

COUNTY OF FLOYD, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF FLOYD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

COUNTY OF FLOYD, VIRGINIA

BOARD OF SUPERVISORS

Joe D. Turman, Vice Chair Lauren D. Yoder	Case C. Clinger, Chair	J. Fred Gerald Linda Kuchenbuch
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COUNTY SCHOOL BOARD

Maria “Faye” C. Nichols, Vice Chair Linda T. King	James Ingram, Chair	C. Gene Bishop Laura LeRoy
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COUNTY SOCIAL SERVICES BOARD

Judy Britt, Vice Chair Cole Keister	Robert G. Stauffer, Chair	Case C. Clinger Mary Turman
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OTHER OFFICIALS

Clerk of the Circuit Court	Rhonda Vaughn
Commonwealth’s Attorney.....	Eric Branscom
Commissioner of the Revenue.....	Lisa D. Baker
Treasurer	Melissa M. Keith
Sheriff	Brian Craig
Superintendent of Schools	Kevin W. Harris
Director of Social Services	Tracie Brewster
County Administrator	Terri W. Morris
Assistant County Administrator	Cynthia Ryan
County Attorney	James Cornwell

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Floyd, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73, and 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules related to pension funding on pages 63-64 and 65-68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of the County of Floyd, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Floyd, Virginia's control over financial reporting and compliance.

Robinson, Farmer, Co. Associates

Blacksburg, Virginia
November 18, 2016

Basic Financial Statements

County of Floyd, Virginia
Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities	Component Unit School Board	Component Unit EDA
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,559,311	\$ 289,528	\$ 21,046
Cash in custody of others	-	1,265,526	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	4,675,212	-	-
Accounts receivable	166,513	94,267	8,893
Loan receivable - current portion	-	-	9,618
Capital lease receivable - current portion	162,500	-	22,700
Due from primary government	-	1,930,824	-
Intergovernmental receivable	520,118	561,385	-
Inventories	-	18,881	246,180
Prepaid items	88,602	118,649	-
Total current assets	\$ 15,172,256	\$ 4,279,060	\$ 308,437
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 684,670	\$ -	\$ 59,555
Loan receivable - net of current portion	-	-	118,624
Capital lease receivable - net of current portion	1,205,206	-	-
Capital assets not being depreciated:			
Land	880,603	265,917	430,419
Capital assets, net of accumulated depreciation:			
Buildings and improvements	15,036,915	1,993,668	2,225,134
Machinery and equipment	1,711,202	843,005	10,210
Total noncurrent assets	\$ 19,518,596	\$ 3,102,590	\$ 2,843,942
Total assets	\$ 34,690,852	\$ 7,381,650	\$ 3,152,379
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	\$ 71,123	\$ -	\$ -
Items related to measurement of net pension liability	-	699,716	-
Pension contributions subsequent to measurement date	366,184	1,561,082	-
Total deferred outflows of resources	\$ 437,307	\$ 2,260,798	\$ -
LIABILITIES			
Accounts payable	\$ 243,124	\$ 44,441	\$ 1,809
Accrued liabilities	-	1,930,824	-
Health claim payable	-	158,246	-
Customers' deposits	-	-	6,602
Accrued interest payable	198,382	-	-
Due to component unit	1,930,824	-	-
Unearned revenues	-	-	5,941
Noncurrent liabilities:			
Due within one year	1,541,310	419,330	-
Due in more than one year	14,224,849	18,231,569	-
Total Liabilities	\$ 18,138,489	\$ 20,784,410	\$ 14,352
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 4,289,368	\$ -	\$ -
Items related to measurement of net pension liability	384,168	1,933,374	-
Total deferred inflows of resources	\$ 4,673,536	\$ 1,933,374	\$ -
NET POSITION			
Net investment in capital assets	\$ 6,819,154	\$ 3,102,590	\$ 2,665,763
Restricted:			
Cafeteria	-	308,409	-
Capital equipment purchases	645,432	-	-
Asset forfeiture	39,238	-	-
Self-health insurance	-	1,107,280	-
Unrestricted (deficit)	4,812,310	(17,593,615)	472,264
Total Net Position	\$ 12,316,134	\$ (13,075,336)	\$ 3,138,027

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

County of Floyd, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities	Component Units	
			Grants and Contributions	Capital Grants and Contributions		School Board	EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 985,309	\$ 101,840	\$ 215,827	\$ -	\$ (667,642)		
Judicial administration	866,991	2,016	422,596	12,750	(429,629)		
Public safety	3,612,094	466,751	924,100	-	(2,221,243)		
Public works	1,959,374	168,317	24,657	-	(1,766,400)		
Health and welfare	1,489,708	-	1,108,642	-	(381,066)		
Education	6,415,200	-	-	-	(6,415,200)		
Parks, recreation, and cultural	328,238	1,622	-	-	(326,616)		
Community development	250,068	-	-	-	(250,068)		
Interest on long-term debt	509,781	-	-	-	(509,781)		
Total primary government	\$ 16,416,763	\$ 740,546	\$ 2,695,822	\$ 12,750	\$ (12,967,645)		
COMPONENT UNITS:							
School Board	\$ 20,527,647	\$ 464,012	\$ 13,911,704	\$ -	\$ (6,151,931)	\$ -	
EDA	364,285	8,603	-	-	-	-	(355,682)
Total component units	\$ 20,891,932	\$ 472,615	\$ 13,911,704	\$ -	\$ (6,151,931)	\$ (355,682)	
General revenues:							
General property taxes					\$ 11,357,048	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					818,365	-	-
Consumers' utility taxes					355,267	-	-
Consumption taxes					42,559	-	-
Motor vehicle licenses					395,769	-	-
Recordation tax					5,356	-	-
Hotel and motel room taxes					39,739	-	-
Other local taxes					25,603	-	-
Unrestricted revenues from use of money and property					70,273	-	26,864
Miscellaneous					57,260	29,630	8,932
Contributions from the County of Floyd					-	6,407,741	-
Grants and contributions not restricted to specific programs					1,614,105	-	36,848
Total general revenues					\$ 14,781,344	\$ 6,437,371	\$ 72,644
Change in net position					\$ 1,813,699	\$ 285,440	\$ (283,038)
Net position - beginning					10,502,435	(13,360,776)	3,421,065
Net position - ending					\$ 12,316,134	\$ (13,075,336)	\$ 3,138,027

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

County of Floyd, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Fire and Rescue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,985,057	\$ -	\$ 9,985,057
Receivables (net of allowance for uncollectibles):			
Taxes receivable	4,675,212	-	4,675,212
Accounts receivable	166,513	-	166,513
Due from other governmental units	520,118	-	520,118
Prepaid items	77,972	-	77,972
Long term capital lease receivable	1,367,706	-	1,367,706
Restricted assets:			
Cash and cash equivalents	684,670	-	684,670
Total assets	<u>\$ 17,477,248</u>	<u>\$ -</u>	<u>\$ 17,477,248</u>
LIABILITIES			
Accounts payable	\$ 242,494	\$ 630	\$ 243,124
Reconciled overdraft	-	425,746	425,746
Due to component unit	1,930,824	-	1,930,824
Total liabilities	<u>\$ 2,173,318</u>	<u>\$ 426,376</u>	<u>\$ 2,599,694</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 4,524,408	\$ -	\$ 4,524,408
Unavailable revenue - EMS billings	81,307	-	81,307
Unavailable revenue - capital lease receivable	1,367,706	-	1,367,706
Unavailable revenue - prepaid taxes	206,780	-	206,780
Total deferred inflows of resources	<u>\$ 6,180,201</u>	<u>\$ -</u>	<u>\$ 6,180,201</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 77,972	\$ -	\$ 77,972
Restricted:			
Capital equipment purchases	645,432	-	645,432
Asset forfeiture	39,238	-	39,238
Assigned:			
Environmental solid waste	170,640	-	170,640
Law Library	30,645	-	30,645
Courts	56,687	-	56,687
E-911	770,663	-	770,663
Courthouse Maintenance	76,119	-	76,119
Unassigned	7,256,333	(426,376)	6,829,957
Total fund balances (deficit)	<u>\$ 9,123,729</u>	<u>\$ (426,376)</u>	<u>\$ 8,697,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,477,248</u>	<u>\$ -</u>	<u>\$ 17,477,248</u>

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

County of Floyd, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,697,353
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 880,603	
Buildings and improvements	15,036,915	
Machinery and equipment	<u>1,711,202</u>	17,628,720

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	\$ 441,820	
Unavailable revenue - EMS billings	81,307	
Unavailable revenue - capital lease receivable	1,367,706	
Items related to measurement of net pension liability	<u>(384,168)</u>	1,506,665

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

366,184

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

Loans and bonds payable	\$ (9,734,923)	
Unamortized bond premium	(25,176)	
Capital leases	(2,752,227)	
Compensated absences	(312,011)	
Accrued interest payable	(198,382)	
Net pension liability	(1,710,798)	
Deferred charges on refunding	71,123	
Prepaid bond insurance	10,630	
Landfill closure/post-closure liability	<u>(1,231,024)</u>	<u>(15,882,788)</u>

Net position of governmental activities	<u>\$ 12,316,134</u>
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The notes to the financial statements are an integral part of this statement.

County of Floyd, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Fire and Rescue</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,114,441	\$ 237,394	\$ 11,351,835
Other local taxes	1,682,658	-	1,682,658
Permits, privilege fees, and regulatory licenses	122,396	-	122,396
Fines and forfeitures	1,319	-	1,319
Revenue from the use of money and property	232,773	-	232,773
Charges for services	718,187	-	718,187
Miscellaneous	57,260	-	57,260
Recovered costs	92,914	-	92,914
Intergovernmental:			
Commonwealth	3,519,867	64,444	3,584,311
Federal	738,366	-	738,366
Total revenues	<u>\$ 18,280,181</u>	<u>\$ 301,838</u>	<u>\$ 18,582,019</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,073,384	\$ -	\$ 1,073,384
Judicial administration	900,242	-	900,242
Public safety	3,027,920	434,142	3,462,062
Public works	1,780,079	-	1,780,079
Health and welfare	1,583,268	-	1,583,268
Education	6,226,275	-	6,226,275
Parks, recreation, and cultural	296,560	-	296,560
Community development	248,572	-	248,572
Capital projects	1,034,225	-	1,034,225
Debt service:			
Principal retirement	1,429,662	37,155	1,466,817
Interest and other fiscal charges	523,754	2,151	525,905
Total expenditures	<u>\$ 18,123,941</u>	<u>\$ 473,448</u>	<u>\$ 18,597,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 156,240</u>	<u>\$ (171,610)</u>	<u>\$ (15,370)</u>
Net change in fund balances	\$ 156,240	\$ (171,610)	\$ (15,370)
Fund balances - beginning	<u>8,967,489</u>	<u>(254,766)</u>	<u>8,712,723</u>
Fund balances (deficit) - ending	<u><u>\$ 9,123,729</u></u>	<u><u>\$ (426,376)</u></u>	<u><u>\$ 8,697,353</u></u>

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

County of Floyd, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	(15,370)
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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 capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 1,269,800		
Depreciation expense	(901,034)		368,766

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

Increase (decrease) in unavailable revenue - property taxes	\$ 5,213		
Increase (decrease) in unavailable revenue - EMS billings	(101,356)		
Increase (decrease) in unavailable revenue - capital lease receivable	(162,500)		
(Increase) decrease in deferred inflows of resources related to the measurement of the net pension liability	342,201		83,558

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

Principal payments:			
Loans and bonds	\$ 1,131,206		
Capital leases	335,611		1,466,817

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

(Increase) decrease in compensated absences	\$ 43,206		
(Increase) decrease in net pension liability	(151,568)		
Increase (decrease) in deferred outflows related to pension payments subsequent to measurement date	13,145		
(Increase) decrease in accrued interest payable	25,580		
Increase (decrease) in prepaid bond insurance	(494)		
(Increase) decrease in premium on revenue bond	1,199		
Increase (decrease) in deferred amount on refunding	(10,161)		
(Increase) decrease in landfill closure/post-closure liability	(10,979)		(90,072)

Change in net position of governmental activities	\$	<u>1,813,699</u>
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The notes to the financial statements are an integral part of this statement.

County of Floyd, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 6,735
	<u>6,735</u>
LIABILITIES	
Amounts held for social services clients	\$ 6,735
	<u>6,735</u>

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

The County has no blended component units to be included for the fiscal year ended June 30, 2016.

Discretely Presented Component Units

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

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

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations

Floyd-Floyd County Public Service Authority

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

Floyd-Floyd County Recreational Authority

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

Floyd-Floyd County Tourism Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Tourism Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$21,000 to the Authority for the current year.

Montgomery-Floyd Regional Library

The County, in conjunction with Montgomery County, and the Towns of Christiansburg and Blacksburg, participates in the Montgomery-Floyd Regional Library. The governing board is composed of members from each of the participating localities. The county contributed \$72,325 to the Library for the current year.

New River Valley Community Services

The County and the Counties of Montgomery, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$32,324 to NRVCS for the current year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

New River Valley Regional Jail Authority

The County, in conjunction with the Counties of Bland, Carroll, Giles, Grayson, and Pulaski, and the City of Radford, participates in the New River Valley Regional Jail Authority. Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at the regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$469,377 for the current year.

B. Government-Wide and Fund Financial Statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

D. Budgets and Budgetary Accounting (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2016, the following departments/funds have expenditures that exceeded appropriations: Reassessment, Electoral Board, Juvenile and Domestic Court, and Maintenance of Properties.

Deficit fund equity

At June 30, 2016, the Fire and Rescue Fund had deficit fund equity.

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

1. Cash and Cash Equivalents

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

Restricted cash at year end consists of unspent capital lease proceeds. Cash in custody of others for the component unit School Board consists of funds held by Anthem and Delta Dental for their self-health insurance fund (see note 17).

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

3. Receivables and Payables

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$90,826 for property taxes and \$399,700 for EMS billings at June 30, 2016.

6. Use of Estimates

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

7. Prepaid Items

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

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

8. Capital Assets

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

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

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

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

Assets	Years
Buildings	40
Building improvements	40
Machinery and equipment	4-30

9. Compensated Absences

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

10. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

10. Long-Term Obligations (Continued)

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

11. Fund Equity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County only has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, certain items related to the measurement of the net pension liability are reported as deferred outflows of resources. Contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. In addition, the change in proportionate share of the net pension liability and differences between expected and actual experience are recorded as a deferred outflow of resources. For more detailed information on these items, reference the pension note.

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

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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

13. Net Position (Continued)

The County's net position is classified as follows:

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

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

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

14. Net Position Flow Assumption

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

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

F. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2, if applicable.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2—Deposits and Investments:

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The County did not have any investments as of June 30, 2016.

Note 3—Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 156,166	\$ -
State sales tax		426,847
Non-categorical aid	114,121	-
Categorical aid - shared expenses	104,515	-
Categorical aid - welfare payments	26,479	-
Categorical aid - other	26,970	-
Children's Services Act (CSA)	36,001	-
<u>Federal Government:</u>		
Categorical aid - welfare payments	48,366	-
School federal programs	-	134,538
Categorical aid - other	7,500	-
	<u>\$ 520,118</u>	<u>\$ 561,385</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4-Interfund/Component-Unit Obligations:

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

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 1,930,824	\$ -
Component Unit:		
School Board	-	1,930,824

Primary government contributions to component units for the year ended June 30, 2016, consisted of the \$6,218,816 and \$0 to the Component Unit - School Board and the Component Unit - EDA, respectively.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. During the fiscal year, the County did not transfer any amounts between funds.

Note 5—Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bonds	\$ 8,963,331	\$ -	\$ (1,069,613)	\$ 7,893,718
Lease revenue bonds	1,902,798	-	(61,593)	1,841,205
Unamortized bond premium	26,375	-	(1,199)	25,176
Capital leases	3,087,838	-	(335,611)	2,752,227
Landfill closure/post-closure liability	1,220,045	10,979	-	1,231,024
Compensated absences	355,217	223,207	(266,413)	312,011
Net pension liability	1,559,230	1,297,305	(1,145,737)	1,710,798
Total	<u>17,114,834</u>	<u>1,531,491</u>	<u>(2,880,166)</u>	<u>15,766,159</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 897,703	\$ 335,581	\$ 63,434	\$ 72,175
2018	914,175	295,482	69,800	69,684
2019	931,365	254,667	71,209	67,025
2020	949,306	213,101	72,661	64,323
2021	968,031	170,750	74,160	61,574
2022-2026	3,233,138	354,848	429,983	261,312
2027-2031	-	-	515,186	171,359
2032-2036	-	-	424,772	69,662
2037-2038	-	-	120,000	6,000
Totals	\$ <u>7,893,718</u>	\$ <u>1,624,429</u>	\$ <u>1,841,205</u>	\$ <u>843,114</u>

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General obligation bonds:</u>						
Refunding bonds	2.32%	9/6/2012	7/15/2022	\$2,215,060	\$ 1,485,962	\$ 215,981
School construction bonds	4.60-5.10%	11/10/2005	7/15/2025	10,259,045	5,515,480	510,037
School construction bonds	5.10-5.80%	11/16/2000	7/15/2020	3,110,483	892,276	171,685
Total general obligation bonds					\$ 7,893,718	\$ 897,703
<u>Lease revenue bonds:</u>						
Revenue bond - Library	4.25-5.00%	8/8/2007	8/1/2037	1,000,000	\$ 855,000	\$ 20,000
Revenue bond - EDA Bldg.	3.10%	12/23/2013	1/23/2034	1,088,000	986,205	43,434
Total lease revenue bonds					\$ 1,841,205	\$ 63,434
<u>Other long-term obligations:</u>						
Capital leases (Note 7)					\$ 2,752,227	\$ 344,966
Unamortized bond premium					25,176	1,199
Landfill closure/post-closure liability					1,231,024	-
Net pension liability					1,710,798	-
Compensated absences					312,011	234,008
Total other long-term obligations					\$ 6,031,236	\$ 580,173
Total long-term obligations					\$15,766,159	\$1,541,310

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6—Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Compensated absences	\$ 643,932	\$ 398,124	\$ (482,949)	\$ 559,107
Net pension liability	17,742,282	835,268	(485,758)	18,091,792
Total	<u>\$ 18,386,214</u>	<u>\$ 1,233,392</u>	<u>\$ (968,707)</u>	<u>\$ 18,650,899</u>

Details of long-term indebtedness:

	Balance Component Unit School Board	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 559,107	\$ 419,330
Net pension liability	18,091,792	-
Total Long-term Obligations	<u>\$ 18,650,899</u>	<u>\$ 419,330</u>

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7—Capital Leases:

Primary Government

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

Total capital assets acquired through capital leases are as follows:

Pierce pumper truck - Public Safety	\$ 255,005
Brush trucks - Public Safety	225,000
Ambulance - Public Safety	141,225
Fire truck - Public Safety	439,647
Trash truck - Public Works	231,224
Vehicles - Public Safety	55,620
School renovations	1,131,088
School buses	235,575
Total capital assets	\$ 2,714,384
Accumulated depreciation	(723,621)
Net book value of capital assets	<u>\$ 1,990,763</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	Capital Leases
2016	\$ 408,648
2017	408,648
2018	408,648
2019	408,649
2020	302,474
2021-2025	1,100,180
Subtotal	\$ 3,037,247
Less, amount representing interest	(285,020)
Present value of lease agreements	<u>\$ 2,752,227</u>

The future minimum lease as amortized above includes the May 2015 issuance of \$1,750,000 which \$645,432 has yet to be spent as of June 30, 2016.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan:

Plan Description

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

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		About the Hybrid Retirement Plan (Cont.) • 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.
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. 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.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 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.) <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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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. When buying service, members must purchase their most recent period of service first. 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: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 10.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$366,184 and \$347,839 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$1,710,798 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2015 and 2014 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 93.96% and 93.96%, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The total pension liability for General Employees in the County of Floyd, Virginia's Retirement Plan and the Floyd County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 - Non-LEOS:
- Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

- All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County of Floyd, Virginia’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8—Pension Plan: (Continued)****Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County of Floyd, Virginia Retirement Plan, Floyd County Public Schools Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County of Floyd's Retirement Plan Net Pension Liability (Asset)	\$ 3,595,019	\$ 1,710,798	\$ 148,174

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County recognized pension expense of 157,205. 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, 2016, 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	\$ -	\$ 68,472
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	315,696
Employer contributions subsequent to the measurement date	366,184	-
Total	<u>\$ 366,184</u>	<u>\$ 384,168</u>

\$366,184 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2017	\$ (147,933)
2018	(147,933)
2019	(145,572)
2020	57,270
Thereafter	-

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

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

Employees Covered by Benefit Terms

As of the June 30, 2014 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	66
Inactive members:	
Vested inactive members	12
Non-vested inactive members	20
Inactive members active elsewhere in VRS	<u>18</u>
Total inactive members	50
Active members	<u>75</u>
Total covered employees	<u>191</u>

Contributions

The Floyd County School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 12.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the political subdivision's plan was 10.36%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Floyd County School Board's nonprofessional employees were \$150,059 and \$146,934 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability

The Floyd County School Board's (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,349,300	\$ 6,039,018	\$ 1,310,282
Changes for the year:			
Service cost	\$ 141,862	\$ -	\$ 141,862
Interest	494,918	-	494,918
Differences between expected and actual experience	99,493	-	99,493
Contributions - employer	-	146,934	(146,934)
Contributions - employee	-	72,990	(72,990)
Net investment income	-	265,834	(265,834)
Benefit payments, including refunds of employee contributions	(558,076)	(558,076)	-
Administrative expenses	-	(3,938)	3,938
Other changes	-	(57)	57
Net changes	\$ 178,197	\$ (76,313)	\$ 254,510
Balances at June 30, 2015	\$ 7,527,497	\$ 5,962,705	\$ 1,564,792

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 2,389,435	\$ 1,564,792	\$ 866,691

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

For the year ended June 30, 2016, the Floyd County School Board (nonprofessional) recognized pension expense of \$133,352. At June 30, 2016, the Floyd County 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	\$ 58,716	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	164,375
Employer contributions subsequent to the measurement date	150,059	-
Total	\$ 208,775	\$ 164,375

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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)

\$150,059 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. 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>
2017	\$ (23,677)
2018	(46,512)
2019	(64,455)
2020	28,985
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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,411,023 and \$1,408,640 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, the school division reported a liability of \$16,527,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .13131% as compared to .13597% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,270,000. 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, 2016, 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	\$ -	\$ 228,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,012,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	641,000	529,000
Employer contributions subsequent to the measurement date	1,411,023	-
Total	\$ 2,052,023	\$ 1,769,000

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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)

\$1,411,023 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2017	\$ (388,000)
2018	(388,000)
2019	(388,000)
2020	118,000
Thereafter	(82,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 24,186,000	\$ 16,527,000	\$ 10,222,000

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9—Capital Assets:

Primary Government

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 714,094	\$ 166,509	\$ -	\$ 880,603
Total capital assets not being depreciated	\$ 714,094	\$ 166,509	\$ -	\$ 880,603
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,112,785	\$ -	\$ -	\$ 22,112,785
Machinery and equipment	6,272,676	1,103,291	(44,110)	7,331,857
Total capital assets being depreciated	\$ 28,385,461	\$ 1,103,291	\$ (44,110)	\$ 29,444,642
Accumulated depreciation:				
Buildings and improvements	\$ (6,533,023)	\$ (542,847)	\$ -	\$ (7,075,870)
Machinery and equipment	(5,306,578)	(358,187)	44,110	(5,620,655)
Total accumulated depreciation	\$ (11,839,601)	\$ (901,034)	\$ 44,110	\$ (12,696,525)
Total capital assets being depreciated, net	\$ 16,545,860	\$ 202,257	\$ -	\$ 16,748,117
Governmental activities capital assets, net	\$ 17,259,954	\$ 368,766	\$ -	\$ 17,628,720

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9—Capital Assets: (Continued)

Primary Government (continued)

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

Governmental activities:	
General government administration	\$ 2,282
Judicial administration	2,370
Public safety	240,058
Public works	189,713
Health and welfare	10,553
Education	424,500
Parks, recreation, and culture	31,558
Total depreciation expense - governmental activities	<u>\$ 901,034</u>

Discretely Presented Component Unit - School Board

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 265,917	\$ -	\$ -	\$ 265,917
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,963,095	\$ -	\$ -	\$ 4,963,095
Machinery and equipment	3,416,860	172,374	-	3,589,234
Total capital assets being depreciated	<u>\$ 8,379,955</u>	<u>\$ 172,374</u>	<u>\$ -</u>	<u>\$ 8,552,329</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,874,734)	\$ (94,693)	\$ -	\$ (2,969,427)
Machinery and equipment	(2,566,091)	(180,138)	-	(2,746,229)
Total accumulated depreciation	<u>\$ (5,440,825)</u>	<u>\$ (274,831)</u>	<u>\$ -</u>	<u>\$ (5,715,656)</u>
Total capital assets being depreciated, net	<u>\$ 2,939,130</u>	<u>\$ (102,457)</u>	<u>\$ -</u>	<u>\$ 2,836,673</u>
Governmental activities capital assets, net	<u>\$ 3,205,047</u>	<u>\$ (102,457)</u>	<u>\$ -</u>	<u>\$ 3,102,590</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9—Capital Assets: (Continued)

Discretely Presented Component Unit - EDA

Capital asset activity for the Authority for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 82,029	\$ 348,390	\$ -	\$ 430,419
Total capital assets not being depreciated	\$ 82,029	\$ 348,390	\$ -	\$ 430,419
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,311,828	\$ -	\$ -	\$ 2,311,828
Machinery and equipment	72,265	-	-	72,265
Total capital assets being depreciated	\$ 2,384,093	\$ -	\$ -	\$ 2,384,093
Accumulated depreciation:				
Buildings and improvements	\$ (28,898)	\$ (57,796)	\$ -	\$ (86,694)
Machinery and equipment	(45,381)	(16,674)	-	(62,055)
Total accumulated depreciation	\$ (74,279)	\$ (74,470)	\$ -	\$ (148,749)
Total capital assets being depreciated, net	\$ 2,309,814	\$ (74,470)	\$ -	\$ 2,235,344
Business-type activities capital assets, net	\$ 2,391,843	\$ 273,920	\$ -	\$ 2,665,763

Note 10—Risk Management:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11—Contingent Liabilities:

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

Note 12—Deferred/Unavailable Revenue:

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

	Government-wide Statements <u>Governmental Activities</u>	Balance Sheet <u>Governmental Funds</u>
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 441,820
Tax assessments due after June 30	4,082,588	4,082,588
Unavailable EMS revenue representing uncollected EMS billings that are not available for funding of current expenditures.	-	81,307
Prepaid taxes relating to taxes due in a future period.	<u>206,780</u>	<u>206,780</u>
Total deferred/unavailable revenue	\$ <u>4,289,368</u>	\$ <u>4,812,495</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13-Landfill Closure and Post-closure Care Cost:

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

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability for post closure care is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the County, as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated post closure care and corrective costs to date for this site, less cash paid for such costs to date, totals \$1,231,024. This amount is included in the long-term liabilities in the primary government.

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

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

Note 14 - Operating Lease

The County leases a manufacturing building to Legacy, Inc. The agreement was for a ten-year term that initially ended on January 31, 2010. However, the lease has been renewed annually for additional one year periods through January 31, 2017. The lease requires Legacy maintain a certain level of employment at the facility or the County can declare the company in default and take possession of the building. Legacy has an option to purchase the building at any time during the term of the lease at a then determined fair market appraised value of the property. The 2017 minimum monthly rental payment under this lease is \$3,600.

Note 15-Capital Lease Receivable

During the fiscal year ending June 30, 2014, the County purchased a building and related land with debt proceeds and subsequently transferred ownership to the Floyd County Economic Development Authority (EDA). During fiscal year 2015, the EDA leased the building to a local corporation and assigned all rental payments to the County. For financial reporting purposes, the lease is considered a capital lease. As such, the County has recorded a long-term receivable (\$1,367,706 as of June 30, 2016) for anticipated lease payments. Terms of the lease agreement require monthly payments of \$13,542 for a period of ten years beginning on December 1, 2014.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 16—Litigation:

As of June 30, 2016, 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 17—Self Health Insurance:

The Floyd County School Board established a limited risk management program for health insurance. Premiums are paid into the Anthem health plan account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2016, a total of \$1,724,267 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$1,741,649. The risk assumed by the School Board is based on the number of participants in the program and is limited to \$90,000 per participant or \$1,109,454 in the aggregate. Incurred but not reported claims of \$158,246 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2015-16	\$ 140,864	\$ 1,741,649	\$ (1,724,267)	\$ 158,246
2014-15	120,320	1,492,224	(1,471,680)	140,864
2012-13	78,407	1,618,279	(1,576,366)	120,320

As of June 30, 2016, funds totaling \$1,265,525 were held in trust by Anthem and Delta Dental for the payment of claims and costs associated with the self-health insurance program. These funds are reported as cash in the custody of others in the accompanying financial statements.

Note 18—Subsequent Events:

On August 4, 2016, the County issued a series of refunding bonds in the amount of \$2,645,000, with interest rates of 1.70%-3.60%, to pay off bonds in the amount of \$2,568,858. The refunding included a total present value savings of \$177,237.

Note 18—Upcoming Pronouncements

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18—Upcoming Pronouncements (Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

Required Supplementary Information

County of Floyd, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 10,256,390	\$ 10,270,050	\$ 11,114,441	\$ 844,391
Other local taxes	1,630,500	1,630,500	1,682,658	52,158
Permits, privilege fees, and regulatory licenses	100,200	100,200	122,396	22,196
Fines and forfeitures	9,500	9,500	1,319	(8,181)
Revenue from the use of money and property	246,892	246,892	232,773	(14,119)
Charges for services	694,915	751,482	718,187	(33,295)
Miscellaneous	5,750	6,369	57,260	50,891
Recovered costs	41,500	112,400	92,914	(19,486)
Intergovernmental:				
Commonwealth	3,857,342	4,024,832	3,519,867	(504,965)
Federal	744,395	770,317	738,366	(31,951)
Total revenues	\$ 17,587,384	\$ 17,922,542	\$ 18,280,181	\$ 357,639
EXPENDITURES				
Current:				
General government administration	\$ 1,394,933	\$ 1,166,953	\$ 1,073,384	\$ 93,569
Judicial administration	933,141	980,302	900,242	80,060
Public safety	3,009,566	3,314,499	3,027,920	286,579
Public works	1,413,400	1,701,671	1,780,079	(78,408)
Health and welfare	1,884,119	2,006,981	1,583,268	423,713
Education	6,489,799	6,641,649	6,226,275	415,374
Parks, recreation, and cultural	299,212	299,212	296,560	2,652
Community development	249,867	273,986	248,572	25,414
Capital projects	468,000	1,336,519	1,034,225	302,294
Debt service:				
Principal retirement	1,285,388	1,285,388	1,429,662	(144,274)
Interest and other fiscal charges	470,899	470,899	523,754	(52,855)
Total expenditures	\$ 17,898,324	\$ 19,478,059	\$ 18,123,941	\$ 1,354,118
Excess (deficiency) of revenues over (under) expenditures	\$ (310,940)	\$ (1,555,517)	\$ 156,240	\$ 1,711,757
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ 240,000	\$ 1,107,716	\$ -	\$ (1,107,716)
Net change in fund balances	\$ (70,940)	\$ (447,801)	\$ 156,240	\$ 604,041
Fund balances - beginning	70,940	447,801	8,967,489	8,519,688
Fund balances - ending	\$ -	\$ -	\$ 9,123,729	\$ 9,123,729

Statement of Net Position
Fire and Rescue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<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	\$ 392,308	\$ 392,308	\$ 237,394	\$ (154,914)
Intergovernmental:				
Commonwealth	60,279	62,366	64,444	2,078
Total revenues	<u>\$ 452,587</u>	<u>\$ 454,674</u>	<u>\$ 301,838</u>	<u>\$ (152,836)</u>
EXPENDITURES				
Current:				
Public safety	\$ 406,987	\$ 441,424	\$ 434,142	\$ 7,282
Debt service:				
Principal retirement	37,155	37,155	37,155	-
Interest and other fiscal charges	8,445	8,445	2,151	6,294
Total expenditures	<u>\$ 452,587</u>	<u>\$ 487,024</u>	<u>\$ 473,448</u>	<u>\$ 13,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (32,350)</u>	<u>\$ (171,610)</u>	<u>\$ (139,260)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (32,350)</u>	<u>\$ (171,610)</u>	<u>\$ (139,260)</u>
Fund balances - beginning	-	32,350	(254,766)	(287,116)
Fund balances (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (426,376)</u>	<u>\$ (426,376)</u>

County of Floyd, Virginia
Schedule of the Employer's Proportionate Share of the Net Pension Liability
June 30, 2016

Measurement Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Employee Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government - Floyd County Retirement Plan					
6/30/2015	93.96%	\$ 1,710,798	\$ 3,182,425	53.76%	87.93%
6/30/2014	93.96%	1,559,230	3,158,882	49.36%	88.43%
Component Unit - School Board (professional)					
6/30/2015	0.13%	\$ 16,527,000	\$ 10,780,367	153.31%	70.68%
6/30/2014	0.14%	16,432,000	8,527,080	192.70%	70.88%

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

County of Floyd, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 141,862	\$ 141,371
Interest	494,918	484,197
Changes of benefit terms	-	-
Differences between expected and actual experience	99,493	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(558,076)	(386,746)
Net change in total pension liability	\$ 178,197	\$ 238,822
Total pension liability - beginning	7,349,300	7,110,478
Total pension liability - ending (a)	\$ 7,527,497	\$ 7,349,300
Plan fiduciary net position		
Contributions - employer	\$ 146,934	\$ 120,805
Contributions - employee	72,990	71,995
Net investment income	265,834	838,193
Benefit payments, including refunds of employee contributions	(558,076)	(386,746)
Administrative expense	(3,938)	(4,638)
Other	(57)	45
Net change in plan fiduciary net position	\$ (76,313)	\$ 639,654
Plan fiduciary net position - beginning	6,039,018	5,399,364
Plan fiduciary net position - ending (b)	\$ 5,962,705	\$ 6,039,018
School Division's net pension liability - ending (a) - (b)	\$ 1,564,792	\$ 1,310,282
Plan fiduciary net position as a percentage of the total pension liability	79.21%	82.17%
Covered payroll	\$ 1,418,282	\$ 1,439,871
School Division's net pension liability as a percentage of covered payroll	110.33%	91.00%

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

County of Floyd, Virginia
Schedule of Contribution Requirements
June 30, 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Payroll	Contributions as a % of Covered Payroll (2)/(4)
	(1)	(2)	(3)	(4)	(5)
Primary Government - Floyd County Retirement Plan					
6/30/2016	\$ 366,184	\$ 366,184	\$ -	\$ 3,350,265	10.93%
6/30/2015	347,839	347,839	-	3,182,425	10.93%
6/30/2014	378,434	378,434	-	3,158,882	11.98%
6/30/2013	370,739	370,739	-	3,094,649	11.98%
6/30/2012	305,053	305,053	-	2,896,988	10.53%
6/30/2011	292,169	292,169	-	2,774,634	10.53%
6/30/2010	283,748	283,748	-	2,773,683	10.23%
6/30/2009	279,483	279,483	-	2,731,993	10.23%
6/30/2008	223,179	223,179	-	2,695,398	8.28%
6/30/2007	214,123	214,123	-	2,586,030	8.28%
Component Unit School Board (nonprofessional)					
6/30/2016	\$ 191,774	\$ 150,059	\$ 41,715	\$ 1,448,446	10.36%
6/30/2015	184,301	146,934	37,367	1,418,282	10.36%
6/30/2014	172,641	120,805	51,836	1,439,871	8.39%
6/30/2013	160,342	112,199	48,143	1,337,294	8.39%
6/30/2012	95,527	95,527	-	1,296,159	7.37%
6/30/2011	98,938	98,938	-	1,342,443	7.37%
6/30/2010	104,397	104,397	-	1,362,891	7.66%
6/30/2009	106,187	106,187	-	1,386,255	7.66%
6/30/2008	107,920	107,920	-	1,343,956	8.03%
6/30/2007	116,563	116,563	-	1,451,594	8.03%
Component Unit School Board (professional) (1)					
6/30/2016	\$ 1,411,023	\$ 1,411,023	\$ -	\$ 10,035,725	14.06%
6/30/2015	1,415,570	1,415,570	-	10,780,367	13.13%
6/30/2014	1,159,427	1,159,427	-	8,527,080	13.60%

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

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

(1) Only 3 years of information is available.

County of Floyd, Virginia
Notes to Required Supplementary Information
June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

FIDUCIARY FUNDS - AGENCY FUNDS

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

County of Floyd, Virginia
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 7,605	\$ 49,341	\$ (50,211)	\$ 6,735
Total Assets	<u>\$ 7,605</u>	<u>\$ 49,341</u>	<u>\$ (50,211)</u>	<u>\$ 6,735</u>
Liabilities				
Amounts held for social services clients	\$ 7,605	\$ 49,341	\$ (50,211)	\$ 6,735
Total Liabilities	<u>\$ 7,605</u>	<u>\$ 49,341</u>	<u>\$ (50,211)</u>	<u>\$ 6,735</u>

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 Floyd, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 289,528
Cash in custody of others	1,265,526
Accounts receivable	94,267
Due from primary government	1,930,824
Due from other governmental units	561,385
Inventories	18,881
Prepaid items	118,649
Total assets	<u>\$ 4,279,060</u>
LIABILITIES	
Accounts payable	\$ 44,441
Accrued payroll liabilities	1,930,824
Health claim payable	158,246
Total liabilities	<u>\$ 2,133,511</u>
FUND BALANCES	
Nonspendable:	
Prepaid items and inventory	\$ 137,530
Restricted:	
Cafeteria	289,528
Self health insurance	1,107,280
Unassigned	611,211
Total fund balances	<u>\$ 2,145,549</u>
Total liabilities and fund balances	<u>\$ 4,279,060</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,145,549
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 265,917
Buildings and improvements	1,993,668
Machinery and equipment	<u>843,005</u>
	3,102,590
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(1,933,374)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (559,107)
Net pension liability	(18,091,792)
Adjustment to deferred outflows related to net pension liability	<u>699,716</u>
	(17,951,183)
Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	1,561,082
Net position of governmental activities	<u><u>\$ (13,075,336)</u></u>

County of Floyd, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund
REVENUES	
Charges for services	\$ 464,012
Miscellaneous	29,630
Recovered costs	238,515
Intergovernmental:	
Local government	6,218,816
Commonwealth	11,848,661
Federal	1,810,043
Total revenues	<u>\$ 20,609,677</u>
EXPENDITURES	
Current:	
Education	<u>\$ 20,719,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (109,511)</u>
Net change in fund balances	\$ (109,511)
Fund balances - beginning	<u>2,255,060</u>
Fund balances - ending	<u><u>\$ 2,145,549</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (109,511)
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 asset additions	\$ 172,374
Depreciation expense	<u>(274,831)</u> (102,457)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
(Increase) decrease in deferred inflows of resources related to the measurement of the net pension liability	\$ 879,375
One-time payment to VRS Teacher Pension Plan from Virginia Literary Fund	<u>253,000</u> 1,132,375
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	\$ 84,825
Increase (decrease) in deferred outflows of resources related to the measurement of the net pension liability	(117,282)
(Increase) decrease in net pension liability	<u>(602,510)</u> (634,967)
Change in net position of governmental activities	<u><u>\$ 285,440</u></u>

County of Floyd, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

For the Year Ended June 30, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 499,271	\$ 687,783	\$ 464,012	\$ (223,771)
Miscellaneous	63,800	62,800	29,630	(33,170)
Recovered costs	108,000	170,838	238,515	67,677
Intergovernmental:				
Local government	6,482,340	6,634,190	6,218,816	(415,374)
Commonwealth	11,603,347	11,848,148	11,848,661	513
Federal	1,632,408	1,719,298	1,810,043	90,745
Total revenues	\$ 20,389,166	\$ 21,123,057	\$ 20,609,677	\$ (513,380)
EXPENDITURES				
Current:				
Education	\$ 20,389,166	\$ 21,123,057	\$ 20,719,188	\$ 403,869
Total expenditures	\$ 20,389,166	\$ 21,123,057	\$ 20,719,188	\$ 403,869
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (109,511)	\$ (109,511)
Net change in fund balances	\$ -	\$ -	\$ (109,511)	\$ (109,511)
Fund balances - beginning	-	-	2,255,060	2,255,060
Fund balances - ending	\$ -	\$ -	\$ 2,145,549	\$ 2,145,549

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC
DEVELOPMENT AUTHORITY**

PROPRIETARY FUNDS

Enterprise Fund - The Enterprise Fund accounts for the operations of the County's Economic Development Authority. Financing is provided by charges for services and the Federal government, as well as contributions from the General Fund.

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2016

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 21,046
Accounts receivable	8,893
Loan receivable - current portion	9,618
Lease receivable	22,700
Inventory, held for resale	246,180
Total current assets	<u>\$ 308,437</u>
Other assets:	
Loan receivable - net of current portion	\$ 118,624
Restricted cash and cash equivalents	<u>59,555</u>
Capital assets:	
Land	430,419
Machinery and equipment	72,265
Building	2,311,828
Accumulated depreciation	(148,749)
Total capital assets	<u>\$ 2,665,763</u>
Total noncurrent assets	<u>\$ 2,843,942</u>
Total assets	<u>\$ 3,152,379</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,809
Customers' deposits	6,602
Unearned revenue	5,941
Total liabilities	<u>\$ 14,352</u>
NET POSITION	
Investment in capital assets	\$ 2,665,763
Unrestricted	472,264
Total net position	<u><u>\$ 3,138,027</u></u>

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
OPERATING REVENUES	
IRB Fees	\$ 8,603
Use of property	22,688
Miscellaneous revenue	8,932
Total operating revenues	<u>\$ 40,223</u>
OPERATING EXPENSES	
Operations	\$ 68,182
Depreciation	74,470
Total operating expenses	<u>\$ 142,652</u>
Operating income (loss)	<u>\$ (102,429)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
State	\$ 8,375
Federal	28,473
Interest income	4,176
Conveyance of land	(221,633)
Total nonoperating revenues (expenses)	<u>\$ (180,609)</u>
Change in net position	<u>\$ (283,038)</u>
Total net position - beginning	3,421,065
Total net position - ending	<u><u>\$ 3,138,027</u></u>

County of Floyd, Virginia
Discretely Presented Component Unit
County of Floyd, Virginia - Economic Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 43,798
Payments to suppliers	(60,512)
Net cash provided by (used for) operating activities	<u>\$ (16,714)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions in aid of construction	\$ 28,723
Net cash provided by (used for) capital and related financing activities	<u>\$ 28,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 4,176
Loans/notes issued to customers	(68,934)
Payments received on notes/loans receivable	34,048
Net cash provided by (used for) investing activities	<u>\$ (30,710)</u>
Net increase (decrease) in cash and cash equivalents	\$ (18,701)
Cash and cash equivalents - beginning (including restricted cash of \$40,653)	99,302
Cash and cash equivalents - ending (including restricted cash of \$59,555)	<u><u>\$ 80,601</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (102,429)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	\$ 74,470
Bad Debt Expense	2,537
(Increase) decrease in accounts receivable	473
(Increase) decrease in lease receivable	1,200
(Increase) decrease in prepaid items	4,263
Increase (decrease) in customer deposits	1,902
Increase (decrease) in accounts payables	870
Total adjustments	<u>\$ 85,715</u>
Net cash provided by (used for) operating activities	<u><u>\$ (16,714)</u></u>
Noncash financing, investing, and capital activities:	
Conveyance of land	\$ 221,633

Supporting Schedules

County of Floyd, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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	\$ 7,886,500	\$ 7,886,500	\$ 8,384,683	\$ 498,183
Real and personal public service corporation taxes	241,300	241,300	322,835	81,535
Personal property taxes	1,755,100	1,755,100	1,959,729	204,629
Mobile home taxes	37,490	37,490	46,437	8,947
Machinery and tools taxes	146,500	146,500	129,977	(16,523)
Merchant's capital	69,500	69,500	63,019	(6,481)
DMV Stops and administration fees	5,000	18,660	27,896	9,236
Penalties	70,000	70,000	106,999	36,999
Interest	45,000	45,000	72,866	27,866
Total general property taxes	\$ 10,256,390	\$ 10,270,050	\$ 11,114,441	\$ 844,391
Other local taxes:				
Local sales and use taxes	\$ 848,000	\$ 848,000	\$ 818,365	\$ (29,635)
Consumers' utility taxes	370,000	370,000	355,267	(14,733)
Consumption taxes	-	-	42,559	42,559
Motor vehicle licenses	350,000	350,000	395,769	45,769
Recordation tax	5,500	5,500	5,356	(144)
Hotel and motel room taxes	42,000	42,000	39,739	(2,261)
Other local taxes	15,000	15,000	25,603	10,603
Total other local taxes	\$ 1,630,500	\$ 1,630,500	\$ 1,682,658	\$ 52,158
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,500	\$ 7,500	\$ 11,808	\$ 4,308
Transfer fees	1,000	1,000	633	(367)
Building permits	67,300	67,300	90,025	22,725
Land use application fees	8,000	8,000	4,770	(3,230)
Other permits and licenses	16,400	16,400	15,160	(1,240)
Total permits, privilege fees, and regulatory licenses	\$ 100,200	\$ 100,200	\$ 122,396	\$ 22,196
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,500	\$ 9,500	\$ 1,319	\$ (8,181)
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 30,088	\$ (9,912)
Revenue from use of property	206,892	206,892	202,685	(4,207)
Total revenue from use of money and property	\$ 246,892	\$ 246,892	\$ 232,773	\$ (14,119)
Charges for services:				
Charges for law enforcement and traffic control	\$ 107,015	\$ 148,426	\$ 125,359	\$ (23,067)
Charges for courthouse maintenance	3,200	3,200	3,629	429
Charges for courthouse security	10,000	25,156	14,956	(10,200)
Recordation fees	67,500	67,500	81,277	13,777
Charges for Commonwealth's Attorney	1,000	1,000	2,016	1,016
Charges for sanitation and waste removal	155,000	155,000	164,688	9,688
Charges for emergency medical services	350,000	350,000	322,938	(27,062)
Charges for library	1,200	1,200	1,622	422
Jail admission fees	-	-	1,702	1,702
Total charges for services	\$ 694,915	\$ 751,482	\$ 718,187	\$ (33,295)

County of Floyd, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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	\$ 5,750	\$ 6,369	\$ 57,260	\$ 50,891
Recovered costs:				
Welfare recoveries	\$ 6,000	\$ 6,000	\$ 43,397	\$ 37,397
Insurance recoveries	20,000	38,884	25,548	(13,336)
Health department	500	500	-	(500)
Other recovered costs	15,000	67,016	23,969	(43,047)
Total recovered costs	\$ 41,500	\$ 112,400	\$ 92,914	\$ (19,486)
Total revenue from local sources	\$ 12,985,647	\$ 13,127,393	\$ 14,021,948	\$ 894,555
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 15,000	\$ 15,000	\$ 27,763	\$ 12,763
Motor vehicle carriers tax	100	100	-	(100)
Motor vehicle rental tax	1,250	1,250	2,020	770
State recordation tax	30,358	30,358	29,160	(1,198)
Communication tax	623,000	623,000	600,228	(22,772)
Personal property tax relief funds	925,741	925,741	925,741	-
Total noncategorical aid	\$ 1,595,449	\$ 1,595,449	\$ 1,584,912	\$ (10,537)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 241,566	\$ 241,566	\$ 232,769	\$ (8,797)
Sheriff	720,822	728,203	708,920	(19,283)
Commissioner of revenue	82,740	82,740	82,728	(12)
Treasurer	84,361	84,361	83,855	(506)
Medical examiner	300	300	-	(300)
Registrar/electoral board	38,575	42,075	45,744	3,669
Clerk of the Circuit Court	189,587	189,587	189,827	240
Total shared expenses	\$ 1,357,951	\$ 1,368,832	\$ 1,343,843	\$ (24,989)
Other categorical aid:				
Welfare payments	\$ 248,296	\$ 248,296	\$ 280,500	\$ 32,204
CSA payments	553,646	673,319	190,966	(482,353)
State and local foster care	5,000	5,000	7,500	2,500
Litter control grant	7,000	7,000	7,085	85
State E-911 program	50,000	50,000	57,152	7,152
Public safety grants	40,000	57,280	17,572	(39,708)
VJCCA grant	-	-	3,293	3,293
Clerk of the court technology grant	-	-	12,750	12,750
State seizures	-	19,656	14,294	(5,362)
Total other categorical aid	\$ 903,942	\$ 1,060,551	\$ 591,112	\$ (469,439)
Total categorical aid	\$ 2,261,893	\$ 2,429,383	\$ 1,934,955	\$ (494,428)
Total revenue from the Commonwealth	\$ 3,857,342	\$ 4,024,832	\$ 3,519,867	\$ (504,965)

County of Floyd, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 17,500	\$ 17,500	\$ 29,193	\$ 11,693
Categorical aid:				
Welfare payments	\$ 593,421	\$ 593,421	\$ 593,421	\$ -
Children's Services Act funds	36,255	36,255	36,255	-
Emergency management preparedness grant	7,500	32,500	33,230	730
Help America Vote Act	-	-	3,500	3,500
Violence against women grants	31,000	31,000	31,000	-
Open container/driver impaired grant	58,719	59,641	11,767	(47,874)
Total categorical aid	\$ 726,895	\$ 752,817	\$ 709,173	\$ (43,644)
Total revenue from the federal government	\$ 744,395	\$ 770,317	\$ 738,366	\$ (31,951)
Total General Fund	\$ 17,587,384	\$ 17,922,542	\$ 18,280,181	\$ 357,639
Special Revenue Fund:				
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 275,000	\$ 275,000	\$ 169,917	\$ (105,083)
Real and personal public service corporation taxes	10,000	10,000	6,678	(3,322)
Personal property taxes	100,000	100,000	59,852	(40,148)
Mobile home taxes	7,308	7,308	947	(6,361)
Total general property taxes	\$ 392,308	\$ 392,308	\$ 237,394	\$ (154,914)
Total revenue from local sources	\$ 392,308	\$ 392,308	\$ 237,394	\$ (154,914)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program funds	\$ 45,000	\$ 45,000	\$ 47,078	\$ 2,078
Four-for-life	15,279	17,366	17,366	-
Total categorical aid	\$ 60,279	\$ 62,366	\$ 64,444	\$ 2,078
Total revenue from the Commonwealth	\$ 60,279	\$ 62,366	\$ 64,444	\$ 2,078
Total Fire and Rescue Fund	\$ 452,587	\$ 454,674	\$ 301,838	\$ (152,836)
Total Primary Government	\$ 18,039,971	\$ 18,377,216	\$ 18,582,019	\$ 204,803
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Charges for services:				
Tuition and payments from other divisions	\$ 10,000	\$ 62,379	\$ 60,292	\$ (2,087)
Cafeteria	464,271	599,620	391,686	(207,934)
Other charges for services	25,000	25,784	12,034	(13,750)
Total charges for services	\$ 499,271	\$ 687,783	\$ 464,012	\$ (223,771)
Miscellaneous:				
Donations	\$ 6,000	\$ 5,000	\$ 650	\$ (4,350)
Sale of supplies and equipment	6,000	6,000	6,369	369
Other miscellaneous	51,800	51,800	22,611	(29,189)
Total miscellaneous	\$ 63,800	\$ 62,800	\$ 29,630	\$ (33,170)

County of Floyd, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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)				
Recovered costs:				
Rebates and refunds	\$ 50,000	\$ 50,000	\$ 72,660	\$ 22,660
Insurance recoveries	-	7,838	7,839	1
Medicaid payments	58,000	113,000	158,016	45,016
Total recovered costs	\$ 108,000	\$ 170,838	\$ 238,515	\$ 67,677
Total revenue from local sources	\$ 671,071	\$ 921,421	\$ 732,157	\$ (189,264)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Floyd, Virginia	\$ 6,482,340	\$ 6,634,190	\$ 6,218,816	\$ (415,374)
Total revenues from local governments	\$ 6,482,340	\$ 6,634,190	\$ 6,218,816	\$ (415,374)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,420,356	\$ 2,424,902	\$ 2,425,415	\$ 513
Basic school aid	5,722,545	5,885,164	5,884,699	(465)
Remedial summer education	63,080	70,649	70,649	-
Foster care	10,000	12,956	24,518	11,562
Gifted and talented	59,851	61,130	61,130	-
Remedial education	169,364	172,986	172,986	-
Special education	846,821	864,929	864,929	-
Textbook payment	40,164	38,944	7,908	(31,036)
Vocational standards of quality payments	103,147	105,352	105,352	-
Vocational adult education	-	-	544	544
School food	16,251	19,164	20,328	1,164
Social security fringe benefits	357,830	365,481	365,481	-
Retirement fringe benefits	706,745	721,858	721,858	-
Group life insurance benefits	22,921	23,412	23,412	-
State lottery payments	82,365	86,204	117,240	31,036
Early reading intervention	20,705	22,775	22,775	-
Homebound education	5,024	5,024	1,684	(3,340)
ISAEF	7,859	7,859	7,859	-
Vocational education - equipment	4,000	4,465	4,465	-
Vocational occupational preparedness	28,539	33,437	34,332	895
School security grants	100,928	103,000	103,000	-
Special education - foster care	58,924	58,924	51,442	(7,482)
At risk payments	153,424	156,749	156,749	-
Primary class size	213,485	217,371	217,371	-
Technology	180,000	180,000	180,000	-
Standards of Learning algebra readiness	23,400	25,470	25,470	-
At risk four-year olds	129,294	129,294	129,294	-
Mentor teach program	2,259	2,259	1,891	(368)
English as a second language	42,162	36,486	36,486	-
Other state funds	11,904	11,904	9,394	(2,510)
Total categorical aid	\$ 11,603,347	\$ 11,848,148	\$ 11,848,661	\$ 513
Total revenue from the Commonwealth	\$ 11,603,347	\$ 11,848,148	\$ 11,848,661	\$ 513

County of Floyd, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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 federal government:				
Categorical aid:				
Title I	\$ 476,487	\$ 482,032	\$ 478,527	\$ (3,505)
Title VI-B, special education flow-through	502,758	492,949	480,301	(12,648)
Title VI-B, special education pre-school	21,725	27,753	32,573	4,820
Vocational education	37,644	37,644	37,645	1
AP testing	-	369	369	-
Improving teacher quality	78,309	78,404	85,756	7,352
English language acquisition skills	5,600	5,691	-	(5,691)
School food	509,885	594,456	694,872	100,416
Total categorical aid	<u>\$ 1,632,408</u>	<u>\$ 1,719,298</u>	<u>\$ 1,810,043</u>	<u>\$ 90,745</u>
Total revenue from the federal government	<u>\$ 1,632,408</u>	<u>\$ 1,719,298</u>	<u>\$ 1,810,043</u>	<u>\$ 90,745</u>
Total School Operating Fund	<u>\$ 20,389,166</u>	<u>\$ 21,123,057</u>	<u>\$ 20,609,677</u>	<u>\$ (513,380)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,389,166</u>	<u>\$ 21,123,057</u>	<u>\$ 20,609,677</u>	<u>\$ (513,380)</u>

County of Floyd, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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	\$ 75,094	\$ 77,464	\$ 78,025	\$ (561)
General and financial administration:				
County administrator	\$ 287,963	\$ 288,181	\$ 254,929	\$ 33,252
Contingency	271,671	2,371	-	2,371
Legal services	40,000	40,000	27,074	12,926
Commissioner of revenue	275,093	275,093	249,091	26,002
Reassessment	19,050	26,903	26,966	(63)
Audit	65,000	65,000	52,650	12,350
Treasurer	221,486	235,146	230,658	4,488
Total general and financial administration	\$ 1,180,263	\$ 932,694	\$ 841,368	\$ 91,326
Board of elections:				
Electoral board and officials	\$ 33,044	\$ 43,931	\$ 44,492	\$ (561)
Registrar	106,532	112,864	109,499	3,365
Total board of elections	\$ 139,576	\$ 156,795	\$ 153,991	\$ 2,804
Total general government administration	\$ 1,394,933	\$ 1,166,953	\$ 1,073,384	\$ 93,569
Judicial administration:				
Courts:				
Circuit court	\$ 13,360	\$ 13,360	\$ 9,553	\$ 3,807
General district court	2,900	2,900	2,566	334
Magistrates office	750	750	630	120
Clerk of the circuit court	300,278	330,426	297,285	33,141
Sheriff (court)	313,603	314,343	290,334	24,009
Total courts	\$ 630,891	\$ 661,779	\$ 600,368	\$ 61,411
Commonwealth's attorney:				
Commonwealth's attorney	\$ 302,250	\$ 318,523	\$ 299,874	\$ 18,649
Total judicial administration	\$ 933,141	\$ 980,302	\$ 900,242	\$ 80,060
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 14,875	\$ 15,300	\$ 14,035	\$ 1,265
Sheriff	1,284,485	1,485,680	1,262,233	223,447
Total law enforcement and traffic control	\$ 1,299,360	\$ 1,500,980	\$ 1,276,268	\$ 224,712
Fire and rescue services:				
Public safety	\$ 66,539	\$ 67,269	\$ 63,775	\$ 3,494
E-911	241,947	291,647	261,232	30,415
Emergency medical services	550,415	550,415	544,252	6,163
Total fire and rescue services	\$ 858,901	\$ 909,331	\$ 869,259	\$ 40,072
Correction and detention:				
Payments to New River Juvenile Detention	\$ 30,796	\$ 76,687	\$ 84,116	\$ (7,429)
Payments to New River Regional Jail	462,000	462,922	469,377	(6,455)
Total correction and detention	\$ 492,796	\$ 539,609	\$ 553,493	\$ (13,884)

County of Floyd, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 250,970	\$ 250,970	\$ 234,553	\$ 16,417
Other protection:				
Forest service	\$ 13,069	\$ 13,069	\$ 11,011	\$ 2,058
Animal control	94,070	100,140	83,156	16,984
Medical examiner	400	400	180	220
Total other protection	\$ 107,539	\$ 113,609	\$ 94,347	\$ 19,262
Total public safety	\$ 3,009,566	\$ 3,314,499	\$ 3,027,920	\$ 286,579
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,057,099	\$ 1,115,574	\$ 1,177,590	\$ (62,016)
Recycling program	109,320	109,320	109,149	171
Total sanitation and waste removal	\$ 1,166,419	\$ 1,224,894	\$ 1,286,739	\$ (61,845)
Maintenance of general buildings and grounds:				
Maintenance of properties	\$ 246,981	\$ 476,777	\$ 493,340	\$ (16,563)
Total public works	\$ 1,413,400	\$ 1,701,671	\$ 1,780,079	\$ (78,408)
Health and welfare:				
Health:				
Supplement of local health department	\$ 100,000	\$ 103,189	\$ 103,189	\$ -
Mental health and mental retardation:				
Contribution to New River Valley Community Services Board	\$ 32,324	\$ 32,324	\$ 32,324	\$ -
Welfare:				
Public assistance	\$ 1,046,575	\$ 1,166,248	\$ 1,103,412	\$ 62,836
Children's Services Act	700,000	700,000	339,123	360,877
New River Valley Area on Aging	5,220	5,220	5,220	-
Total welfare	\$ 1,751,795	\$ 1,871,468	\$ 1,447,755	\$ 423,713
Total health and welfare	\$ 1,884,119	\$ 2,006,981	\$ 1,583,268	\$ 423,713
Education:				
Other instructional costs:				
Contribution to Community College	\$ 7,459	\$ 7,459	\$ 7,459	\$ -
Contribution to County School Board	6,482,340	6,634,190	6,218,816	415,374
Total education	\$ 6,489,799	\$ 6,641,649	\$ 6,226,275	\$ 415,374
Parks, recreation, and cultural:				
Parks and recreation:				
Contribution to Floyd Parks and Recreation Authority	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Library:				
County library	\$ 244,212	\$ 244,212	\$ 241,560	\$ 2,652
Total parks, recreation, and cultural	\$ 299,212	\$ 299,212	\$ 296,560	\$ 2,652

County of Floyd, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	\$ 124,725	\$ 124,725	\$ 121,513	\$ 3,212
Planning	4,000	6,000	5,108	892
New River Valley Planning District Commission	18,865	33,865	26,147	7,718
Total planning and community development	<u>\$ 147,590</u>	<u>\$ 164,590</u>	<u>\$ 152,768</u>	<u>\$ 11,822</u>
Environmental management:				
Soil conservation	\$ 11,500	\$ 11,500	\$ 11,500	\$ -
Cooperative extension program:				
Extension office	\$ 90,777	\$ 97,896	\$ 84,304	\$ 13,592
Total community development	<u>\$ 249,867</u>	<u>\$ 273,986</u>	<u>\$ 248,572</u>	<u>\$ 25,414</u>
Capital projects:				
Other capital projects	\$ 468,000	\$ 1,336,519	\$ 1,034,225	\$ 302,294
Debt service:				
Principal retirement	\$ 1,285,388	\$ 1,285,388	\$ 1,429,662	\$ (144,274)
Interest and other fiscal charges	470,899	470,899	523,754	(52,855)
Total debt service	<u>\$ 1,756,287</u>	<u>\$ 1,756,287</u>	<u>\$ 1,953,416</u>	<u>\$ (197,129)</u>
Total General Fund	<u>\$ 17,898,324</u>	<u>\$ 19,478,059</u>	<u>\$ 18,123,941</u>	<u>\$ 1,354,118</u>
Special Revenue Fund:				
Fire and Rescue Fund:				
Public safety:				
Fire and rescue services	\$ 406,987	\$ 441,424	\$ 434,142	\$ 7,282
Debt service:				
Principal retirement	\$ 37,155	\$ 37,155	\$ 37,155	\$ -
Interest and other fiscal charges	8,445	8,445	2,151	6,294
Total debt service	<u>\$ 45,600</u>	<u>\$ 45,600</u>	<u>\$ 39,306</u>	<u>\$ 6,294</u>
Total Fire and Rescue Fund	<u>\$ 452,587</u>	<u>\$ 487,024</u>	<u>\$ 473,448</u>	<u>\$ 13,576</u>
Total Primary Government	<u>\$ 18,350,911</u>	<u>\$ 19,965,083</u>	<u>\$ 18,597,389</u>	<u>\$ 1,367,694</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 746,564	\$ 766,789	\$ 764,467	\$ 2,322
Instructional costs:				
Instructional costs	\$ 13,296,771	\$ 13,594,127	\$ 13,317,498	\$ 276,629
Operating costs:				
Pupil transportation	\$ 1,839,274	\$ 1,855,026	\$ 1,847,782	\$ 7,244
Operation and maintenance services	2,245,210	2,418,833	2,365,064	53,769
School food service	990,404	1,213,238	1,136,742	76,496
Technology	1,270,943	1,275,044	1,287,635	(12,591)
Total operating costs	<u>\$ 6,345,831</u>	<u>\$ 6,762,141</u>	<u>\$ 6,637,223</u>	<u>\$ 124,918</u>
Total School Operating Fund	<u>\$ 20,389,166</u>	<u>\$ 21,123,057</u>	<u>\$ 20,719,188</u>	<u>\$ 403,869</u>

Other Statistical Information

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

Fiscal Year	General Government Administration (1)	Judicial Administration (2)	Public Safety	Public Works (1)	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (3)	Interest on Long-Term Debt	Total
2015-16	\$ 985,309	\$ 866,991	\$ 3,612,094	\$ 1,959,374	\$ 1,489,708	\$ 6,415,200	\$ 328,238	\$ 250,068	\$ 509,781	\$ 16,416,763
2014-15	1,166,572	870,484	3,344,721	1,732,404	1,576,986	6,107,460	314,111	261,084	544,738	15,918,560
2013-14	1,121,324	901,284	3,383,379	1,629,690	2,017,139	6,826,189	294,817	1,794,392	586,840	18,555,054
2012-13	1,441,385	653,873	3,378,798	1,337,042	1,724,585	5,363,536	299,345	426,620	626,805	15,251,989
2011-12	1,370,445	662,893	3,369,356	1,344,955	1,708,336	4,907,803	284,145	387,713	677,762	14,713,408
2010-11	1,234,218	580,392	3,094,884	1,155,191	1,580,615	5,737,881	264,853	416,021	723,796	14,787,851
2009-10	1,670,581	582,654	3,104,849	1,139,165	1,756,824	5,591,957	300,663	339,872	792,376	15,278,941
2008-09	1,329,648	589,541	3,002,667	1,201,286	1,839,317	5,353,202	357,695	319,489	878,274	14,871,119
2007-08	1,238,309	614,973	2,963,673	1,142,179	1,716,772	5,656,376	198,542	377,031	989,579	14,897,434
2006-07	1,135,868	573,381	2,759,112	1,276,181	1,921,832	5,301,824	255,565	746,916	1,190,113	15,160,792

Notes:

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

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	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
2015-16	\$ 740,546	\$ 2,695,822	\$ 12,750	\$	\$ 11,357,048	\$ 1,682,658	\$ 70,273	\$ 57,260	\$ 1,614,105	\$ 18,230,462
2014-15	964,336	2,717,408	90,729		10,884,157	1,684,197	90,873	52,641	1,600,210	18,084,551
2013-14	792,635	3,152,668	26,535		10,476,419	1,632,967	263,667	5,219	1,620,369	17,970,479
2012-13	828,529	2,703,733	18,655		10,026,812	2,332,055	36,829	7,133	947,258	16,901,004
2011-12	867,964	3,227,246	17,420		9,978,277	2,279,216	37,118	6,228	950,845	17,364,314
2010-11	669,200	2,448,965	15,469		9,430,383	2,396,573	59,097	7,891	942,652	15,970,230
2009-10	903,722	2,544,873	72,088		9,690,586	2,169,806	112,664	50,799	905,044	16,449,582
2008-09	717,873	2,771,379	353,520		9,382,280	2,170,720	163,721	8,202	1,032,674	16,600,369
2007-08	682,316	2,779,406	269,252		9,289,566	2,361,844	167,601	1,257	966,850	16,518,092
2006-07	833,089	2,899,183	62,659		8,402,215	2,259,570	115,657	13,351	1,017,261	15,602,985

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

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

Fiscal Year	General Government Administration (3)	Judicial Administration(4)	Public Safety (4)	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (5)	Debt Service	Total
2015-16	\$ 1,073,384	\$ 900,242	\$ 3,462,062	\$ 1,780,079	\$ 1,583,268	\$ 20,726,647	\$ 296,560	\$ 248,572	\$ 1,992,722	\$ 32,063,536
2014-15	1,233,287	891,424	3,264,554	1,512,674	1,646,621	20,049,552	273,475	259,004	1,817,237	30,947,828
2013-14	1,146,905	896,080	3,268,916	1,539,330	2,045,758	19,583,094	263,000	1,791,284	1,878,772	32,413,139
2012-13	1,399,783	643,972	3,179,691	1,169,183	1,716,104	18,550,878	267,787	427,993	1,887,332	29,242,723
2011-12	1,344,702	652,992	3,152,116	1,156,775	1,703,558	17,860,304	252,587	383,339	1,880,725	28,387,098
2010-11	1,189,294	570,491	3,133,541	1,482,318	1,577,706	19,021,947	242,195	414,213	1,731,103	29,362,808
2009-10	1,628,664	572,753	2,898,201	1,177,625	1,751,651	20,204,293	269,105	338,392	2,068,342	30,909,026
2008-09	1,266,567	579,640	3,677,344	1,163,279	1,841,316	21,141,687	326,136	327,908	2,078,232	32,402,109
2007-08	1,183,135	605,257	2,992,839	1,146,413	1,715,900	19,417,079	1,316,756	377,031	2,126,635	30,881,045
2006-07	1,128,863	563,480	2,877,355	1,207,529	1,919,653	19,049,744	287,108	706,916	2,166,978	29,907,626

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

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

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

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2015-16	\$ 11,351,835	\$ 1,682,658	\$ 122,396	\$ 1,319	\$ 232,773	\$ 1,182,199	\$ 86,890	\$ 331,429	\$ 17,981,381	\$ 32,972,880
2014-15	10,988,181	1,684,197	126,682	2,737	185,667	1,103,298	132,876	177,845	17,914,903	32,316,386
2013-14	10,313,229	1,632,967	114,441	3,357	263,667	990,430	47,943	108,587	17,805,672	31,280,293
2012-13	9,999,012	2,293,901	118,534	1,296	76,380	1,129,802	38,987	279,633	16,665,184	30,602,729
2011-12	10,023,595	2,249,172	113,667	2,019	80,318	1,232,726	17,790	340,457	16,756,774	30,816,518
2010-11	9,352,323	2,284,927	103,143	369	98,406	1,211,318	27,580	219,914	16,377,285	29,675,265
2009-10	9,622,323	2,156,204	105,299	21,515	155,864	1,134,792	48,767	267,145	17,755,770	31,267,679
2008-09	9,282,097	2,142,339	129,507	10,598	204,580	1,147,435	15,140	230,221	18,441,780	31,603,697
2007-08	9,250,277	2,327,988	160,041	18,329	201,309	960,068	1,135	314,590	17,337,978	30,571,715
2006-07	8,445,898	2,235,986	175,963	14,983	114,846	1,045,632	19,309	224,419	17,486,068	29,763,104

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2015-16	\$ 11,145,856	\$ 10,715,502	96.14%	\$ 428,572	\$ 11,144,074	99.98%
2014-15	10,667,263	10,382,783	97.33%	395,208	10,777,991	101.04%
2013-14	10,567,840	10,225,051	96.76%	310,415	10,535,466	99.69%
2012-13	11,638,602	11,320,876	97.27%	127,339	11,448,215	98.36%
2011-12	11,503,857	11,199,325	97.35%	136,163	11,335,488	98.54%
2010-11	11,198,967	10,865,523	97.02%	242,866	11,108,389	99.19%
2009-10	10,651,549	10,327,803	96.96%	265,046	10,592,849	99.45%
2008-09	10,169,940	9,156,946	90.04%	993,052	10,149,998	99.80%
2007-08	10,000,477	9,324,256	93.24%	665,967	9,990,223	99.90%
2006-07	9,393,042	9,268,424	98.67%	121,659	9,390,083	99.97%

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

Table 6

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Public Service Corporation	Mobile Homes	Total
2015-16	\$ 1,741,451,550	\$ 101,444,306	\$ 8,498,992	\$ 1,798,177	\$ 58,207,051	\$ 8,610,200	\$ 1,920,010,276
2014-15	1,729,802,350	100,337,126	9,001,502	2,166,141	56,699,842	9,805,608	1,907,812,569
2013-14	1,718,580,400	99,049,234	9,547,310	1,978,236	52,179,669	9,624,608	1,890,959,457
2012-13	1,713,460,100	96,726,393	9,576,889	1,668,252	51,951,775	9,642,650	1,883,026,059
2011-12	1,698,467,400	94,384,042	10,213,298	1,540,093	56,284,341	9,685,700	1,870,574,874
2010-11	1,685,064,100	93,824,459	7,233,844	1,668,037	50,096,979	9,685,500	1,847,572,919
2009-10	1,677,140,200	89,705,582	10,266,338	1,593,199	34,930,266	10,741,328	1,824,376,913
2008-09	1,336,291,100	97,479,299	10,550,891	938,652	36,023,932	10,139,861	1,491,423,735
2007-08	1,319,658,700	89,274,994	10,814,820	1,276,053	40,887,653	9,825,560	1,471,737,780
2006-07	1,303,732,200	85,566,684	10,058,232	1,302,163	44,475,792	9,558,570	1,454,693,641

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes
2015-16	\$ 0.55	\$ 2.95	\$ 1.55	\$ 3.50	\$ 0.55
2014-15	0.50	2.95	1.55	3.50	0.50
2013-14	0.50	2.95	1.55	3.50	0.50
2012-13	0.50	2.95	1.55	3.50	0.50
2011-12	0.50	2.95	1.55	3.50	0.50
2010-11	0.47	2.70	1.55	3.50	0.47
2009-10	0.47	2.70	1.55	3.50	0.47
2008-09	0.60	2.70	1.55	3.50	0.60
2007-08	0.60	2.70	1.55	3.50	0.60
2006-07	0.60	2.70	1.55	3.50	0.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value(2)	Net Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	15,279	\$ 1,920,010,276	\$ 7,893,718	\$ 7,893,718	0.41%	\$ 517
2014-15	15,279	1,907,812,569	8,963,331	8,963,331	0.47%	587
2013-14	15,279	1,890,959,457	10,566,179	10,566,179	0.56%	692
2012-13	15,279	1,883,026,059	11,680,581	11,680,581	0.62%	764
2011-12	15,279	1,870,574,874	12,875,145	12,875,145	0.69%	843
2010-11	15,279	1,847,572,919	13,991,379	13,991,379	0.76%	916
2009-10	15,013	1,827,376,913	14,912,453	14,912,453	0.82%	993
2008-09	14,821	1,491,423,735	15,094,766	15,094,766	1.01%	1,018
2007-08	14,789	1,471,737,780	16,124,932	16,124,932	1.10%	1,090
2006-07	14,789	1,454,693,641	17,077,882	17,077,882	1.17%	1,155

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes lease revenue bonds, net OPEB obligation, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 1,466,817	\$ 525,905	\$ 1,992,722	\$ 32,063,536	6.21%
2014-15	1,262,310	554,927	1,817,237	30,947,828	5.87%
2013-14	1,274,664	604,108	1,878,772	32,413,139	5.80%
2012-13	1,194,564	559,182	1,753,746	29,242,723	6.00%
2011-12	1,116,234	623,310	1,739,544	28,387,098	6.13%
2010-11	921,074	673,887	1,594,961	29,362,808	5.43%
2009-10	1,102,313	671,165	1,773,478	30,909,026	5.74%
2008-09	1,030,166	711,756	1,741,922	32,402,109	5.38%
2007-08	952,950	808,323	1,761,273	30,881,045	5.70%
2006-07	948,031	916,003	1,864,034	29,907,626	6.23%

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

(2) Excludes bond issuance and other costs.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Floyd, Virginia's basic financial statements and have issued our report thereon dated November 18, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses [2016-001 and 2016-002].

Compliance and Other Matters

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

The County of Floyd, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 18, 2016

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 Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Floyd, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Floyd, Virginia's major federal programs for the year ended June 30, 2016. The County of Floyd, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Floyd, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 18, 2016

County of Floyd, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950114, 0950115	\$ 795
Temporary Assistance for Needy Families	93.558	0400115, 0400116	102,531
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	105
Low-Income Home Energy Assistance	93.568	0600415, 0600416	11,810
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115, 0760116	18,178
Chafee Education and Training Vouchers Program	93.599	9160114, 9160115	140
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116	626
Foster Care - Title IV-E	93.658	1100115, 1100116	78,125
Adoption Assistance	93.659	1120115, 1120116	38,971
Social Services Block Grant	93.667	1000115, 1000116	105,886
Chafee Foster Care Independence Program	93.674	9150115, 9150116	1,072
Children's Health Insurance Program	93.767	0540115, 0540116	4,645
Medical Assistance Program	93.778	1200115, 1200116	146,833
Total Department of Health and Human Services			\$ 509,717
Department of Agriculture:			
Direct Payments:			
Rural Business Enterprise Grants	10.769	Not applicable	\$ 28,473
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution (Note 3)	10.559	Not available	\$ 249
Summer Food Service Program for Children	10.559	Not available	22,360
Food Distribution (Note 3)	10.555	Not available	65,935
Department of Education:			
National School Lunch Program	10.555	40623	473,520
School Breakfast Program	10.553	40591	539,455
Total Child Nutrition Cluster			132,808
			\$ 694,872
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115, 0010116 0040115, 0040116	119,959
Total Department of Agriculture			\$ 843,304
U.S. Election Assistance Commission			
Pass Through Payments:			
Help America Vote Act Requirements Payments	90.401	Not available	\$ 3,500
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	16-Q3521VA15	\$ 31,000
State Criminal Alien Assistance Program	16.606	Not available	921
Total Department of Criminal Justice Service-pass through payments:			\$ 31,921
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2016-56114-6314	\$ 2,296
Alcohol Open Container Requirements	20.607	154AL-2016-56036-6236	8,550
Total Department of Transportation			\$ 10,846
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	62704	33,230

County of Floyd, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 478,527
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	\$ 480,301
Special Education - Preschool Grants	84.173	62521	32,573
Total Special Education Cluster			\$ 512,874
Career and Technical Education: Basic Grants to States	84.048	61095	37,645
Advanced Placement Incentive Program Grants	84.330	60957	369
Supporting Effective Instruction State Grant	84.367	61480	85,756
Total Department of Education			\$ 1,115,171
Total Expenditures of Federal Awards			\$ 2,547,689

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Floyd, Virginia and its discretely presented component units under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Distribution

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

Note 4 -- Subrecipients

No awards were passed through to subrecipients.

Note 5 -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 738,366
Less: Payment in lieu of taxes	(29,193)
Total primary government	\$ 709,173
Component Unit School Board:	
School Operating Fund	\$ 1,810,043
Component Unit EDA:	\$ 28,473
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,547,689

County of Floyd, Virginia

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I - Summary of Auditors' Results**Financial Statements**

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

Federal Awards

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

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

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

County of Floyd, Virginia

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II - Financial Statement Findings**2016-001**

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

2016-002

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exist.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have staff fully trained in the preparation of financial statements in accordance with generally accepted accounting standards.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.

County of Floyd, Virginia

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II - Financial Statement Findings (Continued)**2016-002 (Continued)**

Recommendation: The County should review the auditors' proposed audit adjustments for 2016 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2016 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no federal award findings in the prior year.