>
 Net change in fund balances	\$ (1,124)	\$ 30,503	\$ 29,379
Fund balances - beginning	77,568	158,353	235,921
Fund balances - ending	<u><u>\$ 76,444</u></u>	<u><u>\$ 188,856</u></u>	<u><u>\$ 265,300</u></u>

Supporting Schedules

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 7,225,000	\$ 7,225,000	\$ 7,294,491	\$ 69,491
Real and personal public service corporation taxes	1,253,000	1,253,000	1,272,930	19,930
Personal property taxes	2,276,000	2,276,000	2,316,021	40,021
Mobile home taxes	25,000	25,000	21,893	(3,107)
Machinery and tools taxes	5,384,750	5,384,750	5,376,386	(8,364)
Penalties	98,400	98,400	105,639	7,239
Interest	65,000	65,000	73,214	8,214
Total general property taxes	\$ 16,327,150	\$ 16,327,150	\$ 16,460,574	\$ 133,424
Other local taxes:				
Local sales and use taxes	\$ 723,902	\$ 723,902	\$ 792,082	\$ 68,180
Consumers' utility taxes	270,000	270,000	278,339	8,339
Probate taxes	4,000	4,000	5,102	1,102
Business license taxes	359,000	359,000	358,788	(212)
Utility consumption taxes	190,000	190,000	222,586	32,586
Motor vehicle licenses	392,000	392,000	400,138	8,138
Taxes on recordation and wills	57,000	57,000	52,628	(4,372)
Hotel and motel room taxes	180,000	180,000	191,724	11,724
Restaurant food taxes	374,000	374,000	365,054	(8,946)
Total other local taxes	\$ 2,549,902	\$ 2,549,902	\$ 2,666,441	\$ 116,539
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,750	\$ 6,750	\$ 6,273	\$ (477)
Land use application fees	300	300	151	(149)
Transfer fees	500	500	596	96
Zoning and subdivision fees	2,000	2,000	1,947	(53)
Erosion and sediment control	700	700	1,035	335
Permits and other licenses	21,500	21,500	28,138	6,638
Total permits, privilege fees, and regulatory licenses	\$ 31,750	\$ 31,750	\$ 38,140	\$ 6,390
Fines and forfeitures:				
Court fines and forfeitures	\$ 51,500	\$ 51,500	\$ 74,780	\$ 23,280
Total fines and forfeitures	\$ 51,500	\$ 51,500	\$ 74,780	\$ 23,280
Revenue from use of money and property:				
Revenue from use of money	\$ 50,718	\$ 50,718	\$ 86,569	\$ 35,851
Revenue from use of property	6,500	6,500	4,750	(1,750)
Total revenue from use of money and property	\$ 57,218	\$ 57,218	\$ 91,319	\$ 34,101
Charges for services:				
Charges for law enforcement and traffic control	\$ 9,898	\$ 9,898	\$ 9,304	\$ (594)
Charges for courthouse maintenance	11,500	11,500	12,282	782
Sale of publications and maps	50	50	2	(48)
Charges for gasoline	85,000	85,000	64,918	(20,082)
Charges for Commonwealth's Attorney	3,300	3,300	4,366	1,066
Miscellaneous jail and inmate fees	4,800	4,800	5,416	616
Charges for sanitation and waste removal	235,000	235,000	265,230	30,230
Charges for copies	3,600	3,600	4,257	657
Charges for parks and recreation	30,000	30,000	40,763	10,763
Charges for law library	4,500	4,500	4,520	20
Charges for courthouse security	50,000	50,000	61,730	11,730
Charges for other services	900	3,900	5,604	1,704
Total charges for services	\$ 438,548	\$ 441,548	\$ 478,392	\$ 36,844

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 35,100	\$ 59,542	\$ 99,134	\$ 39,592
Donations	18,120	28,340	28,290	(50)
Sale of surplus	5,000	5,000	10,428	5,428
Sale of supplies	500	500	-	(500)
Allegheny Foundation contributions	-	-	7,290	7,290
Corporate contribution	200,000	200,000	-	(200,000)
Total miscellaneous	\$ 258,720	\$ 293,382	\$ 145,142	\$ (148,240)
Recovered costs:				
Care of prisoners	\$ 180,000	\$ 194,576	\$ 194,576	\$ -
Co-payment for medical charges	15,000	18,490	18,490	-
Program income IPR	387	387	290	(97)
LOA County reimbursement	18,861	18,861	16,329	(2,532)
Health department	1,500	1,500	1,500	-
Bath county-jail	100,000	100,000	87,577	(12,423)
Covington-magistrate, probation	3,800	3,800	4,209	409
Clifton Forge E911	69,173	69,173	77,815	8,642
Covington-welfare	316,000	316,000	155,328	(160,672)
AHSD resource officer	80,000	80,000	80,000	-
General government	730,000	730,000	799,888	69,888
General District Court postage	5,000	5,000	4,058	(942)
Other recovered costs	2,538	2,538	2,376	(162)
Total recovered costs	\$ 1,522,259	\$ 1,540,325	\$ 1,442,436	\$ (97,889)
Total revenue from local sources	\$ 21,237,047	\$ 21,292,775	\$ 21,397,224	\$ 104,449
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 92,500	\$ 92,500	\$ 914	\$ (91,586)
Mobile home titling tax	11,000	11,000	19,181	8,181
State recordation tax	5,000	5,000	23,718	18,718
Communication taxes	395,000	395,000	378,657	(16,343)
Additional tax on deeds	15,000	15,000	13,772	(1,228)
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,129,308	\$ 2,129,308	\$ 2,047,050	\$ (82,258)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 413,790	\$ 423,749	\$ 423,750	\$ 1
Sheriff	2,247,969	2,290,413	2,290,414	1
Commissioner of revenue	127,256	127,256	129,997	2,741
Treasurer	109,803	109,803	118,265	8,462
Registrar/electoral board	42,000	42,000	37,399	(4,601)
Clerk of the Circuit Court	311,622	311,622	330,153	18,531
Total shared expenses	\$ 3,252,440	\$ 3,304,843	\$ 3,329,978	\$ 25,135
Other categorical aid:				
Welfare administration and public assistance	\$ 555,000	\$ 555,000	\$ 489,604	\$ (65,396)
Comprehensive services act	1,250,000	1,330,000	1,437,550	107,550
Wireless E-911 grant	45,000	45,000	48,700	3,700
Drug asset forfeiture revenue	10,000	10,000	11,365	1,365
Emergency medical services	21,600	98,158	76,558	(21,600)
IPR funds	3,217	3,217	3,216	(1)
Litter control grant	15,000	15,000	15,328	328

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire services grant	\$ 36,000	\$ 36,000	\$ 40,044	\$ 4,044
State sales tax	-	2,343,355	2,219,449	(123,906)
Library Grant	-	12,039	14,229	2,190
VITA Grant	9,000	9,000	9,000	-
Stormwater grant	6,000	6,000	1,350	(4,650)
Victim witness	182,589	182,589	45,652	(136,937)
Other state grants	2,190	2,190	-	(2,190)
Total other categorical aid	<u>\$ 2,135,596</u>	<u>\$ 4,647,548</u>	<u>\$ 4,412,045</u>	<u>\$ (235,503)</u>
Total categorical aid	<u>\$ 5,388,036</u>	<u>\$ 7,952,391</u>	<u>\$ 7,742,023</u>	<u>\$ (210,368)</u>
Total revenue from the Commonwealth	<u>\$ 7,517,344</u>	<u>\$ 10,081,699</u>	<u>\$ 9,789,073</u>	<u>\$ (292,626)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 383,672</u>	<u>\$ 158,672</u>
Categorical aid:				
Welfare administration and public assistance	\$ 1,185,000	\$ 1,185,000	\$ 1,198,303	\$ 13,303
State and community highway safety	20,000	25,647	25,647	-
Virginia Commission for the Arts grant	5,000	5,000	-	(5,000)
T-21 trail grant	-	-	306,639	306,639
Community development block grants	-	40,000	-	(40,000)
Victim witness	-	-	136,927	136,927
RD business development grant	-	-	116,812	116,812
self-determination act	-	-	18,872	18,872
Total categorical aid	<u>\$ 1,210,000</u>	<u>\$ 1,255,647</u>	<u>\$ 1,803,200</u>	<u>\$ 547,553</u>
Total revenue from the federal government	<u>\$ 1,435,000</u>	<u>\$ 1,480,647</u>	<u>\$ 2,186,872</u>	<u>\$ 706,225</u>
Total General Fund	<u>\$ 30,189,391</u>	<u>\$ 32,855,121</u>	<u>\$ 33,373,169</u>	<u>\$ 518,048</u>
Special Revenue Fund:				
Special Law Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 1,368	\$ 368
Total revenue from use of money and property	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,368</u>	<u>\$ 368</u>
Miscellaneous:				
Vending machine collections	\$ 30,000	\$ 30,000	\$ 29,063	\$ (937)
Jail commissary collections	10,000	10,000	15,394	5,394
Work release collections	-	-	260	260
Total miscellaneous	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 44,717</u>	<u>\$ 4,717</u>
Total revenue from local sources	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 46,085</u>	<u>\$ 5,085</u>
Total Special Law Fund	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 46,085</u>	<u>\$ 5,085</u>
Total Primary Government	<u>\$ 30,230,391</u>	<u>\$ 32,896,121</u>	<u>\$ 33,419,254</u>	<u>\$ 523,133</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 900	\$ 900	\$ 17,952	\$ 17,052
Total revenue from use of money and property	\$ 900	\$ 900	\$ 17,952	\$ 17,052
Charges for services:				
Charges for education	\$ 21,663	\$ 21,663	\$ 25,739	\$ 4,076
Cafeteria sales	422,733	422,733	303,425	(119,308)
Use of buses and facilities	13,074	13,074	18,302	5,228
Total charges for services	\$ 457,470	\$ 457,470	\$ 347,466	\$ (110,004)
Miscellaneous:				
Other miscellaneous	\$ 171,177	\$ 171,177	\$ 256,151	\$ 84,974
Total miscellaneous	\$ 171,177	\$ 171,177	\$ 256,151	\$ 84,974
Recovered costs:				
Erate	\$ 118,000	\$ 118,000	\$ 227,347	\$ 109,347
Other recovered costs	12,114	12,114	36,596	24,482
Total recovered costs	\$ 130,114	\$ 130,114	\$ 263,943	\$ 133,829
Total revenue from local sources	\$ 759,661	\$ 759,661	\$ 885,512	\$ 125,851
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 11,659,492	\$ 11,659,492	\$ 11,307,417	\$ (352,075)
Total revenues from local governments	\$ 11,659,492	\$ 11,659,492	\$ 11,307,417	\$ (352,075)
Revenue from the Commonwealth:				
Categorical aid:				
Basic school aid	\$ 7,294,869	\$ 7,294,869	\$ 7,239,301	\$ (55,568)
Remedial summer education	42,516	42,516	42,896	380
Regular foster care	156,658	156,658	110,167	(46,491)
GED prep program	7,859	7,859	40,902	33,043
Gifted and talented	77,225	77,225	76,838	(387)
Remedial education	282,107	282,107	280,694	(1,413)
Special education	920,393	920,393	915,783	(4,610)
Textbook payment	173,015	173,015	172,148	(867)
Vocational standards of quality payments	277,379	277,379	275,989	(1,390)
Social security fringe benefits	457,045	457,045	454,755	(2,290)
Retirement fringe benefits	1,046,475	1,046,475	1,041,232	(5,243)
Governor's school grant	71,280	71,280	-	(71,280)
State lottery payments	432,018	432,018	430,245	(1,773)
Early reading intervention	49,481	49,481	47,007	(2,474)
School food	14,576	14,576	13,634	(942)
Mental health initiative	40,000	40,000	-	(40,000)
Salary supplement	75,669	75,669	75,280	(389)
Special education - foster children	-	-	42,958	42,958
Homebound	19,693	19,693	11,442	(8,251)
At risk payments	221,903	221,903	227,549	5,646
Board certifications	15,000	15,000	10,000	(5,000)
Preschool pilot program	250,609	250,609	208,841	(41,768)
Technology	282,000	282,000	255,659	(26,341)
Standards of Learning algebra readiness	32,593	32,593	32,458	(135)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Group life insurance	\$ 31,520	\$ 31,520	\$ 31,362	\$ (158)
Career and Technical Education	42,862	42,862	22,246	(20,616)
Project graduation	4,506	4,506	4,505	(1)
Mentor teacher program	1,685	1,685	1,448	(237)
Primary class size	312,092	312,092	317,884	5,792
English as a second language	4,966	4,966	4,759	(207)
Other state funds	-	-	29,568	29,568
Total categorical aid	\$ 12,637,994	\$ 12,637,994	\$ 12,417,550	\$ (220,444)
Total revenue from the Commonwealth	\$ 12,637,994	\$ 12,637,994	\$ 12,417,550	\$ (220,444)
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 127,633	\$ 127,633	\$ 124,038	\$ (3,595)
Title I	516,454	516,454	499,635	(16,819)
Title VI-B, special education flow-through	537,830	537,830	587,941	50,111
Title VI-B, special education pre-school	19,772	19,772	20,852	1,080
Vocational education	39,154	39,154	41,017	1,863
Title II - Part A	89,960	89,960	92,358	2,398
School food program	567,450	567,450	658,246	90,796
Adult education	9,507	9,507	4,373	(5,134)
Title IV Part A academic enrichment	-	-	555	555
Title III - Part A	454	454	1,550	1,096
Total categorical aid	\$ 1,908,214	\$ 1,908,214	\$ 2,030,565	\$ 122,351
Total revenue from the federal government	\$ 1,908,214	\$ 1,908,214	\$ 2,030,565	\$ 122,351
Total School Operating Fund	\$ 26,965,361	\$ 26,965,361	\$ 26,641,044	\$ (324,317)
Nonmajor Special Revenue funds:				
Alleghany Highlands Fund:				
Miscellaneous:				
Other miscellaneous	\$ 320,000	\$ 320,000	\$ 307,130	\$ (12,870)
Total miscellaneous	\$ 320,000	\$ 320,000	\$ 307,130	\$ (12,870)
Total revenue from local sources	\$ 320,000	\$ 320,000	\$ 307,130	\$ (12,870)
Total Alleghany Highlands Fund	\$ 320,000	\$ 320,000	\$ 307,130	\$ (12,870)
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ 106,397	\$ 121,190	\$ 151,991	\$ 30,801
Total charges for services	\$ 106,397	\$ 121,190	\$ 151,991	\$ 30,801
Total revenue from local sources	\$ 106,397	\$ 121,190	\$ 151,991	\$ 30,801

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Nonmajor Special Revenue funds: (Continued)				
Governor's School Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	\$ 108,603	\$ 108,603	\$ 108,603	\$ -
Total categorical aid	\$ 108,603	\$ 108,603	\$ 108,603	\$ -
Total revenue from the Commonwealth	\$ 108,603	\$ 108,603	\$ 108,603	\$ -
Total Governor's School Fund	\$ 215,000	\$ 229,793	\$ 260,594	\$ 30,801
Total Discretely Presented Component Unit - School Board	\$ 27,500,361	\$ 27,515,154	\$ 27,208,768	\$ (306,386)

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 66,415	\$ 70,014	\$ 69,470	\$ 544
Total legislative	\$ 66,415	\$ 70,014	\$ 69,470	\$ 544
General and financial administration:				
County administrator	\$ 861,387	\$ 942,239	\$ 819,360	\$ 122,879
Personnel	12,800	14,300	13,387	913
Legal services	50,000	44,502	32,684	11,818
Special legal services	5,000	8,217	8,217	-
Commissioner of the revenue	408,129	398,030	396,367	1,663
Reassessment	50,000	296,050	112,055	183,995
Automotive motor pool	452,498	410,136	366,626	43,510
Treasurer	407,893	416,177	409,871	6,306
Audit services	56,000	56,000	54,800	1,200
Technology department	8,350	29,626	8,250	21,376
Total general and financial administration	\$ 2,312,057	\$ 2,615,277	\$ 2,221,617	\$ 393,660
Board of elections:				
Registrar	\$ 92,542	\$ 101,742	\$ 100,203	\$ 1,539
Electoral board and officials	44,342	51,612	42,092	9,520
Total board of elections	\$ 136,884	\$ 153,354	\$ 142,295	\$ 11,059
Total general government administration	\$ 2,515,356	\$ 2,838,645	\$ 2,433,382	\$ 405,263
Judicial administration:				
Courts:				
Circuit court	\$ 73,861	\$ 73,864	\$ 72,106	\$ 1,758
General district court	21,150	21,150	17,234	3,916
Special magistrates	2,520	2,517	2,295	222
Sheriff	468,934	470,994	470,994	-
Law library	4,500	4,500	4,081	419
Clerk of the circuit court	476,973	483,305	478,404	4,901
Total courts	\$ 1,047,938	\$ 1,056,330	\$ 1,045,114	\$ 11,216
Commonwealth's attorney:				
Commonwealth's attorney	\$ 788,911	\$ 816,645	\$ 816,109	\$ 536
Total commonwealth's attorney	\$ 788,911	\$ 816,645	\$ 816,109	\$ 536
Total judicial administration	\$ 1,836,849	\$ 1,872,975	\$ 1,861,223	\$ 11,752
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,000,498	\$ 2,435,155	\$ 2,230,266	\$ 204,889
Crime prevention	18,120	28,623	28,623	-
DARE program	48,941	54,995	54,995	-

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
School resource officer	\$ 103,825	\$ 138,584	\$ 138,584	\$ -
Radar transportation	15,204	16,704	16,704	-
Drug asset forfeiture	8,500	8,500	10,257	(1,757)
Total law enforcement and traffic control	<u>\$ 2,195,088</u>	<u>\$ 2,682,561</u>	<u>\$ 2,479,429</u>	<u>\$ 203,132</u>
Fire and rescue services:				
Fire departments	\$ 67,500	\$ 67,500	\$ 67,409	\$ 91
Volunteer fire departments	348,500	351,045	350,924	121
Emergency services	250	250	244	6
Ambulance and rescue services	367,375	364,830	362,167	2,663
Sara III Emergency Council	150	200	195	5
United fire and rescue association	304,967	385,397	381,363	4,034
Total fire and rescue services	<u>\$ 1,088,742</u>	<u>\$ 1,169,222</u>	<u>\$ 1,162,302</u>	<u>\$ 6,920</u>
Correction and detention:				
Sheriff-correction and detention	\$ 2,433,054	\$ 2,689,604	\$ 2,667,890	\$ 21,714
Probation	3,600	3,600	2,949	651
VJCCA grant	3,617	3,617	3,617	-
Total correction and detention	<u>\$ 2,440,271</u>	<u>\$ 2,696,821</u>	<u>\$ 2,674,456</u>	<u>\$ 22,365</u>
Inspections:				
Building	\$ 122,532	\$ 121,587	\$ 87,367	\$ 34,220
Total inspections	<u>\$ 122,532</u>	<u>\$ 121,587</u>	<u>\$ 87,367</u>	<u>\$ 34,220</u>
Other protection:				
Animal control	\$ 73,723	\$ 70,684	\$ 70,684	\$ -
Animal protection	101,354	101,354	101,354	-
Medical examiner	300	300	220	80
Courthouse security	113,964	116,200	99,747	16,453
E-911	509,817	499,556	489,611	9,945
Total other protection	<u>\$ 799,158</u>	<u>\$ 788,094</u>	<u>\$ 761,616</u>	<u>\$ 26,478</u>
Total public safety	<u>\$ 6,645,791</u>	<u>\$ 7,458,285</u>	<u>\$ 7,165,170</u>	<u>\$ 293,115</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 755,051	\$ 1,087,198	\$ 847,563	\$ 239,635
Refuse disposal	1,275,676	1,219,377	1,209,081	10,296
General engineering	400	31,713	31,647	66
Storm water management	12,787	13,731	10,272	3,459
Recycling program	74,277	74,277	73,666	611
Total sanitation and waste removal	<u>\$ 2,118,191</u>	<u>\$ 2,426,296</u>	<u>\$ 2,172,229</u>	<u>\$ 254,067</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General maintenance	\$ 200,735	\$ 142,399	\$ 142,370	\$ 29
General properties	595,645	646,380	638,097	8,283
Total maintenance of general buildings and grounds	<u>\$ 796,380</u>	<u>\$ 788,779</u>	<u>\$ 780,467</u>	<u>\$ 8,312</u>
Total public works	<u>\$ 2,914,571</u>	<u>\$ 3,215,075</u>	<u>\$ 2,952,696</u>	<u>\$ 262,379</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 161,917	\$ 168,483	\$ 168,483	\$ -
Total health	<u>\$ 161,917</u>	<u>\$ 168,483</u>	<u>\$ 168,483</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 112,282	\$ 112,282	\$ 112,282	\$ -
Total mental health and mental retardation	<u>\$ 112,282</u>	<u>\$ 112,282</u>	<u>\$ 112,282</u>	<u>\$ -</u>
Welfare:				
Administration	\$ 1,890,606	\$ 1,771,094	\$ 1,753,513	\$ 17,581
Public assistance	454,700	262,614	262,614	-
Emergency repair fund	6,417	6,417	4,640	1,777
Indoor plumbing rehabilitation fund	405	46,679	-	46,679
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	135,000	138,396	138,396	-
Safehomes, Inc.	5,000	5,000	5,000	-
Board of public welfare	3,875	4,845	4,845	-
Children's services act	1,445,654	1,836,287	1,836,231	56
Feeding America	2,500	2,500	2,500	-
Other welfare	9,326	9,326	9,326	-
CDBG-housing boiling springs	7,500	33,151	11,300	21,851
Total welfare	<u>\$ 3,966,758</u>	<u>\$ 4,122,084</u>	<u>\$ 4,034,140</u>	<u>\$ 87,944</u>
Total health and welfare	<u>\$ 4,240,957</u>	<u>\$ 4,402,849</u>	<u>\$ 4,314,905</u>	<u>\$ 87,944</u>
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ 9,230	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	8,976,469	11,319,824	11,307,417	12,407
Total education	<u>\$ 8,985,699</u>	<u>\$ 11,329,054</u>	<u>\$ 11,316,647</u>	<u>\$ 12,407</u>
Parks and recreation:				
Parks and recreation	\$ 588,525	\$ 763,123	\$ 635,257	\$ 127,866
Scenic trail	14,991	447,058	274,592	172,466
Clifton little league	9,000	9,000	9,000	-
Alleghany Highlands youth sports	9,000	9,000	9,000	-
Iron gate recreation	2,000	2,000	2,000	-
Total parks and recreation	<u>\$ 623,516</u>	<u>\$ 1,230,181</u>	<u>\$ 929,849</u>	<u>\$ 300,332</u>

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Alleghany concert series	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Alleghany crafts	1,800	1,800	1,800	-
Arts grant	5,000	5,000	5,000	-
Total cultural enrichment	<u>\$ 11,800</u>	<u>\$ 11,800</u>	<u>\$ 11,800</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 139,804	\$ 147,704	\$ 147,704	\$ -
Contribution to Clifton library	25,225	25,225	25,225	-
Total library	<u>\$ 165,029</u>	<u>\$ 172,929</u>	<u>\$ 172,929</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 800,345</u>	<u>\$ 1,414,910</u>	<u>\$ 1,114,578</u>	<u>\$ 300,332</u>
Community development:				
Planning and community development:				
Community development	\$ 359,046	\$ 357,817	\$ 116,986	\$ 240,831
Economic development	132,637	999,760	161,076	838,684
Boards and commissions	17,192	15,285	13,687	1,598
Tourism initiative	108,000	108,000	108,000	-
Jackson River Enterprises	15,000	15,000	15,000	-
Clifton Armory contribution	3,500	3,500	3,500	-
Clifton Forge stars and stripes	5,000	5,000	5,000	-
Chamber Indust.	8,000	8,000	8,000	-
Contribution to SERCAP	5,000	5,000	5,000	-
Contribution to CSB Jail service	28,993	28,993	28,993	-
Total planning and community development	<u>\$ 682,368</u>	<u>\$ 1,546,355</u>	<u>\$ 465,242</u>	<u>\$ 1,081,113</u>
Environmental management:				
Contribution to soil and water district	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total environmental management	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 39,713	\$ 39,801	\$ 39,801	\$ -
Total cooperative extension program	<u>\$ 39,713</u>	<u>\$ 39,801</u>	<u>\$ 39,801</u>	<u>\$ -</u>
Total community development	<u>\$ 724,581</u>	<u>\$ 1,588,656</u>	<u>\$ 507,543</u>	<u>\$ 1,081,113</u>
Nondepartmental:				
Contingencies	\$ 117,662	\$ 261,793	\$ -	\$ 261,793
Total nondepartmental	<u>\$ 117,662</u>	<u>\$ 261,793</u>	<u>\$ -</u>	<u>\$ 261,793</u>

County of Allegheny, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Courthouse phone system	\$ -	\$ 23,320	\$ 18,745	\$ 4,575
Camera system	3,300	1,283	1,283	-
Public Safety building	8,600,000	8,600,000	823,079	7,776,921
Building and ramp	-	204,000	151,486	52,514
Financial System replacement	1,175,000	1,175,000	-	1,175,000
Wrightstown project	-	40,000	327	39,673
Other capital projects	23,300	17,727	15,627	2,100
Total capital projects	<u>\$ 9,801,600</u>	<u>\$ 10,061,330</u>	<u>\$ 1,010,547</u>	<u>\$ 9,050,783</u>
Debt service:				
Principal retirement	\$ 1,553,033	\$ 1,553,033	\$ 1,607,072	\$ (54,039)
Interest and other fiscal charges	311,769	311,769	348,377	(36,608)
Total debt service	<u>\$ 1,864,802</u>	<u>\$ 1,864,802</u>	<u>\$ 1,955,449</u>	<u>\$ (90,647)</u>
Total General Fund	<u>\$ 40,448,213</u>	<u>\$ 46,308,374</u>	<u>\$ 34,632,140</u>	<u>\$ 11,676,234</u>
Special Revenue Fund:				
Special Law Fund:				
Public safety:				
Correction and detention:				
Sheriff	\$ 41,000	\$ 52,611	\$ 35,040	\$ 17,571
Total public safety	<u>\$ 41,000</u>	<u>\$ 52,611</u>	<u>\$ 35,040</u>	<u>\$ 17,571</u>
Total Special Law Fund	<u>\$ 41,000</u>	<u>\$ 52,611</u>	<u>\$ 35,040</u>	<u>\$ 17,571</u>
Total Primary Government	<u>\$ 40,489,213</u>	<u>\$ 46,360,985</u>	<u>\$ 34,667,180</u>	<u>\$ 11,693,805</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 2,253,100	\$ 2,253,100	\$ 1,986,466	\$ 266,634
Total administration of schools	<u>\$ 2,253,100</u>	<u>\$ 2,253,100</u>	<u>\$ 1,986,466</u>	<u>\$ 266,634</u>
Instruction costs:				
Instruction costs	\$ 18,960,694	\$ 18,960,694	\$ 18,011,391	\$ 949,303
Total instruction costs	<u>\$ 18,960,694</u>	<u>\$ 18,960,694</u>	<u>\$ 18,011,391</u>	<u>\$ 949,303</u>
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 2,072,796	\$ 2,072,796	\$ 2,043,737	\$ 29,059
Operation and maintenance of school plant	2,818,856	2,818,856	2,609,067	209,789
School food and other non-instructional costs ⁽¹⁾	1,004,915	1,004,915	968,333	36,582
Total operating costs	<u>\$ 5,896,567</u>	<u>\$ 5,896,567</u>	<u>\$ 5,621,137</u>	<u>\$ 275,430</u>
Total education	<u>\$ 27,110,361</u>	<u>\$ 27,110,361</u>	<u>\$ 25,618,994</u>	<u>\$ 1,491,367</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Capital projects:				
School capital projects	\$ 1,160,000	\$ 1,160,000	\$ 599,859	\$ 560,141
Total School Operating Fund	\$ 28,270,361	\$ 28,270,361	\$ 26,218,853	\$ 2,051,508
 (¹) Includes Cafeteria Funds held by the School System not subject to appropriation.				
Nonmajor Special Revenue funds:				
Alleghany Highlands Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 320,000	\$ 320,000	\$ 308,254	\$ 11,746
Total instruction costs	\$ 320,000	\$ 320,000	\$ 308,254	\$ 11,746
Total education	\$ 320,000	\$ 320,000	\$ 308,254	\$ 11,746
Total Alleghany Highlands Fund	\$ 320,000	\$ 320,000	\$ 308,254	\$ 11,746
 Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 215,000	\$ 229,793	\$ 230,091	\$ (298)
Total education	\$ 215,000	\$ 229,793	\$ 230,091	\$ (298)
Total Governor's School Fund	\$ 215,000	\$ 229,793	\$ 230,091	\$ (298)
Total Component Unit - School Board	\$ 28,805,361	\$ 28,820,154	\$ 26,757,198	\$ 2,062,956

Other Statistical Information

Table 1

County of Alleghany, 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	Water and Sewer Fund	Total
2017-18	\$ 2,202,672	\$ 1,712,583	\$ 6,486,342	\$ 2,925,303	\$ 4,063,044	\$ 11,964,651	\$ 925,770	\$ 498,773	\$ 301,115	\$ 5,097,889	\$ 36,178,142
2016-17	2,013,686	1,727,111	6,281,243	3,069,619	4,328,093	11,953,884	810,438	2,120,959	252,340	5,174,652	37,732,025
2015-16	2,265,730	1,578,405	5,669,932	3,082,441	4,203,749	11,703,747	861,841	444,866	295,265	4,379,654	34,485,630
2014-15	1,978,765	1,476,156	5,962,056	3,332,512	3,647,251	10,707,726	720,544	465,186	324,331	4,433,153	33,047,680
2013-14	2,218,596	1,559,654	5,548,155	2,939,564	3,683,445	12,558,547	812,380	505,841	394,899	4,837,124	35,058,205
2012-13	2,200,183	1,482,244	5,340,327	2,894,667	3,538,594	12,643,618	963,741	561,469	430,686	4,208,210	34,263,739
2011-12	2,499,430	1,489,784	5,171,713	2,964,372	3,463,171	12,515,440	1,100,281	404,069	1,623,370	4,497,392	35,729,022
2010-11	2,153,781	1,447,988	5,234,361	2,773,957	3,348,393	12,221,036	966,811	441,036	933,168	2,914,811	32,435,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,864	2,894,787	33,664,132
2008-09	1,988,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2017-18	\$ 5,139,759	\$ 9,238,584	\$ 323,639	\$	16,431,926	\$ 2,666,441	\$ 104,191	\$ 202,316	\$ 2,430,722	\$ 36,537,578
2016-17	4,921,947	9,497,971	2,196,671		16,216,009	2,582,898	54,297	1,657,373	2,485,685	39,612,851
2015-16	5,767,026	9,248,437	350,815		16,438,002	2,693,879	78,919	214,733	2,392,061	37,183,872
2014-15	4,622,696	8,921,346	7,693		16,165,901	2,691,370	74,735	244,482	2,397,886	35,126,109
2013-14	4,827,467	8,458,807	23,280		15,186,511	2,554,418	82,668	244,619	2,407,155	33,784,925
2012-13	4,639,293	8,543,222	771,476		16,394,558	2,412,439	73,094	353,916	2,396,687	35,584,685
2011-12	4,669,620	8,913,175	1,888,577		15,492,843	2,190,182	50,276	251,787	2,293,952	35,750,412
2010-11	3,909,984	8,252,444	12,541,714		15,432,192	2,288,458	144,947	609,488	2,250,850	45,430,077
2009-10	3,461,695	8,234,495	4,287,265		15,715,743	2,236,077	123,133	549,032	2,276,650	36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	385,533	387,588	2,069,500	35,878,969

Table 3

County of Allegheny, 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	Parks, Recreation, and Cultural		Community Development	Nondepartmental	Debt Service	Capital Projects	Total
	\$	\$					Education (2)						
2017-18	\$ 2,433,382	\$ 1,861,223	\$ 7,200,210	\$ 2,952,696	\$ 4,314,905	\$ 26,166,569	\$ 1,114,578	\$ 507,543	\$ -	\$ 1,955,449	\$ 1,610,406	\$ 50,116,961	
2016-17	2,358,500	1,766,569	6,765,064	3,021,282	4,518,362	26,708,173	2,940,320	2,124,181	-	1,890,373	458,621	52,551,445	
2015-16	2,408,993	1,623,127	6,292,769	3,196,499	4,605,417	26,272,527	1,387,272	433,733	-	2,036,381	421,253	48,677,971	
2014-15	2,332,462	1,529,864	6,287,387	3,235,630	4,332,044	26,668,845	743,712	467,061	-	1,934,068	338,676	47,869,749	
2013-14	2,348,028	1,561,280	5,792,074	2,853,176	4,145,168	26,757,720	766,086	504,569	137,782	1,595,574	4,974,279	51,435,736	
2012-13	2,304,985	1,496,501	5,695,866	2,878,188	3,973,318	28,595,658	785,039	561,954	29,505	1,566,353	700,450	48,587,817	
2011-12	2,422,769	1,429,307	5,775,857	3,246,772	3,917,532	29,826,325	760,351	399,258	28,856	10,333,888	526,086	58,667,001	
2010-11	2,254,023	1,404,529	5,436,958	2,643,170	3,867,309	28,534,386	727,485	331,195	5,567	2,342,273	374,624	47,921,519	
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962	
2008-09	2,101,972	1,403,618	5,324,926	2,965,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614	

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

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

Table 4

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

Fiscal Year	General Property Taxes		Other Local Taxes		Permits, 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	\$	16,460,574	\$	2,666,441	\$	38,140	\$	74,780	\$	110,639	\$	977,849	\$	753,140	\$	1,706,379	\$	26,532,663	\$	49,320,605
2016-17		16,146,070		2,582,898		29,471		101,353		43,670		936,678		2,182,220		1,526,569		28,559,523		52,108,452
2015-16		16,432,520		2,693,879		34,172		37,102		72,950		872,014		793,960		1,674,885		26,368,912		48,980,394
2014-15		16,200,657		2,691,370		32,786		40,814		61,773		967,427		747,085		1,837,701		26,274,077		48,853,690
2013-14		15,148,553		2,554,418		28,178		59,214		72,952		1,040,908		708,314		1,800,693		25,373,168		46,786,398
2012-13		16,187,947		2,412,439		40,113		43,559		66,284		1,123,697		835,224		1,565,975		26,904,703		49,179,941
2011-12		15,412,777		2,190,182		28,259		61,002		47,464		1,334,845		663,646		1,785,590		28,457,341		49,981,106
2010-11		15,524,223		2,288,458		38,554		81,829		122,518		1,193,313		964,764		1,663,681		27,239,582		49,116,922
2009-10		15,629,777		2,236,077		35,296		65,414		124,353		1,097,179		1,068,168		1,701,036		30,002,302		51,959,602
2008-09		15,128,836		2,698,807		50,661		64,653		383,246		1,277,105		822,185		1,856,032		32,209,250		54,490,775

(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.

Table 5

County of Alleghany, 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		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy			
2017-18	\$ 17,785,917	\$ 17,493,648	98.36%	\$ 398,881	\$ 17,892,529	100.60%	\$ 683,135	3.84%	
2016-17	17,571,198	17,140,464	97.55%	227,217	17,367,681	98.84%	743,351	4.23%	
2015-16	17,749,218	17,241,475	97.14%	320,486	17,561,961	98.94%	699,953	3.94%	
2014-15	17,613,882	16,996,592	96.50%	329,846	17,326,438	98.37%	612,674	3.48%	
2013-14	17,568,748	17,276,587	98.34%	287,649	17,564,236	99.97%	637,328	3.63%	
2012-13	17,282,831	16,978,746	98.24%	209,664	17,188,410	99.45%	632,216	3.66%	
2011-12	16,374,806	16,235,714	99.15%	185,834	16,421,548	100.29%	462,659	2.83%	
2010-11	17,133,525	17,000,079	99.22%	263,622	17,263,701	100.76%	386,161	2.25%	
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%	
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%	

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.

Fiscal years 2012 through 2014 have been adjusted to account for refunds of approximately 1.4 million dollars.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2017-18	\$ 1,211,932,214	\$ 70,928,863	\$ 90,396,100	\$ 178,515,715	\$ 1,551,772,892
2016-17	1,205,493,480	69,838,584	87,848,224	170,703,976	1,533,884,264
2015-16	1,202,425,765	66,764,432	98,782,735	179,762,641	1,547,735,573
2014-15	1,198,562,696	66,625,672	96,917,748	176,440,723	1,538,546,839
2013-14	1,195,599,690	66,324,208	114,611,443	119,210,453	1,495,745,794
2012-13	1,189,199,438	64,151,894	122,088,331	111,530,160	1,486,969,823
2011-12	1,183,707,713	63,193,323	116,555,738	109,080,093	1,472,536,867
2010-11	1,177,769,900	61,240,685	116,208,339	103,422,277	1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747

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

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2017-18	\$ 0.71	\$ 5.95	\$ 0.71	\$ 5.95
2016-17	0.71	5.95	0.71	5.95
2015-16	0.69	5.95	0.69	5.95
2014-15	0.67	5.95	0.67	5.95
2013-14	0.67	5.95	0.67	5.95
2012-13	0.67	5.95	0.67	5.95
2011-12	0.64	5.95	0.64	5.95
2010-11	0.64	5.95	0.64	5.95
2009-10	0.66	5.95	0.66	5.95
2008-09	0.66	5.95	0.66	5.95

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	15,820	\$ 1,551,773	\$ 6,491,474	\$ 6,491,474	0.42%	\$ 410
2016-17	15,820	1,533,884	8,121,354	8,121,354	0.53%	513
2015-16	15,820	1,547,736	9,652,194	9,652,194	0.62%	610
2014-15	15,820	1,538,547	11,325,995	11,325,995	0.74%	716
2013-14	16,250	1,495,746	12,848,989	12,848,989	0.86%	791
2012-13	16,250	1,486,970	14,013,313	14,013,313	0.94%	862
2011-12	16,250	1,472,537	13,183,675	13,183,675	0.90%	811
2010-11	16,250	1,458,641	22,659,231	22,659,231	1.55%	1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495

(1) Population per the Bureau of the Census.

(2) Includes all long-term general obligations: bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Board of Supervisors
County of Alleghany, Virginia
Covington, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, 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 Alleghany, Virginia's basic financial statements and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2018-001).

Compliance and Other Matters

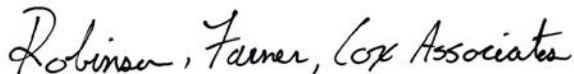
As part of obtaining reasonable assurance about whether the County of Alleghany, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Alleghany, Virginia's Response to Findings

County of Alleghany, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Alleghany, 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
December 7, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Alleghany, 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 Alleghany, Virginia's major federal programs for the year ended June 30, 2018. County of Alleghany, 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 Alleghany, 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 Alleghany, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Alleghany, 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 Alleghany, 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 Alleghany, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 7, 2018

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

Page 1 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950116/0950117	\$ 9,770
Temporary Assistance for Needy Families	93.558	0400117/0400118	218,173
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	332
Low-Income Home Energy Assistance	93.568	0600417/0600418	33,213
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	37,090
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	801
Foster Care - Title IV-E	93.658	1100117/1100118	130,559
Adoption Assistance	93.659	1120117/1120118	21,699
Social Services Block Grant	93.667	1000117/1000118	198,081
Children's Health Insurance Program	93.767	0540117/0540118	9,942
Medical Assistance Program	93.778	1200117/1200118	268,463
Chafee Foster Care Independence Program	93.674	9150117/9150118	1,943
Total Department of Health and Human Services			\$ 930,066
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Schools and Roads - Grants to States	10.665	43841	\$ 124,038
Schools and Roads - Grants to Counties	10.666	Not available	18,872
Rural Business Development Grant	10.351	Not available	116,812
Food Distribution (Note C) (Child Nutrition Cluster)	10.555	40623 \$ 58,479	
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	40623 426,170	\$ 484,649
School Breakfast Program	10.553	40621	149,013
Summer Food Service Program for Children	10.559	Not available	24,584
Total Child Nutrition Cluster			658,246
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118/ 0040117/0040118	268,237
Total Department of Agriculture			\$ 1,186,205
Environmental Protection Agency:			
Pass Through Payments:			
<i>Virginia Department of Health:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	VCWSTM 005	\$ 78,578
Total Environmental Protection Agency			\$ 78,578
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Highway Planning and Construction	20.205	103096, 108068	\$ 306,639
Alcohol Open Container Requirements	20.607	Not available	4,625
<i>Highway Safety Cluster:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Not available \$ 6,000	
National Priority Safety Programs	20.616	Not available	8,622
State and Community Highway Safety	20.600	Not available 6,400	
Highway Safety Cluster Total			21,022
Total Department of Transportation			\$ 332,286
Department of Justice:			
Pass Through Payments:			
<i>Office of Victims of Crime:</i>			
Crime Victim Assistance	16.575	Not available	\$ 136,927
Total Department of Justice			\$ 136,927

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

Page 2 of 2

Department of Education:

Pass Through Payments:

Department of Education:

Title I: Grants to Local Educational Agencies	84.010	42892	\$	499,635
Career and Technical Education: Basic Grants to States	84.048	43401		41,017
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	60180	\$	587,941
Special Education - Preschool Grants	84.173	61136		20,852
<i>Total Special Education Cluster</i>				608,793
Adult Education - Basic Grants to States	84.002	Not available		4,373
Supporting Effective Instruction State Grant	84.367	61490		92,358
Student Support and Academic Enrichment Program	84.424	Not available		555
English Language Acquisition State Grants	84.365	Not available		1,550

Total Department of Education \$ 1,248,281

Total Expenditures of Federal Awards \$ 3,912,343

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Alleghany, 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Alleghany, 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 numbers are presented where available.
- (3) The County did not elect to use 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

Note C -- Food Distribution

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

Note D -- Subrecipients

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

Note E -- Outstanding Balance of Federal Loans

The County has not received any federal funding through loans.

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	\$	11,975,945
Less: Revenue from the Commonwealth		(9,789,073)
Less: Payments in Lieu of Taxes		(383,672)
Water and Sewer Fund Loans		78,578

Component Unit School Board:

School Operating Fund-Intergovernmental		25,755,532
Less: Revenue from Local Governments		(11,307,417)
Less: Revenue from the Commonwealth		(12,417,550)
Governor's School Fund-Intergovernmental		108,603
Less: Revenue from the Commonwealth		(108,603)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 3,912,343

County of Alleghany, 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? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I - Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? Yes

County of Alleghany, 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:	An organization should prepare reconciliations to ensure amounts reported in the financial statements are materially correct.
Condition:	The County's Department of Social Services failed to perform reconciliations of Department expenditures to their requests for reimbursement of same from the Commonwealth for several months in the current fiscal year.
Cause of Condition:	The Department experienced significant turnover and new employees are still in the process of learning their roles and responsibilities.
Effect of Condition:	The audit identified an immaterial variance of \$1,621 between actual expenditures and amounts reported to the State as same.
Recommendation:	The Social Services Department should begin reconciling monthly expenses reported to the State against actual expenses.
Management's Response:	Management concurs with the finding and will begin reconciling monthly expenditures to requests for the reimbursement of same.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

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