

County of Wythe, Virginia

Financial Statements



Fiscal Year Ended June 30, 2019

COUNTY OF WYTHE, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

COUNTY OF WYTHE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

COUNTY OF WYTHE, VIRGINIA

BOARD OF SUPERVISORS

Timothy A. Reeves, Chair

Joe F. Hale
Ryan M. Lawson
Coy L. McRoberts

B. G. "Gene" Horney, Jr.
Charlie G. Lester
Brian W. Vaught

Martha Collins, Clerk

COUNTY SCHOOL BOARD

Tonya M. Freeman, Chair

Chalmer L. Frye, Vice Chair
Ann H. Manley
Peggy A. Wagy

Lee H. Johnson
Stephen R. Sage
Alan C. Wilder

Catrina Hall, Clerk

SOCIAL SERVICES BOARD

Patty O'Quinn, Chair

Joel Hash, Jr., Vice Chair
Timothy A. Reeves

Jonathan Harman
Sandy Thomas

Patty O'Quinn, Clerk

OTHER OFFICIALS

Judge of the Circuit Court Josiah T. Showalter, Jr.
Clerk of the Circuit Court Jeremiah Musser
Judge of the General District Court J.D. Bolt
Judge of the Juvenile & Domestic Relations Court Bradley Dalton
Commonwealth's Attorney Mike Jones
Commissioner of the Revenue Faye Barker
Treasurer Lori Gynn
Sheriff Keith Dunagan
Superintendent of Schools Dr. Scott L. Jeffries
Director of Social Services Kimberly Ayers
County Administrator Stephen Bear
County Attorney Scot S. Farthing

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 96 and 97-111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

The introductory section and 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 25, 2019, on our consideration of the County of Wythe, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Wythe, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Wythe, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
November 25, 2019

Basic Financial Statements

County of Wythe, Virginia
Statement of Net Position
June 30, 2019

June 30, 2017

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 47,055,597	\$ 5,023,412	\$ 52,079,009	\$ 6,298,705
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,715,082	-	1,715,082	-
Other local taxes	469,104	-	469,104	-
Accounts receivable	10,357	506,471	516,828	92,381
Due from other governmental units	1,887,988	4,255,909	6,143,897	1,062,662
Inventories	-	-	-	70,914
Prepaid items	-	-	-	623,885
Investment in land	14,029,913	-	14,029,913	-
Restricted assets:				
Cash and cash equivalents (in custody of others)	1,979,569	959,335	2,938,904	-
Investments	799,580	-	799,580	-
Capital assets (net of accumulated depreciation):				
Land	4,032,359	233,205	4,265,564	774,089
Buildings and improvements	44,437,297	-	44,437,297	9,952,311
Machinery and equipment	1,943,949	182,505	2,126,454	2,284,087
Infrastructure	1,161,219	44,860,157	46,021,376	-
Construction in progress	10,340,146	249,930	10,590,076	780,987
Total assets	\$ 129,862,160	\$ 56,270,924	\$ 186,133,084	\$ 21,940,021
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 645,189	\$ 35,738	\$ 680,927	\$ 3,726,309
OPEB related items	85,453	3,572	89,025	713,802
Total deferred outflows of resources	\$ 730,642	\$ 39,310	\$ 769,952	\$ 4,440,111
LIABILITIES				
Accounts payable	\$ 827,023	\$ 90,008	\$ 917,031	\$ 259,563
Construction and retainage payables	1,688,833	38,962	1,727,795	-
Salaries payable	-	-	-	3,450,249
Customer deposits	-	77,285	77,285	-
Accrued interest payable	610,553	35,088	645,641	-
Deposits held in escrow	7,000	-	7,000	-
Long-term liabilities:				
Due within one year	3,532,726	1,294,342	4,827,068	475,649
Due in more than one year	49,456,638	23,653,034	73,109,672	40,629,327
Total liabilities	\$ 56,122,773	\$ 25,188,719	\$ 81,311,492	\$ 44,814,788
DEFERRED INFLOWS OF RESOURCES				
Property taxes paid in advance	\$ 97,476	\$ -	\$ 97,476	\$ -
Pension related items	370,243	21,085	391,328	4,912,021
OPEB related items	310,593	12,353	322,946	990,900
Total deferred inflows of resources	\$ 778,312	\$ 33,438	\$ 811,750	\$ 5,902,921
NET POSITION				
Net investment in capital assets	\$ 20,338,778	\$ 20,683,428	\$ 41,022,206	\$ 13,791,474
Restricted:				
Law library	21,097	-	21,097	-
Property seizure	127,241	-	127,241	-
Bond covenants	-	882,050	882,050	-
Courtroom security	269,594	-	269,594	-
Clerk's records grant	25,730	-	25,730	-
JAG	2,520	-	2,520	-
Electronic summons	252,441	-	252,441	-
Concealed weapons	68,828	-	68,828	-
School cafeterias	-	-	-	612,795
Unrestricted	52,585,488	9,522,599	62,108,087	(38,741,846)
Total net position	\$ 73,691,717	\$ 31,088,077	\$ 104,779,794	\$ (24,337,577)

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total	Component Unit
			Grants and Contributions	Capital Grants and Contributions				
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,254,724	\$ 2,539	\$ 277,471	\$ -	\$ (974,714)	\$ -	\$ (974,714)	\$ -
Judicial administration	1,242,975	12,994	966,124	-	(263,857)	-	(263,857)	-
Public safety	6,803,794	1,680,840	1,905,344	-	(3,217,610)	-	(3,217,610)	-
Public works	2,558,930	32,600	45,833	-	(2,480,497)	-	(2,480,497)	-
Health and welfare	7,390,268	-	5,519,403	-	(1,870,865)	-	(1,870,865)	-
Education	17,061,608	-	-	-	(17,061,608)	-	(17,061,608)	-
Parks, recreation, and cultural	612,628	84,459	4,500	-	(523,669)	-	(523,669)	-
Community development	1,010,793	-	-	22,400	(988,393)	-	(988,393)	-
Interest on long-term debt	1,642,176	-	-	-	(1,642,176)	-	(1,642,176)	-
Total governmental activities	\$ 39,577,896	\$ 1,813,432	\$ 8,718,675	\$ 22,400	\$ (29,023,389)	\$ -	\$ (29,023,389)	\$ -
Business-type activities:								
Water and sewer	\$ 3,978,183	\$ 2,967,537	\$ -	\$ 186,609	\$ -	\$ (824,037)	\$ (824,037)	\$ -
Total primary government	\$ 43,556,079	\$ 4,780,969	\$ 8,718,675	\$ 209,009	\$ (29,023,389)	\$ (824,037)	\$ (29,847,426)	\$ -
COMPONENT UNIT:								
School Board	\$ 42,042,560	\$ 1,300,828	\$ 29,237,271	\$ -	\$ -	\$ -	\$ -	\$ (11,504,461)
General revenues:								
General property taxes					\$ 21,207,545	\$ -	\$ 21,207,545	\$ -
Other local taxes:								
Local sales and use taxes					3,959,231	-	3,959,231	-
Consumers' utility taxes					732,185	-	732,185	-
Motor vehicle licenses					445,334	-	445,334	-
Bank stock taxes					38,350	-	38,350	-
Taxes on recordation and wills					147,384	-	147,384	-
Hotel and motel room taxes					191,010	-	191,010	-
Restaurant food taxes					793,923	-	793,923	-
Admission tax					16,550	-	16,550	-
Unrestricted revenues from use of money and property					1,257,278	100,579	1,357,857	54,790
Miscellaneous					46,375	-	46,375	40,218
Payments from the County of Wythe, Virginia					-	-	-	16,398,416
Grants and contributions not restricted to specific programs					2,480,225	-	2,480,225	-
Transfers					(1,145,937)	1,145,937	-	-
Total general revenues and transfers					\$ 30,169,453	\$ 1,246,516	\$ 31,415,969	\$ 16,493,424
Change in net position					\$ 1,146,064	\$ 422,479	\$ 1,568,543	\$ 4,988,963
Net position - beginning					72,545,653	30,665,598	103,211,251	(29,326,540)
Net position - ending					\$ 73,691,717	\$ 31,088,077	\$ 104,779,794	\$ (24,337,577)

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

County of Wythe, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 40,523,172	\$ 6,532,425	\$ 47,055,597
Receivables (net of allowance for uncollectibles):			
Property taxes receivable	1,715,082	-	1,715,082
Other local taxes receivable	469,104	-	469,104
Accounts receivable	-	10,357	10,357
Due from other governmental units	1,887,988	-	1,887,988
Restricted assets:			
Cash and cash equivalents	1,965,970	13,599	1,979,569
Investments	799,580	-	799,580
Land held for resale	14,029,913	-	14,029,913
Total assets	<u>\$ 61,390,809</u>	<u>\$ 6,556,381</u>	<u>\$ 67,947,190</u>
LIABILITIES			
Accounts payable	\$ 827,023	\$ -	\$ 827,023
Construction and retainage payable	1,688,833	-	1,688,833
Deposits held in escrow	7,000	-	7,000
Total liabilities	<u>\$ 2,522,856</u>	<u>\$ -</u>	<u>\$ 2,522,856</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 1,576,860	\$ -	\$ 1,576,860
Unavailable revenue-land held for resale	14,029,913	-	14,029,913
Total deferred inflows of resources	<u>\$ 15,606,773</u>	<u>\$ -</u>	<u>\$ 15,606,773</u>
FUND BALANCES			
Restricted			
Law library	\$ 21,097	\$ -	\$ 21,097
Property seizure	127,241	-	127,241
Construction projects	377,138	13,599	390,737
Courtroom security	269,594	-	269,594
Clerk's records grant	25,730	-	25,730
JAG	2,520	-	2,520
Electronic summons	252,441	-	252,441
Concealed weapons	68,828	-	68,828
Committed for capital projects	2,069,550	6,542,782	8,612,332
Assigned for police activity	732,692	-	732,692
Unassigned	39,314,349	-	39,314,349
Total fund balances	<u>\$ 43,261,180</u>	<u>\$ 6,556,381</u>	<u>\$ 49,817,561</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,390,809</u>	<u>\$ 6,556,381</u>	<u>\$ 67,947,190</u>

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

County of Wythe, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	49,817,561
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	4,032,359	
Buildings and improvements		44,437,297	
Infrastructure		1,161,219	
Machinery and equipment		1,943,949	
Construction in progress		10,340,146	61,914,970

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds. These amounts are as follows:

Unavailable revenue - property taxes	\$	1,479,384	
Land held for resale		14,029,913	15,509,297

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

Pension related items	\$	645,189	
OPEB related items		85,453	730,642

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

General obligation bonds	\$	(39,240,078)	
Literary loans		(10,018,951)	
Accrued interest payable		(610,553)	
Unamortized bond premium		(50,796)	
Compensated absences		(348,768)	
Capital lease		(265,925)	
Net OPEB liabilities		(1,215,049)	
Net pension liability		(1,849,797)	(53,599,917)

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

Pension related items	\$	(370,243)	
OPEB related items		(310,593)	(680,836)

Net position of governmental activities

\$ 73,691,717

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

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

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 21,183,656	\$ -	\$ 21,183,656
Other local taxes	6,323,967	-	6,323,967
Permits, privilege fees, and regulatory licenses	111,736	-	111,736
Fines and forfeitures	1,384,273	-	1,384,273
Revenue from the use of money and property	1,152,124	105,154	1,257,278
Charges for services	282,120	35,303	317,423
Miscellaneous	46,375	-	46,375
Recovered costs	627,410	100,000	727,410
Intergovernmental	11,221,300	-	11,221,300
Total revenues	<u>\$ 42,332,961</u>	<u>\$ 240,457</u>	<u>\$ 42,573,418</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,702,335	\$ -	\$ 1,702,335
Judicial administration	1,295,561	-	1,295,561
Public safety	6,579,742	-	6,579,742
Public works	2,035,896	-	2,035,896
Health and welfare	7,519,151	-	7,519,151
Education	25,416,895	-	25,416,895
Parks, recreation, and cultural	618,432	-	618,432
Community development	760,131	-	760,131
Capital projects	3,820,623	-	3,820,623
Debt service:			
Principal retirement	2,740,032	-	2,740,032
Interest and other fiscal charges	1,389,758	-	1,389,758
Total expenditures	<u>\$ 53,878,556</u>	<u>\$ -</u>	<u>\$ 53,878,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,545,595)</u>	<u>\$ 240,457</u>	<u>\$ (11,305,138)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 648,029	\$ 1,696,839	\$ 2,344,868
Transfers out	(1,602,753)	(1,888,052)	(3,490,805)
Debt service principal (current refunding)	(7,493,992)	-	(7,493,992)
Proceeds of general obligation bonds	4,950,000	-	4,950,000
Proceeds of refunding bond (literary loan)	7,500,000	-	7,500,000
Proceeds of capital leases	237,172	-	237,172
Proceeds of literary loan	2,518,951	-	2,518,951
Sale of capital assets	2,980	-	2,980
Total other financing sources (uses)	<u>\$ 6,760,387</u>	<u>\$ (191,213)</u>	<u>\$ 6,569,174</u>
Net change in fund balances	\$ (4,785,208)	\$ 49,244	\$ (4,735,964)
Fund balances - beginning	48,046,388	6,507,137	54,553,525
Fund balances - ending	<u>\$ 43,261,180</u>	<u>\$ 6,556,381</u>	<u>\$ 49,817,561</u>

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

County of Wythe, 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, 2019

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

Net change in fund balances - total governmental funds \$ (4,735,964)

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

Capital outlays	\$ 12,662,489	
Depreciation expense	(1,925,370)	10,737,119

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

Disposal of assets		(76,011)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		23,889
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Debt issued or incurred:

Issuance of general obligation debt	\$ (4,950,000)	
Issuance of refunding bond (literary loan)	(7,500,000)	
Issuance of literary loan	(2,518,951)	
Issuance of capital lease	(237,172)	
Increase in accrued landfill postclosure liability	74,561	

Principal repayments:

Current refunding of debt	7,493,992	
General obligation bonds and lease agreements	2,740,032	(4,897,538)

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

Change in compensated absences	\$ (76,835)	
Change in accrued interest payable	(268,778)	
Change in OPEB related items	20,627	
Change in pension related items	403,195	
Amortization of bond premium	16,360	94,569

Change in net position of governmental activities		<u>\$ 1,146,064</u>
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The notes to the financial statements are an integral part of this statement.

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

	Enterprise Funds		
	Water	Sewer	
	Department	Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,781,694	\$ 3,241,718	\$ 5,023,412
Accounts receivable	275,930	230,541	506,471
Due from other governmental units	4,255,909	-	4,255,909
Total unrestricted current assets	<u>\$ 6,313,533</u>	<u>\$ 3,472,259</u>	<u>\$ 9,785,792</u>
Restricted current assets:			
Cash and cash equivalents	\$ 943,259	\$ 16,076	\$ 959,335
Total restricted current assets	<u>\$ 943,259</u>	<u>\$ 16,076</u>	<u>\$ 959,335</u>
Total current assets	<u>\$ 7,256,792</u>	<u>\$ 3,488,335</u>	<u>\$ 10,745,127</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 211,245	\$ 21,960	\$ 233,205
Utility plant in service	37,003,616	27,211,070	64,214,686
Machinery and equipment	297,563	78,553	376,116
Accumulated depreciation	(10,283,565)	(9,264,575)	(19,548,140)
Construction in progress	112,984	136,946	249,930
Total capital assets	<u>\$ 27,341,843</u>	<u>\$ 18,183,954</u>	<u>\$ 45,525,797</u>
Total noncurrent assets	<u>\$ 27,341,843</u>	<u>\$ 18,183,954</u>	<u>\$ 45,525,797</u>
Total assets	<u>\$ 34,598,635</u>	<u>\$ 21,672,289</u>	<u>\$ 56,270,924</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 15,532	\$ 20,206	\$ 35,738
OPEB related items	1,900	1,672	3,572
Total deferred outflows of resources	<u>\$ 17,432</u>	<u>\$ 21,878</u>	<u>\$ 39,310</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 56,913	\$ 33,095	\$ 90,008
Retainage payable	38,962	-	38,962
Customers' deposits	61,209	16,076	77,285
Accrued interest payable	24,768	10,320	35,088
Compensated absences - current portion	8,009	8,549	16,558
Bonds payable - current portion	704,835	572,949	1,277,784
Total current liabilities	<u>\$ 894,696</u>	<u>\$ 640,989</u>	<u>\$ 1,535,685</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 2,669	\$ 2,850	\$ 5,519
Bonds payable - net of current portion	16,879,080	6,646,543	23,525,623
Net pension liability	37,728	35,841	73,569
Net OPEB liabilities	24,781	23,542	48,323
Total noncurrent liabilities	<u>\$ 16,944,258</u>	<u>\$ 6,708,776</u>	<u>\$ 23,653,034</u>
Total liabilities	<u>\$ 17,838,954</u>	<u>\$ 7,349,765</u>	<u>\$ 25,188,719</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 12,696	\$ 8,389	\$ 21,085
OPEB related items	6,336	6,017	12,353
Total deferred inflows of resources	<u>\$ 19,032</u>	<u>\$ 14,406</u>	<u>\$ 33,438</u>
NET POSITION			
Net investment in capital assets	\$ 9,718,966	\$ 10,964,462	\$ 20,683,428
Restricted for bond covenants	882,050	-	882,050
Unrestricted	6,157,065	3,365,534	9,522,599
Total net position	<u>\$ 16,758,081</u>	<u>\$ 14,329,996</u>	<u>\$ 31,088,077</u>

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

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

	Enterprise Funds		
	Water	Sewer	
	<u>Department</u>	<u>Department</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer billings	\$ 1,504,962	\$ 1,459,054	\$ 2,964,016
Miscellaneous	3,521	-	3,521
Total operating revenues	<u>\$ 1,508,483</u>	<u>\$ 1,459,054</u>	<u>\$ 2,967,537</u>
OPERATING EXPENSES			
Personnel services	\$ 169,875	\$ 190,719	\$ 360,594
Fringe benefits	48,792	53,777	102,569
Professional services	18,704	31,863	50,567
Operating expenses	450,489	292,849	743,338
Purchase of water - regional plant	439,273	-	439,273
Repair and maintenance	50,518	47,736	98,254
Depreciation	924,508	703,607	1,628,115
Total operating expenses	<u>\$ 2,102,159</u>	<u>\$ 1,320,551</u>	<u>\$ 3,422,710</u>
Operating income (loss)	<u>\$ (593,676)</u>	<u>\$ 138,503</u>	<u>\$ (455,173)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 50,014	\$ 50,565	\$ 100,579
Interest expense	(342,601)	(212,872)	(555,473)
Total nonoperating revenues (expenses)	<u>\$ (292,587)</u>	<u>\$ (162,307)</u>	<u>\$ (454,894)</u>
Income before contributions and transfers	<u>\$ (886,263)</u>	<u>\$ (23,804)</u>	<u>\$ (910,067)</u>
Capital contributions and construction grants	186,609	-	186,609
Transfers in	1,304,013	54,217	1,358,230
Transfers out	(180,298)	(31,995)	(212,293)
Change in net position	<u>\$ 424,061</u>	<u>\$ (1,582)</u>	<u>\$ 422,479</u>
Total net position - beginning	16,334,020	14,331,578	30,665,598
Total net position - ending	<u><u>\$ 16,758,081</u></u>	<u><u>\$ 14,329,996</u></u>	<u><u>\$ 31,088,077</u></u>

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

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

	Enterprise Funds		
	Water	Sewer	
	Department	Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,707,033	\$ 1,466,162	\$ 3,173,195
Payments to suppliers	(929,970)	(502,550)	(1,432,520)
Payments to and for employees	(237,497)	(240,513)	(478,010)
Net cash provided by (used for) operating activities	\$ 539,566	\$ 723,099	\$ 1,262,665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (180,298)	\$ (31,995)	\$ (212,293)
Transfers from other funds	1,304,013	54,217	1,358,230
Net cash provided by (used for) noncapital financing activities	\$ 1,123,715	\$ 22,222	\$ 1,145,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (182,284)	\$ (128,998)	\$ (311,282)
Construction grants	(638,883)	-	(638,883)
Principal payments on bonds	(685,669)	(610,490)	(1,296,159)
Proceeds from indebtedness	-	465,229	465,229
Interest expense	(343,080)	(209,702)	(552,782)
Net cash provided by (used for) capital and related financing activities	\$ (1,849,916)	\$ (483,961)	\$ (2,333,877)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	\$ 253	\$ -	\$ 253
Interest income	50,014	50,565	100,579
Net cash provided by (used for) investing activities	\$ 50,267	\$ 50,565	\$ 100,832
Net increase (decrease) in cash and cash equivalents	\$ (136,368)	\$ 311,925	\$ 175,557
Cash and cash equivalents - beginning (including \$59,969 of restricted deposits)	2,861,321	2,945,869	5,807,190
Cash and cash equivalents - ending (including \$882,050 of restricted deposits)	\$ 2,724,953	\$ 3,257,794	\$ 5,982,747
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (593,676)	\$ 138,503	\$ (455,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 924,508	\$ 703,607	\$ 1,628,115
(Increase) decrease in accounts receivable	197,310	6,608	203,918
(Increase) decrease in deferred outflows of resources	(5,128)	3,744	(1,384)
Increase (decrease) in customer deposits	1,240	500	1,740
Increase (decrease) in accounts payable	29,014	(130,102)	(101,088)
Increase (decrease) in compensated absences	2,683	(628)	2,055
Increase (decrease) in net pension liability	2,877	2,714	5,591
Increase (decrease) in net OPEB liabilities	(4,683)	(4,490)	(9,173)
Increase (decrease) in deferred inflows of resources	(14,579)	2,643	(11,936)
Total adjustments	\$ 1,133,242	\$ 584,596	\$ 1,717,838
Net cash provided by (used for) operating activities	\$ 539,566	\$ 723,099	\$ 1,262,665

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

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

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 18,010
Total assets	<u>\$ 18,010</u>
LIABILITIES	
Amounts held for social services clients	\$ 18,010
Total liabilities	<u>\$ 18,010</u>

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

COUNTY OF WYTHE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity:

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

Blended component units - The County has no blended component units.

Discretely Presented Component Units - The component unit column in the financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Wythe County School Board ("the 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. Separate financial statements are not issued for the Component Unit - School Board.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations -

The Counties of Wythe and Grayson participate in supporting the Wythe/Grayson Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2019, the County contributed \$336,000 to the Library.

The Counties of Wythe and Smyth participate in supporting the Smyth/Wythe Airport Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2019, the County contributed \$53,720 to the Airport.

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library Fund and the Property Seizure Fund.

The County reports the following major capital projects funds:

The County Capital Projects Fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The government reports the following major proprietary funds:

The *water department fund and sewer department fund* accounts for the activities of the County water and sewer system, which includes water distribution and sewage collections systems throughout the County.

Additionally, the government reports the following fund types:

Fiduciary funds (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds consist of the special welfare fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government.

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

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

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th.

Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$869,135 at June 30, 2019. This allowance consists of delinquent taxes in the amount of \$212,468 and delinquent water and sewer bills of \$656,667.

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. Inventory

Land held for resale includes land, land improvement, and infrastructure at the Progress Park located in Wythe County. This inventory is valued at original cost. Fair market value cannot be determined as comparable sites do not exist within the vicinity of the County.

8. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, deferred inflows/outflows of resources, and net position/fund balance:
(Continued)****8. Capital Assets (Continued)**

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

Assets	Years
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences. The School Board and Social Services department accrue payments associated with sick leave upon retirement. The County does not pay for sick leave upon retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

10. Pensions

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

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

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

11. Other Postemployment Benefits (OPEB)

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

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

12. Long-term Obligations

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

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

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

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

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

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

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

16. Fund Balance

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

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

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

Committed - amounts that have been committed (establish, modify, or rescind) by formal action (resolution or ordinance) by the entity's "highest level of decision-making authority"; which the County considers to be the Board of Supervisors.

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

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

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund 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.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Capital Projects Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For fiscal year 2019, certain department(s) within the general fund expenditures exceeded their appropriations as demonstrated in Schedule 2 of this report.

C. Deficit fund equity

At June 30, 2019, there were no funds with deficit fund equity.

Note 3-Deposits and Investments:

A. Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. Nonnegotiable certificates of deposit totaling \$799,580 are reported in the accompanying financial statements as investments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 3-Deposits and Investments: (Continued)

B. 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, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VIP) and the State Non-arbitrage Pool (SNAP).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component unit has an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2019 were held in the County's name by the County's custodial bank. The County's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Wells Fargo Advantage MM Fund	\$ 815,199
SNAP (State Non-arbitrage Pool)	13,627
VIP (Virginia Investment Pool)	1,965,971

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 3-Deposits and Investments: (Continued)

B. Investments (Continued)

Interest Rate Risk

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

Investment Maturities (in years)			
Investment Type	Fair Value	1 Year or less	1-5 Years
Wells Fargo Advantage MM Fund	\$ 815,199	\$ 815,199	-
State Non-arbitrage Pool (SNAP)	13,599	13,599	-
VML/VACO Virginia Investment Pool (VIP)	1,965,971	1,965,971	-

Concentration of Credit Risk

At June 30, 2019, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools

The primary government is a participant in the Virginia Investment Pool (VIP). VIP is a Section 115 governmental fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP Trust is governed by a Board of Trustees. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above VML/VACO Investment Pool investment at the net asset value (NAV). VML/VACO VIP allows the County to have the option to have access to withdrawal funds twice a month, with a five day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts, and etc.).

The primary government is a participant in the Virginia State Non-Arbitrage Program (SNAP) sponsored by the Virginia Treasury Board. The SNAP Program provides comprehensive investment management, accounting and arbitrage calculation services for the proceeds of tax-exempt financings of Virginia governments. The Treasury Board has hired a program/investment manager, rebate calculation agent, central depository, custodian bank, and legal counsel to manage the program and provide services to investors. The value of the positions in the external investment pools (SNAP) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 4-Due from Other Governmental Units:**

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

	Primary Government		Component Unit
	Governmental	Business-type	School Board
	Activities	Activities	
<u>Local Government:</u>			
New River Valley Regional Water Authority	\$ -	\$ 2,558,378	\$ -
Town of Wytheville	-	1,697,531	-
<u>Commonwealth of Virginia:</u>			
Local sales tax	693,438	-	-
Local communication tax	103,245	-	-
State sales tax	-	-	549,193
Categorical aid	278,918	-	-
Non-categorical aid	21,991	-	-
Virginia public assistance funds	143,651	-	-
Community services act	390,268	-	-
<u>Federal Government:</u>			
Virginia public assistance funds	215,330	-	-
Categorical aid	41,147	-	513,469
Totals	<u>\$ 1,887,988</u>	<u>\$ 4,255,909</u>	<u>\$ 1,062,662</u>

The County constructed certain debt financed assets that are used by the New River Regional Water Authority and the Town of Wytheville, Virginia. The County has recorded a receivable in the Water Fund of \$4,255,909 for repayment of shared construction costs. The County bills these entities as debt service payments are due.

Note 5-Interfund Transfers/Component Unit Contributions:

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

Fund	Transfers In	Transfers Out
<u>Primary Government:</u>		
General Fund	\$ 648,029	\$ 1,602,753
County Capital Projects Fund	1,696,839	1,888,052
Water Fund	1,304,013	180,298
Sewer Fund	54,217	31,995
Total	<u>\$ 3,703,098</u>	<u>\$ 3,703,098</u>

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

There were no interfund obligations at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 5-Interfund Transfers/Component Unit Contributions: (Continued)**

Primary government contributions to component units for the year ended June 30, 2019, consisted of the following:

Component Unit:	
School Board	\$ 15,415,872

There were no component unit obligations at June 30, 2019.

Note 6-Long-Term Obligations:Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct borrowings and placements:				
General obligation bonds	\$ 44,474,719	\$ 4,950,000	\$(10,184,641)	\$ 39,240,078
GO bond premium	67,156	-	(16,360)	50,796
Literary loans	-	10,018,951	-	10,018,951
Capital leases	78,136	237,172	(49,383)	265,925
Landfill postclosure liability	74,561	-	(74,561)	-
Compensated absences	271,933	280,785	(203,950)	348,768
Net OPEB liabilities	1,466,652	172,675	(424,278)	1,215,049
Net pension liability	1,773,360	3,061,300	(2,984,863)	1,849,797
Total	\$ 48,206,517	\$ 18,720,883	\$(13,938,036)	\$ 52,989,364

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements			
	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2020	\$ 2,699,267	\$ 1,468,483	\$ 500,948	\$ 200,379
2021	2,767,719	1,418,844	500,948	190,360
2022	2,834,437	1,305,153	500,948	180,341
2023	2,890,442	1,185,909	500,948	170,322
2024	2,317,584	1,062,440	500,948	160,303
2025-2029	9,858,606	3,940,029	2,504,740	651,232
2030-2034	11,809,292	2,000,394	2,504,740	400,758
2035-2039	4,062,731	341,814	2,504,731	150,284
Totals	\$ 39,240,078	\$12,723,066	\$ 10,018,951	\$ 2,103,979

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
General Obligation Bonds						
GO bond	3.1-5.35%	11/6/03	2024	\$ 7,435,478	\$ 2,093,861	\$ 403,679
VPSA GO bond	2.35-5.1%	11/7/02	2023	9,209,707	2,048,558	499,280
VPSA GO bond	4.255%-5.1%	10/24/06	2027	3,593,557	1,551,215	185,614
GO bond*	4.10%	3/15/10	2030	3,440,000	3,210,000	240,000
Rural Development GO bond	3.75%	12/29/10	2023	1,550,000	485,930	119,260
GO bond	2.14-3.34%	12/18/14	2035	9,063,000	7,574,273	394,769
GO bond	2.50%	12/30/15	2035	5,000,000	4,896,419	218,418
GO refunding bond	3.98%	5/31/18	2034	8,059,999	7,708,822	257,247
VML/VACO Series 2017	3.05%	12/12/17	2038	10,000,000	9,671,000	381,000
Total General Obligation Bonds					<u>\$ 39,240,078</u>	<u>\$ 2,699,267</u>
Add: Unamortized premium on						
\$7,435,478 GO bond	n/a	11/6/03	2024	476,903	\$ 37,375	\$ -
\$3,593,557 GO bond	n/a	10/24/06	2027	102,414	13,421	-
Total Unamortized premiums					<u>\$ 50,796</u>	<u>\$ -</u>
Total General Obligation Bonds and unamortized premiums					<u>\$ 39,290,874</u>	<u>\$ 2,699,267</u>
Literary Loans:						
State Literary Fund Loan	2.00%	10/1/2018	2039	7,500,000	\$ 7,500,000	\$ 375,000
State Literary Fund Loan	2.00%	10/1/2018	2039	2,518,951	2,518,951	125,948
Total Literary Loans					<u>\$ 10,018,951</u>	<u>\$ 500,948</u>
Total Direct Borrowings and Placements					<u>\$ 49,309,825</u>	<u>\$ 3,200,215</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 348,768	\$ 261,576
Net OPEB Liabilities	n/a	n/a	n/a	n/a	1,215,049	-
Capital Leases	n/a	n/a	n/a	n/a	265,925	70,935
Net Pension Liability	n/a	n/a	n/a	n/a	1,849,797	-
Total Other Obligations					<u>\$ 3,679,539</u>	<u>\$ 332,511</u>
Total Long-term obligations					<u>\$ 52,989,364</u>	<u>\$ 3,532,726</u>

* Build America Bonds - effective yield

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

The County's 2013 refunding bond requires that the County maintains liquidity such that on June 30 of each year, the balance of cash and cash equivalents held in the general fund shall be at least equal to forty percent (40%) of the amount of the County's general obligation debt outstanding on such date. As of June 30th, the County was in compliance with this bond covenant.

The County issued literary loan in the amount of \$7,500,000 bearing interest at a rate of 2.00%. The County used \$7,493,992 of proceeds from same for the current refunding of a 2012 GO bond issuance. The remaining proceeds were used to cover issuance costs related to the bonds.

The County's general obligation bonds and literary loans are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

In an event of default occurs with VPSA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County.

Primary Government - Business-type Activities Obligations:

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

	Balance July 1, 2018	Increase/ Issuances	Decrease/ Retirements	Balance June 30, 2019
Direct borrowings and placements:				
General obligation and revenue bonds	\$ 25,640,742	\$ 465,229	\$ (1,296,159)	\$ 24,809,812
General obligation bond discount	(7,320)	-	915	(6,405)
Compensated absences	20,022	17,072	(15,017)	22,077
Net OPEB liabilities	57,496	7,475	(16,648)	48,323
Net pension liability	67,978	123,836	(118,245)	73,569
Total	\$ 25,778,918	\$ 613,612	\$ (1,445,154)	\$ 24,947,376

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)Details of long-term obligations:

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

Year Ending June 30,	Direct Borrowings and Placements General Obligation and Revenue Bonds	
	Principal	Interest
2020	\$ 1,277,784	\$ 618,030
2021	1,313,213	582,412
2022	1,348,630	545,870
2023	1,384,475	508,082
2024	1,425,736	469,089
2025-2029	4,977,724	1,839,195
2030-2034	3,537,302	1,386,401
2035-2039	2,930,127	960,710
2040-2044	2,317,976	640,888
2045-2049	2,459,635	350,301
2050-2054	1,540,296	103,399
2055-2056	296,914	4,393
Totals	<u>\$ 24,809,812</u>	<u>\$ 8,008,770</u>

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations: (Continued)

Details of long-term obligations: (Continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
General Obligation and Revenue Bonds						
VRA GO Bond	0.00%	2/1/14	2025	\$ 110,100	\$ 31,437	\$ 5,240
VRA GO Bond	0.00%	5/15/12	2033	1,369,871	892,993	68,493
VRA GO Bond***	0.65%	9/30/16	2029	2,103,600	1,973,473	102,205
Rural Development Bond	4.50%	7/24/97	2037	2,521,100	1,665,715	65,865
Rural Development Bond	4.50%	10/31/02	2042	497,100	385,403	10,349
Rural Development Bond	4.50%	10/31/02	2042	547,700	425,283	11,395
Rural Development Bond	4.125%	6/23/10	2040	1,511,260	1,376,869	22,248
Rural Development Bond*	2.375%	3/31/10	2040	1,100,000	347,513	7,823
Rural Development Bond	2.375%	6/29/11	2051	640,000	571,931	12,229
Rural Development Bond	2.375%	6/14/11	2051	3,316,000	2,967,004	63,258
Rural Development Bond	2.375%	8/11/10	2049	1,065,000	904,999	21,434
Rural Development Bond	2.125%	11/16/12	2052	1,374,000	1,260,577	26,464
Rural Development Bond	2.125%	10/7/15	2055	3,754,000	3,640,264	69,283
Rural Development Bond	2.500%	5/19/16	2056	1,358,000	1,330,347	26,024
Rural Development Bond	3.500%	5/19/16	2056	684,000	671,425	11,859
GO Bond	4.36%	12/15/05	2026	5,900,000	2,662,277	331,146
GO Bond	2.36%	12/18/14	2035	927,000	774,621	40,231
GO Bond**	2.00%	11/19/14	2020	151,809	111,958	4,419
Less: Unamortized GO Bond discount					(6,405)	-
VML/VACO Series 2017	2.25%	12/20/2017	2026	3,184,693	2,815,723	377,819
Total Direct Borrowings and Placements					\$ 24,803,407	\$ 1,277,784
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 22,077	\$ 16,558
Net OPEB Liabilities	n/a	n/a	n/a	n/a	48,323	-
Net Pension Liability	n/a	n/a	n/a	n/a	73,569	-
Total Other Obligations					\$ 143,969	\$ 16,558
Total Long-term obligations					\$ 24,947,376	\$ 1,294,342

* Loan issued by Carroll County PSA in the amount of \$5,000,000 with an underlying agreement that Wythe County is responsible for 7.9733% of such loan.

** As of June 30, 2019, \$127,715 has been drawn down.

*** As of June 30, 2019, \$2,078,192 has been drawn down.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)Details of long-term obligations: (Continued)

The County's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

In an event of default occurs with VRA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County.

Note 7-Long-Term Obligations - Component Unit:Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2019.

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019
Compensated absences	\$ 614,564	\$ 480,557	\$ (460,923)	\$ 634,198
Net OPEB liabilities	10,346,500	1,030,700	(1,707,700)	9,669,500
Net pension liability	33,021,873	6,995,799	(9,216,394)	30,801,278
Total	\$ 43,982,937	\$8,507,056	\$ (11,385,017)	\$ 41,104,976

Details of long-term obligations:

	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:		
Compensated Absences	\$ 634,198	\$ 475,649
Net OPEB Liabilities	9,669,500	-
Net Pension Liability	30,801,278	-
Total Long-term obligations	\$ 41,104,976	\$ 475,649

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plans:*****Aggregate Pension Information***

The following is a summary of deferred outflows, deferred inflows, net pension liabilities, and pension expense for the year ended June 30, 2019.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 680,927	\$ 391,328	\$ 1,923,366	\$ 73,955	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	125,648	42,021	397,278	1,012
School Board Professional	-	-	-	-	3,600,661	4,870,000	30,404,000	1,275,000
Totals	\$ 680,927	\$ 391,328	\$ 1,923,366	\$ 73,955	\$ 3,726,309	\$ 4,912,021	\$ 30,801,278	\$ 1,276,012

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 a Virginia Retirement System (the System) along with plans for other 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 Wythe County and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 8-Pension Plans: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8-Pension Plans: (Continued)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 8.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$504,820 and \$548,796 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the County reported a liability of \$1,923,366 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions as of June 30, 2018 and 2017 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2018 and 2017, the County's proportion was 95.66% and 96.16%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Wythe County's Retirement Plan and the Component Unit School Board's (nonprofessional) was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Wythe County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

Note 8-Pension Plans: (Continued)

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8-Pension Plans: (Continued)*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Note 8-Pension Plans: (Continued)***Long-Term Expected Rate of Return***

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

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

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

Note 8-Pension Plans: (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the employer for the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution 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 Retirement Plan Net Pension Liability (Asset)	\$ 6,190,556	\$ 1,923,366	\$ (1,634,805)

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

For the year ended June 30, 2019, the County recognized pension expense of \$73,955. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plans: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

At June 30, 2019, 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	\$ 168,672	\$ 88,115
Change in assumptions	-	26,389
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,435	18,597
Net difference between projected and actual earnings on pension plan investments	-	258,227
Employer contributions subsequent to the measurement date	504,820	-
Total	<u>\$ 680,927</u>	<u>\$ 391,328</u>

\$504,820 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2020	\$ 86,079
2021	47,042
2022	(321,031)
2023	(27,311)
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plans: (Continued)*****Pension Plan Data***

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

Component Unit School Board (nonprofessional)

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, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	75
Inactive members:	
Vested inactive members	8
Non-vested inactive members	26
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	59
Active members	<u>63</u>
Total covered employees	<u><u>197</u></u>

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 8.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plans: (Continued)****Component Unit School Board (nonprofessional) (Continued)*****Contributions (Continued)***

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$110,866 and \$116,776 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

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, 2017	\$ 6,168,187	\$ 5,755,314	\$ 412,873
Changes for the year:			
Service cost	\$ 132,216	\$ -	\$ 132,216
Interest	417,302	-	417,302
Differences between expected and actual experience	29,714	-	29,714
Contributions - employer	-	116,776	(116,776)
Contributions - employee	-	63,367	(63,367)
Net investment income	-	418,789	(418,789)
Benefit payments, including refunds of employee contributions	(413,447)	(413,447)	-
Administrative expenses	-	(3,737)	3,737
Other changes	-	(368)	368
Net changes	\$ 165,785	\$ 181,380	\$ (15,595)
Balances at June 30, 2018	\$ 6,333,972	\$ 5,936,694	\$ 397,278

Note 8-Pension Plans: (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 Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit School Board's (nonprofessional) net pension liability 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)	\$ 1,085,609	\$ 397,278	\$ (183,891)

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of \$1,012. At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,782	\$ 799
Changes of assumptions	-	461
Net difference between projected and actual earnings on pension plan investments	-	40,761
Employer contributions subsequent to the measurement date	110,866	-
Total	\$ 125,648	\$ 42,021

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plans: (Continued)****Component Unit School Board (nonprofessional) (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$110,866 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ 38,445
2021	(1,481)
2022	(59,357)
2023	(4,846)
Thereafter	-

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

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

Additional information regarding the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,237,661 and \$3,359,679 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 8-Pension Plans: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the school division reported a liability of \$30,404,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.2585% as compared to 0.2652% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,275,000. 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, 2019, 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	\$ -	\$ 2,600,000
Net difference between projected and actual earnings on pension plan investments	-	645,000
Changes of assumptions	363,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,625,000
Employer contributions subsequent to the measurement date	3,237,661	-
Total	\$ 3,600,661	\$ 4,870,000

Note 8-Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$3,237,661 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (947,000)
2021	(1,141,000)
2022	(1,636,000)
2023	(583,000)
Thereafter	(200,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

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

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

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

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

Note 8-Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)*****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)	\$ 46,443,000	\$ 30,404,000	\$ 17,128,000

Pension Plan Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,032,359	\$ -	\$ -	\$ 4,032,359
Construction in progress	6,980,941	12,083,263	(8,724,058)	10,340,146
Total capital assets not being depreciated	<u>\$ 11,013,300</u>	<u>\$12,083,263</u>	<u>\$ (8,724,058)</u>	<u>\$ 14,372,505</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 52,146,023	\$ 8,724,058	\$ -	\$ 60,870,081
Infrastructure	3,322,389	-	-	3,322,389
Machinery and equipment	6,196,159	579,226	(229,443)	6,545,942
Total capital assets being depreciated	<u>\$ 61,664,571</u>	<u>\$ 9,303,284</u>	<u>\$ (229,443)</u>	<u>\$ 70,738,412</u>
Accumulated depreciation:				
Buildings and improvements	\$ (15,042,716)	\$ (1,390,068)	\$ -	\$ (16,432,784)
Infrastructure	(1,994,628)	(166,542)	-	(2,161,170)
Machinery and equipment	(4,386,665)	(368,760)	153,432	(4,601,993)
Total accumulated depreciation	<u>\$ (21,424,009)</u>	<u>\$ (1,925,370)</u>	<u>\$ 153,432</u>	<u>\$ (23,195,947)</u>
Total capital assets being depreciated, net	<u>\$ 40,240,562</u>	<u>\$ 7,377,914</u>	<u>\$ (76,011)</u>	<u>\$ 47,542,465</u>
Governmental activities capital assets, net	<u>\$ 51,253,862</u>	<u>\$19,461,177</u>	<u>\$ (8,800,069)</u>	<u>\$ 61,914,970</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 9-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 233,205	\$ -	\$ -	\$ 233,205
Construction in progress	1,063,830	1,528,289	(2,342,189)	249,930
Total capital assets not being depreciated	<u>\$ 1,297,035</u>	<u>\$ 1,528,289</u>	<u>\$ (2,342,189)</u>	<u>\$ 483,135</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 63,120,763	\$ 1,093,923	\$ -	\$ 64,214,686
Machinery and equipment	323,287	52,829	-	376,116
Total capital assets being depreciated	<u>\$ 63,444,050</u>	<u>\$ 1,146,752</u>	<u>\$ -</u>	<u>\$ 64,590,802</u>
Accumulated depreciation:				
Utility plant in service	\$ (17,757,505)	\$ (1,597,024)	\$ -	\$ (19,354,529)
Machinery and equipment	(162,520)	(31,091)	-	(193,611)
Total accumulated depreciation	<u>\$ (17,920,025)</u>	<u>\$ (1,628,115)</u>	<u>\$ -</u>	<u>\$ (19,548,140)</u>
Total capital assets being depreciated, net	<u>\$ 45,524,025</u>	<u>\$ (481,363)</u>	<u>\$ -</u>	<u>\$ 45,042,662</u>
Business-type activities capital assets, net	<u>\$ 46,821,060</u>	<u>\$ 1,046,926</u>	<u>\$ (2,342,189)</u>	<u>\$ 45,525,797</u>

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

Governmental activities:	
General government administration	\$ 50,237
Judicial administration	9,846
Public safety	298,277
Public works	297,085
Health and welfare	4,771
Education	982,544
Parks, recreation, and culture	18,596
Community development	264,014
Total depreciation expense-governmental activities	<u>\$ 1,925,370</u>
Business type activities:	
Water and sewer	<u>\$ 1,628,115</u>
Total depreciation expense-Primary Government	<u>\$ 3,553,485</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 774,089	\$ -	\$ -	\$ 774,089
Construction in progress	-	780,987	-	780,987
Total capital assets not being depreciated	<u>\$ 774,089</u>	<u>\$ 780,987</u>	<u>\$ -</u>	<u>\$ 1,555,076</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 24,687,806	\$ -	\$ -	\$ 24,687,806
Machinery and equipment	8,731,420	521,255	-	9,252,675
Total capital assets being depreciated	<u>\$ 33,419,226</u>	<u>\$ 521,255</u>	<u>\$ -</u>	<u>\$ 33,940,481</u>
Accumulated depreciation:				
Buildings and improvements	\$(14,245,781)	\$ (489,714)	\$ -	\$(14,735,495)
Machinery and equipment	(6,601,038)	(367,550)	-	(6,968,588)
Total accumulated depreciation	<u>\$(20,846,819)</u>	<u>\$ (857,264)</u>	<u>\$ -</u>	<u>\$(21,704,083)</u>
Total capital assets being depreciated, net	<u>\$ 12,572,407</u>	<u>\$ (336,009)</u>	<u>\$ -</u>	<u>\$ 12,236,398</u>
Governmental activities capital assets, net	<u>\$ 13,346,496</u>	<u>\$ 444,978</u>	<u>\$ -</u>	<u>\$ 13,791,474</u>

All depreciation of the component-unit School Board is posted to the education function in the financial statements.

Note 10-Risk Management:

The County and School Board are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County and School Board participate with other localities in a public entity risk pool for their coverage of worker's compensation with the Virginia Municipal League Pool and public officials' liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pool will be self-sustaining through member premiums. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11-Commitments and Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget 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 material matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

A software provider has filed a complaint against the County requesting damages of \$45,000. The County is vigorously defending this claim. The amount of payment, if any, cannot be reasonably estimated and therefore the County has not recorded a liability in the accompanying financial statements.

A civil rights case in the amount of \$200,000 has been filed against Wythe County Department of Social Services. The Wythe County Department of Social Service's insurance carrier is funding the defense of the Wythe County Department of Social Services in this claim. The amount of payment, if any, cannot be reasonably estimated and therefore no liability has been recorded in the accompanying financial statements.

The County and School Board had the following construction commitments at June 30, 2019:

Project	Original Contract Amount	Outstanding at June 30, 2019
County		
George Wythe High School Renovations	\$ 12,250,000	\$ 234,157
Fort Chiswell WWTP Headworks Improvements	149,000	67,595
Max Meadows Bridge Supported Pipeline Replacement	143,350	78,531
Speedwell Phase 3	461,580	99,611
Totals	<u>\$ 13,003,930</u>	<u>\$ 479,894</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 12-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Jeremiah Musser, Clerk of the Circuit Court	\$ 1,500,000
Lori Guynn, Treasurer	400,000
Faye Barker, Commissioner of the Revenue	3,000
Keith Dunagen, Sheriff	30,000
<u>Aetna Casualty and Surety - Surety:</u>	
All social services employees: blanket bond	\$ 100,000
<u>United States Fidelity and Guaranty Company-Surety:</u>	
Stephen Bear, County Administrator	\$ 2,000
Martha Collins, Administrative Secretary	2,000
Tim Spraker, Building Inspector	2,000

Component Unit - School Board:

<u>United States Fire Insurance Company - Surety:</u>	
Catrina Hall, Clerk of the School Board	\$ 25,000
All school board employees: blanket bond	10,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 13-Unearned and Deferred/Unavailable Revenue:**

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for funding of current expenditures	\$ -	\$ 1,479,384
Prepaid property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers	97,476	97,476
Unavailable revenue represents the proceeds of land held for resale of which are not available for funding of current expenditures	-	14,029,913
Total deferred revenue/unavailable revenue	\$ 97,476	\$ 15,606,773

Note 14-Aggregate Other Postemployment Benefits Information:

The following is a summary of deferred outflows, deferred inflows, net pension liabilities, and pension expense for the year ended June 30, 2019.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS OPEB Plans:								
Group Life Insurance Program								
County	\$ 68,554	\$ 59,309	\$ 522,299	\$ 3,826	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	16,371	10,000	108,000	1,000
School Board Professional	-	-	-	-	190,348	214,000	1,658,000	-
Health Insurance Credit Program	-	-	-	-	15,757	1,000	132,000	12,000
Teacher Health Insurance Credit Program	-	-	-	-	251,826	163,000	3,259,000	247,000
County Stand-Alone Plan	20,471	263,637	741,073	35,011	-	-	-	-
School Stand-Alone Plan	-	-	-	-	239,500	602,900	4,512,500	296,100
Totals	\$ 89,025	\$ 322,946	\$ 1,263,372	\$ 38,837	\$ 713,802	\$ 990,900	\$ 9,669,500	\$ 556,100

Note 15-Other Postemployment Benefits - Health Insurance:

Plan Description

In addition to the pension benefits described in Note 9, the County administers a cost-sharing defined benefit healthcare plan. Several entities participate in the defined benefit healthcare plan through the County and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The County administers a cost-sharing healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the County and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 years of service. The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

Contributions

The Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2019 was \$20,471.

Total OPEB Liability

At June 30, 2019, the County reported a liability of \$741,073 for its proportionate share of the total OPEB liability. The County's total OPEB liability was measured as of July 1, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2018 and 2017, the County's proportion was 95.66%.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Salaries are assumed to increase 2.50% annually.
Discount Rate	3.62%

RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)***Actuarial Assumptions (Continued)***

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

Discount Rate

The discount rate has been set equal to 3.62% and represents the Municipal GO AA 20-year yield curve rate as of June 29, 2018.

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 824,487	\$ 741,073	\$ 666,840

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 4.00%) or one percentage point higher (7.00% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (as noted above)	Healthcare Cost Trend (as noted above)	1% Increase (as noted above)
\$ 651,822	\$ 741,073	\$ 846,106

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 15-Other Postemployment Benefits - Health Insurance: (Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$35,011. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 218,486
Change in assumptions	-	45,151
Employer contributions subsequent to the measurement date	20,471	-
Total	<u>\$ 20,471</u>	<u>\$ 263,637</u>

\$20,471 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (47,351)
2021	(47,351)
2022	(47,351)
2023	(47,351)
2024	(47,351)
Thereafter	(26,882)

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

Note 16-Other Postemployment Benefits - Health Insurance - Component Unit School Board:*Plan Description*

In addition to the pension benefits described in Note 9, the School Board administers a single-employer defined benefit healthcare plan, The Wythe County Public Schools Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 16-Other Postemployment Benefits - Health Insurance - Component Unit School Board:**
(Continued)***Benefits Provided***

The Component Unit School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 year of service. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action.

Plan Membership

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Active employees	<u>530</u>
Total	<u><u>579</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$239,500.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Salaries are assumed to increase 2.50% annually.
Discount Rate	3.62%

RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 16-Other Postemployment Benefits - Health Insurance - Component Unit School Board:
(Continued)*Actuarial Assumptions (Continued)*

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

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability
Beginning Balance	\$ 5,065,500
Changes for the year:	
Service cost	197,600
Interest	183,100
Difference between expected and actual experience	(256,900)
Changes in assumptions	(437,300)
Benefit payments	(239,500)
Net changes	(553,000)
Ending Balance	\$ 4,512,500

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 4,935,400	\$ 4,512,500	\$ 4,127,200

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 16-Other Postemployment Benefits - Health Insurance - Component Unit School Board:
(Continued)*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 4.00%) or one percentage point higher (7.00% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
	Healthcare Cost	
1% Decrease (as noted above)	Trend (as noted above)	1% Increase (as noted above)
\$ 4,017,600	\$ 4,512,500	\$ 5,096,400

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$296,100. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 223,100
Change in assumptions	-	379,800
Employer contributions subsequent to the measurement date	239,500	-
Total	\$ 239,500	\$ 602,900

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 16-Other Postemployment Benefits - Health Insurance - Component Unit School Board:**
(Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***
(Continued)

\$239,500 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(91,300)
2021		(91,300)
2022		(91,300)
2023		(91,300)
2024		(91,300)
Thereafter		(146,400)

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan):***Plan Description***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were \$33,160 and \$33,739 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$7,371 and \$7,051 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$109,348 and \$108,031 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

County of Wythe, Virginia Group Life Insurance Program

At June 30, 2019, the entity reported a liability of \$522,299 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0344% as compared to 0.0354% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$3,826. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional) Group Life Insurance Program

At June 30, 2019, the entity reported a liability of \$108,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0071% as compared to 0.0072% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)****Component Unit School Board (professional) Group Life Insurance Program*

At June 30, 2019, the entity reported a liability of \$1,658,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.1092% as compared to 0.1129% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,828	\$ 8,609	\$ 5,000	\$ 1,000	\$ 81,000	\$ 30,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	17,219	-	4,000	-	54,000
Change in assumptions	-	22,002	-	5,000	-	69,000
Changes in proportion	9,566	11,479	4,000	-	-	61,000
Employer contributions subsequent to the measurement date	33,160	-	7,371	-	109,348	-
Total	\$ 68,554	\$ 59,309	\$ 16,371	\$ 10,000	\$ 190,348	\$ 214,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)***

\$33,160, \$7,371, and \$109,348 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2020	\$ (7,653)	\$ (1,000)	\$ (36,000)
2021	(7,653)	-	(36,000)
2022	(7,653)	-	(36,000)
2023	(2,869)	-	(21,000)
2024	1,913	-	(6,000)
Thereafter	-	-	2,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Actuarial Assumptions (Continued)***

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

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

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

NET GLI OPEB Liability

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*NET GLI OPEB Liability (Continued)*

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

Long-Term Expected Rate of Return

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

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

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

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Discount Rate***

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 682,050	\$ 522,299	\$ 392,203
Component Unit School Board's (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 141,000	\$ 108,000	\$ 81,000
Component Unit School Board's (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 2,167,000	\$ 1,658,000	\$ 1,245,000

Note 17-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI Program Fiduciary Net Position

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

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>34</u>
Inactive members:	
Vested inactive members	1
Total inactive members	<u>35</u>
Active members	63
Total covered employees	<u><u>98</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2019 was 0.82% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (nonprofessional) to the HIC Program were \$11,757 and \$10,843 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The Component Unit School Board's (nonprofessional) net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 158,000	\$ 31,000	\$ 127,000
Changes for the year:			
Service cost	\$ 2,000	\$ -	\$ 2,000
Interest	10,000	-	10,000
Differences between expected and actual experience	5,000	-	5,000
Contributions - employer	-	11,000	(11,000)
Net investment income	-	2,000	(2,000)
Benefit payments	(16,000)	(16,000)	-
Other changes	-	(1,000)	1,000
Net changes	\$ 1,000	\$ (4,000)	\$ 5,000
Balances at June 30, 2018	\$ 159,000	\$ 27,000	\$ 132,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the Component Unit School Board's (nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board's (nonprofessional)			
Net HIC OPEB Liability	\$ 145,000	\$ 132,000	\$ 121,000

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized HIC Program OPEB expense of \$12,000. At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (nonprofessional) HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	4,000	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	1,000
Employer contributions subsequent to the measurement date	11,757	-
Total	\$ 15,757	\$ 1,000

Note 18-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB: (Continued)*

\$11,757 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$	1,000
2021		1,000
2022		1,000
2023		-
2024		-
Thereafter		-

HIC Program Plan Data

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

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

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Plan Description (Continued)

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$251,826 and \$255,531 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB*

At June 30, 2019, the school division reported a liability of \$3,259,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.2567% as compared to 0.2639% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$247,000. Since there was a change in proportionate share measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	2,000
Change in assumptions	-	28,000
Change in proportion	-	116,000
Employer contributions subsequent to the measurement date	251,826	-
Total	\$ 251,826	\$ 163,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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

\$251,826 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(27,000)
2021		(27,000)
2022		(27,000)
2023		(26,000)
2024		(27,000)
Thereafter		(29,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

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

Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

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

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

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Note 19-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 3,640,000	\$ 3,259,000	\$ 2,934,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 20-Line of Duty Act (LODA) (OPEB Benefits):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$39,490.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 21-Capital Leases:

The County has entered into capital leases for the purchase of election machines and police vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through the capital leases are as follows:

Election machines	\$ 150,327
Police vehicles	237,172
Total capital assets	<u>\$ 150,327</u>
Accumulated Depreciation	(46,400)
Net Book Value of Capital Assets	<u>\$ 103,927</u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Lease
2020	\$ 94,014
2021	77,548
2022	61,774
2023	61,733
2024	33,429
Total minimum lease payments	<u>\$ 328,498</u>
Less: amount representing interest	(62,573)
Present value of future minimum lease payments	<u>\$ 265,925</u>

Note 22-Adoption of Accounting Principle:

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

Note 23-Upcoming Pronouncements:

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

Note 23-Upcoming Pronouncements: (Continued)

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

Required Supplementary Information

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

	Budgeted Amounts			Variance with Final Budget - Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 20,489,100	\$ 20,489,100	\$ 21,183,656	\$ 694,556
Other local taxes	5,925,000	5,925,000	6,323,967	398,967
Permits, privilege fees, and regulatory licenses	60,400	70,400	111,736	41,336
Fines and forfeitures	1,250,000	1,330,000	1,384,273	54,273
Revenue from the use of money and property	672,414	672,414	1,152,124	479,710
Charges for services	304,500	304,500	282,120	(22,380)
Miscellaneous	-	-	46,375	46,375
Recovered costs	995,122	1,001,697	627,410	(374,287)
Intergovernmental:				
Commonwealth	9,128,603	9,128,920	8,304,457	(824,463)
Federal	2,385,452	2,448,327	2,916,843	468,516
Total revenues	\$ 41,210,591	\$ 41,370,358	\$ 42,332,961	\$ 962,603
EXPENDITURES				
Current:				
General government administration	\$ 1,820,658	\$ 1,875,821	\$ 1,702,335	\$ 173,486
Judicial administration	1,460,886	1,485,142	1,295,561	189,581
Public safety	7,054,324	7,395,103	6,579,742	815,361
Public works	2,190,471	2,278,707	2,035,896	242,811
Health and welfare	8,337,211	8,417,211	7,519,151	898,060
Education	15,393,796	25,507,722	25,416,895	90,827
Parks, recreation, and cultural	713,282	728,192	618,432	109,760
Community development	1,063,407	1,181,146	760,131	421,015
Capital projects	2,406,586	9,768,924	3,820,623	5,948,301
Debt service:				
Principal retirement	3,318,155	3,318,155	2,740,032	578,123
Interest and other fiscal charges	1,450,000	1,450,000	1,389,758	60,242
Total expenditures	\$ 45,208,776	\$ 63,406,123	\$ 53,878,556	\$ 9,527,567
Excess (deficiency) of revenues over (under) expenditures				
	\$ (3,998,185)	\$ (22,035,765)	\$ (11,545,595)	\$ 10,490,170
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 16,022	\$ 29,022	\$ 648,029	\$ 619,007
Transfers out	(232,647)	(322,647)	(1,602,753)	(1,280,106)
Debt service principal (current refunding)	-	-	(7,493,992)	(7,493,992)
Issuance of general obligation bonds	3,050,000	3,050,000	4,950,000	1,900,000
Issuance of capital leases	-	-	237,172	237,172
Issuance of refunding bond (literary loan)	-	-	7,500,000	7,500,000
Issuance of literary loan	-	-	2,518,951	2,518,951
Sale of capital assets	-	-	2,980	2,980
Total other financing sources (uses)	\$ 2,833,375	\$ 2,756,375	\$ 6,760,387	\$ 4,004,012
Net change in fund balances				
	\$ (1,164,810)	\$ (19,279,390)	\$ (4,785,208)	\$ 14,494,182
Fund balances - beginning	1,164,810	19,279,390	48,046,388	28,766,998
Fund balances - ending	\$ -	\$ -	\$ 43,261,180	\$ 43,261,180

County of Wythe, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)
For the Measurement Dates of June 30, 2014 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
Primary Government					
2018	95.66% \$	1,923,366	\$ 6,523,683	29.48%	94.30%
2017	96.16%	1,841,338	6,519,560	28.24%	94.37%
2016	96.35%	3,656,416	6,168,475	59.28%	88.53%
2015	96.42%	2,513,192	6,040,131	41.61%	92.90%
2014	96.42%	2,483,113	6,030,523	41.18%	91.69%
Component Unit School Board (professional)					
2018	0.2585% \$	30,404,000	\$ 20,774,929	146.35%	74.81%
2017	0.2652%	32,609,000	20,823,957	156.59%	72.92%
2016	0.2678%	37,532,000	20,401,102	183.97%	68.28%
2015	0.2741%	34,501,000	20,379,338	169.29%	70.68%
2014	0.2808%	33,939,000	18,333,516	185.12%	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 Wythe, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 132,216	\$ 121,007	\$ 136,260	\$ 149,645	\$ 133,560
Interest	417,302	414,940	412,919	398,722	388,911
Changes of assumptions	-	(31,193)	-	-	-
Differences between expected and actual experience	29,714	(54,011)	(67,963)	90,642	-
Benefit payments, including refunds of employee contributions	(413,447)	(420,552)	(484,117)	(388,295)	(376,325)
Net change in total pension liability	\$ 165,785	\$ 30,191	\$ (2,901)	\$ 250,714	\$ 146,146
Total pension liability - beginning	6,168,187	6,137,996	6,140,897	5,890,183	5,744,037
Total pension liability - ending (a)	\$ 6,333,972	\$ 6,168,187	\$ 6,137,996	\$ 6,140,897	\$ 5,890,183
Plan fiduciary net position					
Contributions - employer	\$ 116,776	\$ 115,538	\$ 133,755	\$ 134,262	\$ 133,742
Contributions - employee	63,367	62,491	59,098	60,221	62,468
Net investment income	418,789	639,326	90,042	247,316	764,259
Benefit payments, including refunds of employee contributions	(413,447)	(420,552)	(484,117)	(388,295)	(376,325)
Administrative expense	(3,737)	(3,850)	(3,593)	(3,530)	(4,237)
Other	(368)	(562)	(39)	(51)	40
Net change in plan fiduciary net position	\$ 181,380	\$ 392,391	\$ (204,854)	\$ 49,923	\$ 579,947
Plan fiduciary net position - beginning	5,755,314	5,362,923	5,567,777	5,517,854	4,937,907
Plan fiduciary net position - ending (b)	\$ 5,936,694	\$ 5,755,314	\$ 5,362,923	\$ 5,567,777	\$ 5,517,854
School Division's net pension liability - ending (a) - (b)	\$ 397,278	\$ 412,873	\$ 775,073	\$ 573,120	\$ 372,329
Plan fiduciary net position as a percentage of the total pension liability	93.73%	93.31%	87.37%	90.67%	93.68%
Covered payroll	\$ 1,355,799	\$ 1,329,756	\$ 1,240,650	\$ 1,228,806	\$ 1,243,058
School Division's net pension liability as a percentage of covered payroll	29.30%	31.05%	62.47%	46.64%	29.95%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is unavailable. However, additional years will be included as they become available.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 504,820	\$ 504,820	\$ -	\$ 6,376,852	7.92%
2018	548,796	548,796	-	6,523,683	8.41%
2017	553,130	553,130	-	6,519,560	8.48%
2016	709,867	709,867	-	6,168,475	11.51%
2015	700,844	700,844	-	6,040,131	11.60%
Component Unit School Board (nonprofessional)					
2019	\$ 110,866	\$ 110,866	\$ -	\$ 1,415,719	7.83%
2018	116,776	116,776	-	1,355,799	8.61%
2017	115,538	115,538	-	1,329,756	8.69%
2016	133,755	133,755	-	1,240,650	10.78%
2015	134,362	134,362	-	1,228,806	10.93%
2014	133,742	133,742	-	1,243,058	10.76%
2013	125,228	125,228	-	1,162,746	10.77%
2012	138,525	138,525	-	1,565,251	8.85%
2011	135,500	135,500	-	1,531,077	8.85%
2010	128,027	128,027	-	1,572,810	8.14%
Component Unit School Board (professional)					
2019	\$ 3,237,661	\$ 3,237,661	\$ -	\$ 20,985,461	15.43%
2018	3,359,679	3,359,679	-	20,774,929	16.17%
2017	3,028,364	3,028,364	-	20,823,957	14.54%
2016	2,853,193	2,853,193	-	20,401,102	13.99%
2015	2,946,998	2,946,998	-	20,379,338	14.46%
2014	2,137,688	2,137,688	-	18,333,516	11.66%
2013	2,372,402	2,372,402	-	20,346,501	11.66%
2012	1,215,732	1,215,732	-	19,205,877	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	1,586,501	1,586,501	-	18,007,957	8.81%

Current year and prior year contributions for the Primary Government and Component Unit School Board (professional) are from County and School Board records. For Component Unit School Board (nonprofessional), current year contributions are from School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

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

County of Wythe, Virginia
Notes to Required Supplementary Information - Pension Plans
June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

County of Wythe, Virginia
 Schedule of County's Proportionate Share of the Total Health Insurance OPEB Liability
 For the Measurement Dates of July 1, 2018 and 2017

Date (1)	Proportion of the Total OPEB Liability (Asset) (TOLA) (2)	Proportionate Share of the TOLA (3)	Covered- Employee Payroll (4)	Proportionate Share of the TOLA as a Percentage of Covered-Employee Payroll (3)/(4) (5)
				(5)
2018	95.66% \$	741,073	\$ 5,442,289	13.62%
2017	95.66%	991,422	5,837,938	16.98%

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

County of Wythe, Virginia
Schedule of Changes in Total Health Insurance OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Measurement Dates of July 1, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 197,600	\$ 192,800
Interest	183,100	178,300
Changes in assumptions	(437,300)	-
Differences between expected and actual experience	(256,900)	
Benefit payments	(239,500)	(239,500)
Net change in total OPEB liability	\$ (553,000)	\$ 131,600
Total OPEB liability - beginning	5,065,500	4,933,900
Total OPEB liability - ending	\$ <u>4,512,500</u>	\$ <u>5,065,500</u>
 Covered-employee payroll	 \$ 21,538,700	 \$ 20,624,300
 Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 20.95%	 24.56%

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

County of Wythe, Virginia
Notes to Required Supplementary Information - County and Component Unit School Board Health Insurance OPEB
For the Year Ended June 30, 2019

Primary Government

Valuation Date: 7/1/2018
Measurement Date: 7/1/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50%
Healthcare Trend Rate	1.88% for fiscal year end 2018 (to reflect actual experience), then 6.00% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Salaries are assumed to increase 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

Component Unit School Board

Valuation Date: 7/1/2018
Measurement Date: 7/1/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50%
Healthcare Trend Rate	1.88% for fiscal year end 2018 (to reflect actual experience), then 6.00% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Salaries are assumed to increase 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2018	0.0344%	\$ 522,299	\$ 6,523,683	8.01%	51.22%
2017	0.0354%	532,726	6,519,560		48.86%
Component Unit School Board (nonprofessional)					
2018	0.0071%	\$ 108,000	\$ 1,355,799	7.97%	51.22%
2017	0.0072%	108,000	1,329,756	8.12%	48.86%
Component Unit School Board (professional)					
2018	0.1092%	\$ 1,658,000	\$ 20,774,929	7.98%	51.22%
2017	0.1129%	1,699,000	20,823,957	8.16%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 33,160	\$ 33,160	\$ -	\$ 6,376,851	0.52%
2018	33,739	33,739	-	6,523,683	0.52%
2017	33,958	33,958	-	6,519,560	0.52%
2016	33,034	29,918	3,116	6,168,475	0.49%
2015	32,066	29,041	3,026	6,040,131	0.48%
Component Unit School Board (nonprofessional)					
2019	\$ 7,371	\$ 7,371	\$ -	\$ 1,417,544	0.52%
2018	7,051	7,051	-	1,355,799	0.52%
2017	6,915	6,915	-	1,329,756	0.52%
2016	5,946	5,946	-	1,240,650	0.48%
2015	5,893	5,893	-	1,228,806	0.48%
2014	5,967	5,967	-	1,243,058	0.48%
2013	5,581	5,581	-	1,162,746	0.48%
2012	4,383	4,383	-	1,565,251	0.28%
2011	4,287	4,287	-	1,531,077	0.28%
2010	3,159	3,159	-	1,572,810	0.20%
Component Unit School Board (professional)					
2019	\$ 109,348	\$ 109,348	\$ -	\$ 21,028,211	0.52%
2018	108,031	108,031	-	20,774,929	0.52%
2017	108,289	108,289	-	20,823,957	0.52%
2016	98,014	98,014	-	20,401,102	0.48%
2015	97,823	97,823	-	20,379,338	0.48%
2014	98,598	98,598	-	18,333,516	0.54%
2013	97,639	97,639	-	20,346,501	0.48%
2012	53,739	53,739	-	19,205,877	0.28%
2011	51,733	51,733	-	24,764,478	0.21%
2010	38,152	38,152	-	18,007,957	0.21%

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

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

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Wythe, Virginia
Schedule of Changes in the Component Unit School Board (nonprofessional) Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

	2018	2017
Total HIC OPEB Liability		
Service cost	\$ 2,000	\$ 2,000
Interest	10,000	11,000
Differences between expected and actual experience	5,000	-
Benefit payments	(16,000)	(16,000)
Net change in total HIC OPEB liability	\$ 1,000	\$ (3,000)
Total HIC OPEB Liability - beginning	158,000	161,000
Total HIC OPEB Liability - ending (a)	<u>\$ 159,000</u>	<u>\$ 158,000</u>
 Plan fiduciary net position		
Contributions - employer	\$ 11,000	\$ 11,000
Net investment income	2,000	3,000
Benefit payments	(16,000)	(16,000)
Other	(1,000)	1,000
Net change in plan fiduciary net position	\$ (4,000)	\$ (1,000)
Plan fiduciary net position - beginning	31,000	32,000
Plan fiduciary net position - ending (b)	<u>\$ 27,000</u>	<u>\$ 31,000</u>
 Component Unit School Board's (nonprofessional) net HIC OPEB liability - ending (a) - (b)	\$ 132,000	\$ 127,000
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	16.98%	19.62%
 Covered payroll	\$ 1,355,799	\$ 1,329,756
 Component Unit School Board's (nonprofessional) net HIC OPEB liability as a percentage of covered payroll	9.74%	9.55%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

County of Wythe, Virginia
 Schedule of Component Unit School Board's (professional) Share of Net OPEB Liability
 Teacher Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)		Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)		Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.2567%	\$	3,259,000	\$	20,774,929	15.69%	8.08%
2017	0.2639%		3,347,000		20,823,957	16.07%	7.04%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2019	\$ 11,757	\$ 11,757	\$ -	\$ 1,415,719	0.83%
2018	10,843	10,843	-	1,355,799	0.80%
2017	11,000	11,000	-	1,329,756	0.83%
2016	9,538	9,538	-	1,240,650	0.77%
2015	9,454	9,454	-	1,228,806	0.77%
2014	9,572	9,572	-	1,243,058	0.77%
2013	8,977	8,977	-	1,162,746	0.77%
2012	12,052	12,052	-	1,565,251	0.77%
2011	11,797	11,797	-	1,531,077	0.77%
2010	18,245	18,245	-	1,572,810	1.16%
Component Unit School Board (professional)					
2019	\$ 251,826	\$ 251,826	\$ -	\$ 20,985,461	1.20%
2018	255,531	255,531	-	20,774,929	1.23%
2017	231,155	231,155	-	20,823,957	1.11%
2016	216,447	216,447	-	20,401,102	1.06%
2015	216,025	216,025	-	20,379,338	1.06%
2014	227,968	227,968	-	18,333,516	1.24%
2013	225,876	225,876	-	20,346,501	1.11%
2012	115,235	115,235	-	19,205,877	0.60%
2011	110,856	110,856	-	24,764,478	0.45%
2010	146,956	146,956	-	18,007,957	0.82%

County of Wythe, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

Component Unit School Board (nonprofessional)

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Component Unit School Board (professional)

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

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

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

Other Supplementary Information

County of Wythe, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits, privilege fees, and regulatory licenses	\$ 10,000	\$ -	\$ -	\$ -
Revenue from the use of money and property	90,700	90,700	105,154	14,454
Charges for services	124,000	44,000	35,303	(8,697)
Recovered costs	-	-	100,000	100,000
Total revenues	<u>\$ 224,700</u>	<u>\$ 134,700</u>	<u>\$ 240,457</u>	<u>\$ 105,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 232,647	\$ 322,647	\$ 1,696,839	\$ 1,374,192
Transfers out	(457,347)	(457,347)	(1,888,052)	(1,430,705)
Total other financing sources (uses)	<u>\$ (224,700)</u>	<u>\$ (134,700)</u>	<u>\$ (191,213)</u>	<u>\$ (56,513)</u>
Net change in fund balances	\$ -	\$ -	\$ 49,244	\$ 49,244
Fund balances - beginning	-	-	6,507,137	6,507,137
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,556,381</u>	<u>\$ 6,556,381</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 Wythe, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,298,705
Receivables (net of allowance for uncollectibles):	
Accounts receivable	92,381
Due from other governmental units	1,062,662
Inventories (restricted for school cafeterias)	70,914
Prepaid items	623,885
Total assets	<u>\$ 8,148,547</u>
LIABILITIES	
Accounts payable	\$ 259,563
Salaries payable	3,450,249
Total liabilities	<u>\$ 3,709,812</u>
FUND BALANCES	
Nonspendable	\$ 694,799
Restricted:	
School cafeterias	541,881
Unassigned	3,202,055
Total fund balances	<u>\$ 4,438,735</u>
Total liabilities and fund balances	<u>\$ 8,148,547</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 4,438,735
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 774,089
Buildings and improvements	9,952,311
Machinery and equipment	2,284,087
Construction in progress	<u>780,987</u>
	13,791,474
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 3,726,309
OPEB related items	<u>713,802</u>
	4,440,111
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (634,198)
Net OPEB liabilities	(9,669,500)
Net pension liability	<u>(30,801,278)</u>
	(41,104,976)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (4,912,021)
OPEB related items	<u>(990,900)</u>
	(5,902,921)
Net position of governmental activities	<u>\$ (24,337,577)</u>

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

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 54,790
Charges for services	1,300,828
Miscellaneous	40,218
Recovered costs	496,309
Intergovernmental:	
Local government	15,415,872
Commonwealth	25,837,611
Federal	3,399,660
Total revenues	<u>\$ 46,545,288</u>
EXPENDITURES	
Current:	
Education	\$ 44,029,870
Capital projects	76,750
Total expenditures	<u>\$ 44,106,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,438,668</u>
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	\$ 936
Total other financing sources (uses)	<u>\$ 936</u>
Net change in fund balances	\$ 2,439,604
Fund balances - beginning	1,999,131
Fund balances - ending	<u><u>\$ 4,438,735</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	\$ 2,439,604
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 expense in the current period.	
Capital outlays	\$ 1,302,242
Depreciation expense	<u>(857,264)</u> 444,978
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ (19,634)
Change in OPEB related items	69,946
Change in pension related items	<u>2,054,069</u> 2,104,381
Change in net position of governmental activities	<u><u>\$ 4,988,963</u></u>

County of Wythe, 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, 2019

	School Operating Fund			Variance with Final Budget Positive Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 54,790	\$ 54,790
Charges for services	1,409,992	1,409,992	1,300,828	(109,164)
Miscellaneous	53,926	53,926	40,218	(13,708)
Recovered costs	532,271	532,271	496,309	(35,962)
Intergovernmental:				
Local government	13,100,000	13,100,000	15,415,872	2,315,872
Commonwealth	25,744,407	25,744,407	25,837,611	93,204
Federal	3,542,753	3,542,753	3,399,660	(143,093)
Total revenues	\$ 44,383,349	\$ 44,383,349	\$ 46,545,288	\$ 2,161,939
EXPENDITURES				
Current:				
Education	\$ 44,383,349	\$ 44,383,349	\$ 44,029,870	\$ 353,479
Capital projects	-	-	76,750	(76,750)
Total expenditures	\$ 44,383,349	\$ 44,383,349	\$ 44,106,620	\$ 276,729
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,438,668	\$ 2,438,668
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ 936	\$ 936
Total other financing sources (uses)	\$ -	\$ -	\$ 936	\$ 936
Net change in fund balances	\$ -	\$ -	\$ 2,439,604	\$ 2,439,604
Fund balances - beginning	-	-	1,999,131	1,999,131
Fund balances - ending	\$ -	\$ -	\$ 4,438,735	\$ 4,438,735

County of Wythe, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2019

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,264,100	\$ 12,264,100	\$ 12,440,378	\$ 176,278
Real and personal public service corporation taxes	1,500,000	1,500,000	1,740,425	240,425
Personal property taxes	4,245,000	4,245,000	4,576,848	331,848
Mobile home taxes	55,000	55,000	69,475	14,475
Machinery and tools taxes	1,900,000	1,900,000	1,669,339	(230,661)
Merchant's capital taxes	375,000	375,000	375,510	510
Penalties	50,000	50,000	110,980	60,980
Interest	100,000	100,000	200,701	100,701
Total general property taxes	\$ 20,489,100	\$ 20,489,100	\$ 21,183,656	\$ 694,556
Other local taxes:				
Local sales and use taxes	\$ 3,730,000	\$ 3,730,000	\$ 3,959,231	\$ 229,231
Consumers' utility and consumption taxes	700,000	700,000	732,185	32,185
Motor vehicle licenses	330,000	330,000	445,334	115,334
Bank stock taxes	30,000	30,000	38,350	8,350
Taxes on recordation and wills	150,000	150,000	147,384	(2,616)
Hotel and motel room taxes	185,000	185,000	191,010	6,010
Restaurant food taxes	800,000	800,000	793,923	(6,077)
Admissions tax	-	-	16,550	16,550
Total other local taxes	\$ 5,925,000	\$ 5,925,000	\$ 6,323,967	\$ 398,967
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 5,288	\$ 288
Land use application fees	1,000	1,000	1,579	579
Transfer fees	500	500	960	460
Building permits	50,000	50,000	44,861	(5,139)
Concealed weapons permits	-	10,000	28,329	18,329
Other permits and licenses	3,900	3,900	30,719	26,819
Total permits, privilege fees, and regulatory licenses	\$ 60,400	\$ 70,400	\$ 111,736	\$ 41,336
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,250,000	\$ 1,250,000	\$ 1,314,694	\$ 64,694
Electronic summons fees	-	80,000	69,579	(10,421)
Total fines and forfeitures	\$ 1,250,000	\$ 1,330,000	\$ 1,384,273	\$ 54,273
Revenue from use of money and property:				
Revenue from use of money	\$ 421,420	\$ 421,420	\$ 898,038	\$ 476,618
Revenue from use of property	250,994	250,994	254,086	3,092
Total revenue from use of money and property	\$ 672,414	\$ 672,414	\$ 1,152,124	\$ 479,710

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for sheriff's fees	\$ 1,500	\$ 1,500	\$ 5,568	\$ 4,068
Charges for animal control	3,000	3,000	6,012	3,012
Charges for Commonwealth's Attorney	1,000	1,000	5,808	4,808
Charges for courthouse security	220,000	220,000	173,087	(46,913)
Charges for law library	4,000	4,000	7,186	3,186
Charges for parks and recreation	75,000	75,000	84,459	9,459
Total charges for services	\$ 304,500	\$ 304,500	\$ 282,120	\$ (22,380)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 46,375	\$ 46,375
Total miscellaneous	\$ -	\$ -	\$ 46,375	\$ 46,375
Recovered costs:				
Social services	\$ 50,000	\$ 50,000	\$ 127,205	\$ 77,205
Crossroads	-	-	162,565	162,565
Other recovered costs	945,122	951,697	337,640	(614,057)
Total recovered costs	\$ 995,122	\$ 1,001,697	\$ 627,410	\$ (374,287)
Total revenue from local sources	\$ 29,696,536	\$ 29,793,111	\$ 31,111,661	\$ 1,318,550
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 5,000	\$ 5,000	\$ 9,219	\$ 4,219
Communication sales and use tax	720,000	720,000	646,971	(73,029)
Mobile home titling tax	20,000	20,000	26,484	6,484
Grantor's tax	39,000	39,000	86,665	47,665
State recordation tax	40,000	40,000	49,156	9,156
Personal property tax relief funds	1,500,814	1,500,814	1,500,814	-
Total noncategorical aid	\$ 2,324,814	\$ 2,324,814	\$ 2,319,309	\$ (5,505)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 527,639	\$ 527,639	\$ 514,887	\$ (12,752)
Sheriff	1,457,919	1,457,919	1,453,822	(4,097)
Commissioner of revenue	117,905	117,905	117,889	(16)
Treasurer	117,399	117,399	117,146	(253)
Registrar/electoral board	54,000	54,000	42,436	(11,564)
Clerk of the Circuit Court	323,959	323,959	321,528	(2,431)
Total shared expenses	\$ 2,598,821	\$ 2,598,821	\$ 2,567,708	\$ (31,113)

County of Wythe, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2019

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,968,218	\$ 1,968,218	\$ 1,574,113	\$ (394,105)
Comprehensive Services Act program	1,725,500	1,725,500	1,415,850	(309,650)
Litter control grant	9,200	9,200	9,516	316
Fire program grant	60,000	60,000	67,637	7,637
Wireless E-911 grant	22,000	22,000	111,543	89,543
Four for life grant	34,000	34,000	29,412	(4,588)
Arts grant	4,000	4,000	4,500	500
Asset forfeiture collections	-	-	14,484	14,484
VJCCA	39,740	39,740	39,741	1
VDOT Fund	-	-	22,400	22,400
Victim witness grant	97,310	97,310	-	(97,310)
Highway maintenance funds	195,000	195,000	45,833	(149,167)
VITA grant	-	-	38,404	38,404
School resource officer	50,000	50,000	31,044	(18,956)
Justice assistance grant	-	-	1,633	1,633
Other state grants	-	317	11,330	11,013
Total other categorical aid	<u>\$ 4,204,968</u>	<u>\$ 4,205,285</u>	<u>\$ 3,417,440</u>	<u>\$ (787,845)</u>
Total categorical aid	<u>\$ 6,803,789</u>	<u>\$ 6,804,106</u>	<u>\$ 5,985,148</u>	<u>\$ (818,958)</u>
Total revenue from the Commonwealth	<u>\$ 9,128,603</u>	<u>\$ 9,128,920</u>	<u>\$ 8,304,457</u>	<u>\$ (824,463)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 80,000	\$ 80,000	\$ 160,916	\$ 80,916
Total noncategorical aid	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 160,916</u>	<u>\$ 80,916</u>
Categorical aid:				
Public assistance and welfare administration	\$ 2,270,637	\$ 2,270,637	\$ 2,529,440	\$ 258,803
State and Highway Safety Grants	-	62,875	62,190	(685)
Victim witness grant	-	-	89,968	89,968
Emergency management grant	-	-	20,934	20,934
Violence against women	34,815	34,815	24,918	(9,897)
Asset forfeiture funds	-	-	28,477	28,477
Total categorical aid	<u>\$ 2,305,452</u>	<u>\$ 2,368,327</u>	<u>\$ 2,755,927</u>	<u>\$ 387,600</u>
Total revenue from the federal government	<u>\$ 2,385,452</u>	<u>\$ 2,448,327</u>	<u>\$ 2,916,843</u>	<u>\$ 468,516</u>
Total General Fund	<u>\$ 41,210,591</u>	<u>\$ 41,370,358</u>	<u>\$ 42,332,961</u>	<u>\$ 962,603</u>

County of Wythe, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 83,200	\$ 83,200	\$ 95,154	\$ 11,954
Revenue from the use of property	7,500	7,500	10,000	2,500
Total revenue from use of money and property	\$ 90,700	\$ 90,700	\$ 105,154	\$ 14,454
Charges for services:				
Charges for courthouse maintenance	\$ 41,000	\$ 41,000	\$ 32,600	\$ (8,400)
Electronic summons fees	80,000	-	-	-
Charges for jail processing	3,000	3,000	2,703	(297)
Total charges for services	\$ 124,000	\$ 44,000	\$ 35,303	\$ (8,697)
Permits, privilege fees, and regulatory licenses:				
Concealed weapons permits	\$ 10,000	\$ -	\$ -	\$ -
Total permits, privilege fees, and regulatory licenses	\$ 10,000	\$ -	\$ -	\$ -
Recovered costs:				
Miscellaneous	\$ -	\$ -	\$ 100,000	\$ 100,000
Total recovered costs	\$ -	\$ -	\$ 100,000	\$ 100,000
Total revenue from local sources	\$ 224,700	\$ 134,700	\$ 240,457	\$ 105,757
Total County Capital Projects Fund	\$ 224,700	\$ 134,700	\$ 240,457	\$ 105,757
Total Primary Government	\$ 41,435,291	\$ 41,505,058	\$ 42,573,418	\$ 1,068,360
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 54,790	\$ 54,790
Total revenue from use of money and property	\$ -	\$ -	\$ 54,790	\$ 54,790
Charges for services:				
Cafeteria sales	\$ 714,992	\$ 714,992	\$ 651,794	\$ (63,198)
Payments from other divisions	25,000	25,000	31,960	6,960
Transportation of pupils	36,000	36,000	44,026	8,026
Dual course credits	634,000	634,000	573,048	(60,952)
Total charges for services	\$ 1,409,992	\$ 1,409,992	\$ 1,300,828	\$ (109,164)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,000	\$ 2,000
Foundation for excellence	53,926	53,926	38,218	(15,708)
Total miscellaneous	\$ 53,926	\$ 53,926	\$ 40,218	\$ (13,708)

County of Wythe, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
JROTC	\$ 62,271	\$ 62,271	\$ 2,699	\$ (59,572)
E-rate	90,000	90,000	76,860	(13,140)
Medicaid reimbursements	300,000	300,000	310,907	10,907
CCEC reimbursements	50,000	50,000	27,833	(22,167)
Sale of supplies	-	-	2,744	2,744
Insurance recoveries	-	-	59,177	59,177
Other recovered costs	30,000	30,000	16,089	(13,911)
Total recovered costs	\$ 532,271	\$ 532,271	\$ 496,309	\$ (35,962)
Total revenue from local sources	\$ 1,996,189	\$ 1,996,189	\$ 1,892,145	\$ (104,044)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wythe, Virginia	\$ 13,100,000	\$ 13,100,000	\$ 15,415,872	\$ 2,315,872
Total revenues from local governments	\$ 13,100,000	\$ 13,100,000	\$ 15,415,872	\$ 2,315,872
Revenue from the Commonwealth:				
Categorical aid:				
Adult secondary education	\$ 15,717	\$ 15,717	\$ 16,710	\$ 993
Alternative education	127,835	127,835	127,835	-
At risk four-year olds	307,845	307,845	307,845	-
At risk payments	390,062	390,062	427,749	37,687
Basic school aid	12,978,781	12,978,781	12,831,294	(147,487)
Early reading intervention	84,768	84,768	89,350	4,582
English as second language	6,456	6,456	3,497	(2,959)
Gifted and talented	134,681	134,681	133,635	(1,046)
Governor's school	26,572	26,572	26,572	-
Group life insurance instructional	53,872	53,872	53,454	(418)
Homebound education	82,331	82,331	69,501	(12,830)
Other state funds	74,082	74,082	76,645	2,563
Mentor teacher program	2,482	2,482	2,889	407
Primary class size	323,366	323,366	324,182	816
Project graduation	3,829	3,829	3,829	-
Reading recovery	32,885	32,885	29,654	(3,231)
Regional program tuition	195,737	195,737	212,715	16,978
Regular foster care	70,000	70,000	73,072	3,072
Remedial education	422,899	422,899	419,614	(3,285)
Compensation supplement	108,477	108,477	108,477	-
Remedial summer education	2,461	2,461	2,461	-
Retirement	1,718,531	1,718,531	1,705,185	(13,346)
School food	29,691	29,691	43,732	14,041
Share of state sales tax	4,392,412	4,392,412	4,461,111	68,699

County of Wythe, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2019

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Social security fringe benefits	\$ 778,457	\$ 778,457	\$ 772,411	\$ (6,046)
State lottery payments	904,743	904,743	973,265	68,522
Industry certification	7,500	7,500	9,657	2,157
Special education	1,107,079	1,107,079	1,098,481	(8,598)
Special education - foster children	53,574	53,574	90,079	36,505
Algebra readiness	53,260	53,260	55,687	2,427
National board certification	10,000	10,000	10,000	-
Technology resource	388,000	388,000	388,000	-
Textbook payment	271,221	271,221	269,115	(2,106)
Vocational education - adult	2,819	2,819	2,959	140
Vocational occupational preparedness	32,483	32,483	71,717	39,234
Vocational standards of quality payments	549,499	549,499	545,232	(4,267)
Total categorical aid	\$ 25,744,407	\$ 25,744,407	\$ 25,837,611	\$ 93,204
Total revenue from the Commonwealth	\$ 25,744,407	\$ 25,744,407	\$ 25,837,611	\$ 93,204
Revenue from the federal government:				
Categorical aid:				
Forest reserve funds	\$ 66,781	\$ 66,781	\$ 74,718	\$ 7,937
Title I	995,192	995,192	899,629	(95,563)
Title VI-B, special education flow-through	871,276	871,276	814,686	(56,590)
Title VI-B, preschool	28,260	28,260	30,340	2,080
Vocational education	72,000	72,000	1,398	(70,602)
National school food program	910,000	910,000	984,626	74,626
School breakfast program	310,000	310,000	365,948	55,948
Improving teacher quality	153,606	153,606	151,093	(2,513)
Rural and low income schools	70,000	70,000	47,106	(22,894)
Summer food	40,000	40,000	23,116	(16,884)
Title IV student support and academic enrichment grants	25,638	25,638	7,000	(18,638)
Total categorical aid	\$ 3,542,753	\$ 3,542,753	\$ 3,399,660	\$ (143,093)
Total revenue from the federal government	\$ 3,542,753	\$ 3,542,753	\$ 3,399,660	\$ (143,093)
Total School Operating Fund	\$ 44,383,349	\$ 44,383,349	\$ 46,545,288	\$ 2,161,939

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 232,174	\$ 251,962	\$ 247,930	\$ 4,032
Total legislative	\$ 232,174	\$ 251,962	\$ 247,930	\$ 4,032
General and financial administration:				
County administrator	\$ 344,109	\$ 354,109	\$ 333,947	\$ 20,162
Commissioner of revenue	291,682	291,682	280,047	11,635
Treasurer	343,061	367,861	331,942	35,919
Financial administration	241,287	241,287	222,125	19,162
Mapping	20,700	20,700	18,460	2,240
Public information office	68,903	68,903	66,825	2,078
Technology	113,863	113,863	87,781	26,082
Total general and financial administration	\$ 1,423,605	\$ 1,458,405	\$ 1,341,127	\$ 117,278
Board of elections:				
Electoral board and officials	\$ 77,703	\$ 77,703	\$ 29,463	\$ 48,240
Registrar	87,176	87,751	83,815	3,936
Total board of elections	\$ 164,879	\$ 165,454	\$ 113,278	\$ 52,176
Total general government administration	\$ 1,820,658	\$ 1,875,821	\$ 1,702,335	\$ 173,486
Judicial administration:				
Courts:				
Circuit court	\$ 49,423	\$ 60,085	\$ 57,008	\$ 3,077
General district court	10,250	10,250	9,022	1,228
Juvenile and domestic relations court	9,457	10,337	8,867	1,470
Magistrates	1,630	1,630	1,002	628
Clerk of the circuit court	484,026	484,026	443,664	40,362
Commissioner of accounts	6,200	6,200	6,200	-
Courtroom security	241,057	241,057	145,292	95,765
Law library	12,600	12,600	8,629	3,971
Total courts	\$ 814,643	\$ 826,185	\$ 679,684	\$ 146,501
Commonwealth's attorney:				
Commonwealth's attorney	\$ 646,243	\$ 658,957	\$ 615,877	\$ 43,080
Total commonwealth's attorney	\$ 646,243	\$ 658,957	\$ 615,877	\$ 43,080
Total judicial administration	\$ 1,460,886	\$ 1,485,142	\$ 1,295,561	\$ 189,581
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,311,490	\$ 3,480,182	\$ 3,421,300	\$ 58,882
Total law enforcement and traffic control	\$ 3,311,490	\$ 3,480,182	\$ 3,421,300	\$ 58,882

County of Wythe, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2019

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 409,270	\$ 502,670	\$ 233,303	\$ 269,367
Consolidated dispatch	622,358	629,272	398,082	231,190
Ambulance and rescue services	191,859	257,621	163,139	94,482
Total fire and rescue services	<u>\$ 1,223,487</u>	<u>\$ 1,389,563</u>	<u>\$ 794,524</u>	<u>\$ 595,039</u>
Correction and detention:				
Jail	\$ 1,500,000	\$ 1,500,000	\$ 1,517,658	\$ (17,658)
Probation office	2,300	2,300	1,748	552
Total correction and detention	<u>\$ 1,502,300</u>	<u>\$ 1,502,300</u>	<u>\$ 1,519,406</u>	<u>\$ (17,106)</u>
Inspections:				
Building	\$ 102,537	\$ 102,537	\$ 95,871	\$ 6,666
Total inspections	<u>\$ 102,537</u>	<u>\$ 102,537</u>	<u>\$ 95,871</u>	<u>\$ 6,666</u>
Other protection:				
Animal control	\$ 176,336	\$ 177,851	\$ 145,877	\$ 31,974
Medical examiner	500	500	320	180
Wireless E-911 grant	38,165	38,165	34,621	3,544
Emergency services	85,584	89,584	73,889	15,695
VAVWA Law enforcement	42,045	42,045	40,628	1,417
PAF	25,800	29,702	9,189	20,513
Victim witness program	98,418	100,512	90,327	10,185
School resource officer	447,662	442,162	353,790	88,372
Total other protection	<u>\$ 914,510</u>	<u>\$ 920,521</u>	<u>\$ 748,641</u>	<u>\$ 171,880</u>
Total public safety	<u>\$ 7,054,324</u>	<u>\$ 7,395,103</u>	<u>\$ 6,579,742</u>	<u>\$ 815,361</u>
Public works:				
Engineering:				
Engineering	\$ 129,155	\$ 129,155	\$ 126,393	\$ 2,762
Total engineering	<u>\$ 129,155</u>	<u>\$ 129,155</u>	<u>\$ 126,393</u>	<u>\$ 2,762</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,440,108	\$ 1,440,108	\$ 1,428,561	\$ 11,547
Total sanitation and waste removal	<u>\$ 1,440,108</u>	<u>\$ 1,440,108</u>	<u>\$ 1,428,561</u>	<u>\$ 11,547</u>
Maintenance of general buildings and grounds:				
Courthouse building	\$ 351,069	\$ 391,069	\$ 238,215	\$ 152,854
County administrative building	156,100	156,100	131,638	24,462
Sixth Street building	2,045	2,045	1,653	392
Building and grounds maintenance	56,758	104,994	100,571	4,423
Library building	48,261	48,261	5,209	43,052
Spiller annex building	500	500	-	500
Fairview house building	5,650	5,650	3,277	2,373
Other properties	825	825	379	446
Total maintenance of general buildings and grounds	<u>\$ 621,208</u>	<u>\$ 709,444</u>	<u>\$ 480,942</u>	<u>\$ 228,502</u>
Total public works	<u>\$ 2,190,471</u>	<u>\$ 2,278,707</u>	<u>\$ 2,035,896</u>	<u>\$ 242,811</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 358,938	\$ 358,938	\$ 358,938	\$ -
Total health	\$ 358,938	\$ 358,938	\$ 358,938	\$ -
Mental health and mental retardation:				
Community services board	\$ 148,135	\$ 148,135	\$ 148,135	\$ -
Total mental health and mental retardation	\$ 148,135	\$ 148,135	\$ 148,135	\$ -
Welfare:				
Public assistance	\$ 7,798,424	\$ 7,878,424	\$ 6,984,114	\$ 894,310
Family resource center	3,750	3,750	-	3,750
District III coop	27,964	27,964	27,964	-
Total welfare	\$ 7,830,138	\$ 7,910,138	\$ 7,012,078	\$ 898,060
Total health and welfare	\$ 8,337,211	\$ 8,417,211	\$ 7,519,151	\$ 898,060
Education:				
Other instructional costs:				
Contributions to Community College	\$ 43,796	\$ 53,391	\$ 53,391	\$ -
Contribution to County School Board	13,100,000	13,100,000	15,415,872	(2,315,872)
School Construction	2,250,000	12,354,331	9,947,632	2,406,699
Total education	\$ 15,393,796	\$ 25,507,722	\$ 25,416,895	\$ 90,827
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Commission	\$ 170,708	\$ 171,208	\$ 136,268	\$ 34,940
Rural Retreat Lake campground	106,380	116,228	85,069	31,159
Rural Retreat Lake swimming pool	42,703	43,503	24,616	18,887
Ager Park	15,824	18,824	13,729	5,095
Sheffey Recreation Center	37,817	37,817	19,793	18,024
Max Meadows ball park	3,850	4,612	2,957	1,655
Total parks and recreation	\$ 377,282	\$ 392,192	\$ 282,432	\$ 109,760
Library:				
Contribution to regional library	\$ 336,000	\$ 336,000	\$ 336,000	\$ -
Total library	\$ 336,000	\$ 336,000	\$ 336,000	\$ -
Total parks, recreation, and cultural	\$ 713,282	\$ 728,192	\$ 618,432	\$ 109,760
Community development:				
Planning and community development:				
Planning commission	\$ 89,715	\$ 89,715	\$ 87,775	\$ 1,940
Regional water	249,967	249,967	-	249,967
Contributions to Crossroads	-	10,000	-	10,000
Wythe county joint IDA	236,900	236,900	236,900	-
Appalachian Regional Expo	-	133,619	91,366	42,253
Regional tourism	22,500	25,500	25,007	493

County of Wythe, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2019

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Smyth/Wythe airport commission	\$ 53,720	\$ 53,720	\$ 53,720	\$ -
Virginia Industrial Advancement	335,380	306,500	201,278	105,222
Total planning and community development	<u>\$ 988,182</u>	<u>\$ 1,105,921</u>	<u>\$ 696,046</u>	<u>\$ 409,875</u>
Environmental management:				
Contribution to soil and water district	\$ 6,120	\$ 6,120	\$ 6,120	\$ -
Total environmental management	<u>\$ 6,120</u>	<u>\$ 6,120</u>	<u>\$ 6,120</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 69,105	\$ 69,105	\$ 57,965	\$ 11,140
Total cooperative extension program	<u>\$ 69,105</u>	<u>\$ 69,105</u>	<u>\$ 57,965</u>	<u>\$ 11,140</u>
Total community development	<u>\$ 1,063,407</u>	<u>\$ 1,181,146</u>	<u>\$ 760,131</u>	<u>\$ 421,015</u>
Capital projects: (1)				
Progress park improvements and land purchase	\$ 48,086	\$ 78,086	\$ 16,696	\$ 61,390
Road construction	249,000	999,131	295,927	703,204
EXPO Center	-	3,785,993	2,715,174	1,070,819
Other capital projects	2,109,500	4,905,714	792,826	4,112,888
Total capital projects	<u>\$ 2,406,586</u>	<u>\$ 9,768,924</u>	<u>\$ 3,820,623</u>	<u>\$ 5,948,301</u>
Debt service:				
Principal retirement	\$ 3,318,155	\$ 3,318,155	\$ 2,740,032	\$ 578,123
Interest and other fiscal charges	1,450,000	1,450,000	1,389,758	60,242
Total debt service	<u>\$ 4,768,155</u>	<u>\$ 4,768,155</u>	<u>\$ 4,129,790</u>	<u>\$ 638,365</u>
Total General Fund	<u>\$ 45,208,776</u>	<u>\$ 63,406,123</u>	<u>\$ 53,878,556</u>	<u>\$ 9,527,567</u>
Total Primary Government	<u>\$ 45,208,776</u>	<u>\$ 63,406,123</u>	<u>\$ 53,878,556</u>	<u>\$ 9,527,567</u>
(1) Budgeted within departmental budgets				
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,336,313	\$ 1,336,313	\$ 1,371,608	\$ (35,295)
Total administration of schools	<u>\$ 1,336,313</u>	<u>\$ 1,336,313</u>	<u>\$ 1,371,608</u>	<u>\$ (35,295)</u>
Instruction costs:				
Instruction	\$ 32,656,820	\$ 32,656,820	\$ 31,495,220	\$ 1,161,600
Technology instruction	1,464,112	1,464,112	1,653,465	(189,353)
Total instruction costs	<u>\$ 34,120,932</u>	<u>\$ 34,120,932</u>	<u>\$ 33,148,685</u>	<u>\$ 972,247</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 2,662,364	\$ 2,662,364	\$ 3,003,831	\$ (341,467)
Operation and maintenance of school plant	4,259,057	4,259,057	4,450,986	(191,929)
Total operating costs	<u>\$ 6,921,421</u>	<u>\$ 6,921,421</u>	<u>\$ 7,454,817</u>	<u>\$ (533,396)</u>
School food services:				
Administration of school food program	\$ 2,004,683	\$ 2,004,683	\$ 2,054,760	\$ (50,077)
Total school food services	<u>\$ 2,004,683</u>	<u>\$ 2,004,683</u>	<u>\$ 2,054,760</u>	<u>\$ (50,077)</u>
Total education	<u>\$ 44,383,349</u>	<u>\$ 44,383,349</u>	<u>\$ 44,029,870</u>	<u>\$ 353,479</u>
Capital projects:				
School capital projects	\$ -	\$ -	\$ 76,750	\$ (76,750)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,750</u>	<u>\$ (76,750)</u>
Total School Operating Fund	<u><u>\$ 44,383,349</u></u>	<u><u>\$ 44,383,349</u></u>	<u><u>\$ 44,106,620</u></u>	<u><u>\$ 276,729</u></u>

Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water/Sewer Department	Total
2018-19	\$ 1,254,724	\$ 1,242,975	\$ 6,803,794	\$ 2,558,930	\$ 7,390,268	\$ 17,061,608	\$ 612,628	\$ 1,010,793	\$ 1,642,176	\$ 3,978,183	\$ 43,556,079
2017-18	1,436,286	1,295,981	6,351,152	2,319,128	7,483,031	14,282,432	603,606	571,414	1,107,291	3,799,874	39,250,195
2016-17	2,077,350	1,397,035	5,933,755	2,421,854	7,059,375	14,076,234	587,212	1,132,949	1,134,619	3,625,177	39,445,560
2015-16	1,962,812	1,415,646	6,054,094	2,227,414	6,796,270	14,417,669	546,211	1,407,644	1,217,966	3,318,125	39,363,851
2014-15	1,352,398	1,092,798	6,237,978	2,306,367	6,604,731	14,166,892	553,381	879,896	1,164,014	3,650,586	38,009,041
2013-14	1,557,004	1,136,607	6,416,496	1,960,842	6,223,639	12,134,257	533,197	533,516	1,256,115	3,403,181	35,154,854
2012-13	1,187,678	1,119,156	6,372,381	2,419,128	6,468,123	14,422,799	610,551	787,448	1,284,699	3,519,922	38,191,885
2011-12	1,512,480	1,086,359	6,180,621	2,289,730	7,058,798	12,836,648	626,033	492,238	1,425,958	3,295,194	36,804,059
2010-11	1,114,168	1,113,061	6,044,161	2,260,019	6,792,651	13,486,880	501,448	340,134	1,491,857	3,039,478	36,183,856
2009-10	1,430,893	1,121,160	5,730,414	2,256,629	6,611,511	9,430,330	525,341	1,005,579	1,402,162	2,570,803	32,084,822

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2018-19	\$ 4,780,969	\$ 8,718,675	\$ 209,009	\$	21,207,545	\$ 6,323,967	\$ 1,357,857	\$ 46,375	\$ 2,480,225	\$	45,124,622
2017-18	5,169,249	8,557,870	1,973,133		19,774,868	6,268,739	1,185,342	403,052	2,541,688		45,873,941
2016-17	5,393,714	8,309,992	1,097,712		18,926,937	5,908,026	1,101,874	292,421	2,459,363		43,490,039
2015-16	4,957,694	7,877,176	824,304		18,844,528	5,796,378	1,104,094	326,712	2,475,547		42,206,433
2014-15	4,879,094	7,434,357	1,611,079		17,470,264	5,869,453	1,054,365	525,963	2,502,844		41,347,419
2013-14	4,568,488	7,498,457	1,909,241		17,303,112	5,448,614	1,393,622	642,961	2,525,329		41,289,824
2012-13	4,743,836	7,955,016	2,282,618		16,817,889	5,483,817	1,342,421	437,423	2,568,029		41,631,049
2011-12	4,244,008	7,596,199	1,289,131		16,761,296	6,101,266	1,439,970	569,158	1,721,897		39,722,925
2010-11	4,740,137	8,417,319	4,017,436		16,413,526	5,875,452	1,165,451	211,242	1,715,976		42,556,539
2009-10	4,238,317	7,546,764	1,470,916		16,239,400	5,784,144	1,001,236	368,416	1,747,887		38,397,080

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation & Cultural	Community Development	Non- Departmental	Debt Service	Capital Projects	Totals
2018-19	\$ 1,702,335	\$ 1,295,561	\$ 6,579,742	\$ 2,035,896	\$ 7,519,151	\$ 54,030,893	\$ 618,432	\$ 760,131	\$ -	\$ 4,129,790	\$ 3,897,373	\$ 82,569,304
2017-18	1,698,557	1,380,955	6,422,831	1,987,056	7,669,206	43,931,720	589,712	499,811	-	11,816,639	5,858,262	81,854,749
2016-17	2,004,152	1,437,378	5,723,203	1,915,022	7,234,170	43,535,284	568,641	489,361	-	3,792,409	2,269,432	68,969,052
2015-16	1,966,330	1,523,426	6,125,887	1,905,660	6,991,520	42,053,220	535,211	988,124	-	3,880,823	2,239,793	68,209,994
2014-15	1,805,152	1,176,799	6,201,763	1,985,530	6,813,281	41,971,276	539,507	539,507	-	3,640,919	1,866,662	66,540,396
2013-14	1,678,577	1,136,912	6,326,660	1,978,276	6,252,476	40,863,572	517,575	377,251	-	2,968,668	8,046,916	70,146,883
2012-13	1,681,639	1,118,560	6,711,245	2,127,453	6,542,255	40,333,239	628,288	588,539	-	6,582,063	5,731,661	72,044,942
2011-12	1,636,064	1,085,673	6,077,487	2,050,075	7,210,950	40,136,400	634,687	3,144,429	-	13,408,608	3,094,561	78,478,934
2010-11	1,703,178	1,113,471	7,821,789	1,998,963	6,905,096	37,673,890	490,075	321,127	-	3,540,547	7,407,413	68,975,549
2009-10	1,504,404	1,120,632	5,683,068	2,055,263	6,714,792	41,660,550	541,329	809,283	162,427	3,307,881	1,565,615	65,125,244

(1) Includes General and Capital Projects Funds of the Primary Government and Discretely Presented Component Unit School Board.

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2018-19	\$ 21,183,656	\$ 6,323,967	\$ 111,736	\$ 1,384,273	\$ 1,312,068	\$ 1,618,251	\$ 86,593	\$ 1,223,719	\$ 29,237,271	\$ 62,481,534
2017-18	19,580,830	6,268,739	118,142	1,465,260	1,134,598	1,753,069	599,810	1,336,262	28,414,328	60,671,038
2016-17	18,951,683	5,908,026	127,241	1,692,160	1,050,864	1,547,688	560,990	978,447	28,064,662	58,881,761
2015-16	18,524,308	5,796,378	77,292	1,399,738	1,017,302	1,624,708	556,491	1,259,319	38,488,738	68,744,274
2014-15	17,556,567	5,869,453	68,301	1,612,103	976,595	1,260,761	703,672	1,168,853	39,056,478	68,272,783
2013-14	17,172,749	5,448,614	101,343	1,403,682	1,256,176	1,424,470	695,482	1,578,479	37,008,850	66,089,845
2012-13	17,063,127	5,483,817	76,747	1,486,658	1,192,266	1,387,282	495,944	1,183,146	37,331,804	65,700,791
2011-12	16,486,825	6,101,266	115,217	1,379,334	1,264,808	1,427,734	620,535	1,019,784	35,874,279	64,289,782
2010-11	16,464,384	5,875,452	81,452	1,347,286	1,032,789	1,368,655	270,860	1,592,502	40,077,460	68,110,840
2009-10	16,207,800	5,784,144	96,092	1,299,841	907,156	1,429,685	410,546	898,874	40,008,871	67,043,009

(1) Includes General and Capital Projects Funds of the Primary Government and includes discretely presented Component Unit School Board.

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Tax Levy
2018-19	\$ 20,968,362	\$ 20,299,321	96.81%	\$ 572,654	\$ 20,871,975	99.54%	\$ 1,585,301	7.56%
2017-18	19,463,749	18,875,600	96.98%	451,463	19,327,063	99.30%	1,585,301	8.14%
2016-17	18,774,651	18,215,033	97.02%	473,797	18,688,830	99.54%	1,431,921	7.63%
2015-16	18,627,762	17,781,494	95.46%	465,647	18,247,141	97.96%	1,547,751	8.31%
2014-15	17,290,714	16,637,385	96.22%	612,697	17,250,082	99.77%	1,398,648	8.09%
2013-14	17,066,280	16,429,324	96.27%	479,991	16,909,315	99.08%	1,434,679	8.41%
2012-13	16,630,536	16,264,884	97.80%	514,040	16,778,924	100.89%	1,324,184	7.96%
2011-12	16,469,488	15,896,576	96.52%	380,655	16,277,231	98.83%	1,499,609	9.11%
2010-11	16,445,210	15,900,211	96.69%	312,712	16,212,923	98.59%	1,373,871	8.35%
2009-10	16,032,364	15,492,730	96.63%	513,352	16,006,082	99.84%	1,460,821	9.11%

(1) Exclusive of penalties and interest. Reduced by tax sharing payments.

(2) Delinquent balances include penalties.

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Public Service Companies	Total
2018-19	\$ 2,350,208,822	\$ 477,594,738	\$ 322,166,589	\$ 3,149,970,149
2017-18	2,335,399,637	478,348,830	310,470,506	3,124,218,973
2016-17	2,282,641,328	474,626,902	260,499,067	3,017,767,297
2015-16	2,274,033,452	475,988,249	229,662,169	2,979,683,870
2014-15	2,269,613,917	482,753,439	205,805,120	2,958,172,476
2013-14	2,269,183,693	480,753,909	198,369,106	2,948,306,708
2012-13	2,259,165,524	478,834,582	187,095,907	2,925,096,013
2011-12	2,260,390,881	471,509,420	159,110,024	2,891,010,325
2010-11	2,249,458,695	471,521,559	156,715,339	2,877,695,593
2009-10	2,210,517,580	500,123,110	162,428,985	2,873,069,675

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

Table 7

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Machinery and Tools	Merchant's Capital
2018-19	\$ 0.54	\$ 2.32	\$ 1.50	\$ 0.56
2017-18	0.49	2.32	1.50	0.56
2016-17	0.49	2.27	1.50	0.56
2015-16	0.49	2.27	1.50	0.56
2014-15	0.44	2.27	1.50	0.56
2013-14	0.44	2.27	1.50	0.56
2012-13	0.44	2.08	1.50	0.56
2011-12	0.44	2.08	1.50	0.56
2010-11	0.44	2.08	1.50	0.56
2009-10	0.43	2.08	1.50	0.56

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Gross Assessed Value	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018-19	\$ 28,754	\$ 3,149,970,149	\$ 74,062,436	2.35%	2,576
2017-18	29,235	3,124,218,973	70,108,141	2.24%	2,398
2016-17	29,235	3,017,767,297	62,473,464	2.07%	2,137
2015-16	29,235	2,979,683,870	61,034,667	2.05%	2,088
2014-15	29,235	2,958,172,476	61,787,459	2.09%	2,113
2013-14	29,235	2,948,306,708	61,811,256	2.10%	2,114
2012-13	29,235	2,925,096,013	55,704,496	1.90%	1,905
2011-12	29,235	2,891,010,325	57,445,157	1.99%	1,965
2010-11	29,235	2,877,695,593	51,005,571	1.77%	1,745
2009-10	29,235	2,873,069,675	45,521,384	1.58%	1,557

(1) United States Bureau of the Census

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

Excludes revenue bonds, landfill closure/postclosure care liability, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2018-19 (3)	\$ 10,234,024	\$ 1,389,758	\$ 11,623,782	\$ 82,569,304	14.078%
2017-18 (3)	10,651,394	1,165,245	11,816,639	81,854,749	14.436%
2016-17	2,592,749	1,199,660	3,792,409	68,969,052	5.499%
2015-16	1,898,541	951,619	2,850,160	76,437,104	3.729%
2014-15	2,362,227	1,278,692	3,640,919	66,486,269	5.476%
2013-14	1,725,738	1,242,930	2,968,668	70,146,883	4.232%
2012-13 (3)	5,165,301	1,416,762	6,582,063	72,044,942	9.136%
2011-12 (3)	11,944,430	1,464,178	13,408,608	78,478,934	17.086%
2010-11	1,990,809	1,549,738	3,540,547	68,975,549	5.133%
2009-10	1,822,011	1,485,870	3,307,881	65,125,244	5.079%

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

(2) Includes capital project expenditures.

(3) Includes early redemption of the County's bonds.

COMPLIANCE SECTION



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 of the
County of Wythe, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Wythe, Virginia's basic financial statements and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

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

County of Wythe, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 25, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Wythe, 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 Wythe, Virginia's major federal programs for the year ended June 30, 2019. The County of Wythe, 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 Wythe, 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 Wythe, 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 Wythe, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Wythe, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 25, 2019

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

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable		\$ 1,401,126
Pass Through Payments:				
<i>Child Nutrition Cluster:</i>				
<i>State Department of Agriculture:</i>				
Summer Food Service Program for Children	10.559	Not available	\$ 23,116	
Food Distribution (Note C)	10.555	Not available	\$ 113,487	
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	871,139	984,626
School Breakfast Program	10.553	40591		365,948
Total Child Nutrition Cluster				1,373,690
<i>Department of Social Services:</i>				
<i>SNAP Program Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119/0040118/0040119		441,527
<i>Department of Education:</i>				
<i>Forest Service School and Roads Cluster:</i>				
Schools and Roads - Grants to States	10.665	43841		74,718
Total Department of Agriculture				\$ 3,291,061
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950117/0950118		\$ 22,115
<i>TANF Cluster:</i>				
Temporary Assistance for Needy Families	93.558	0400118/0400119		306,767
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119		211
Low-Income Home Energy Assistance	93.568	0600418/0600419		49,888
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	0770119		(2,889)
Chafee Education and Training Vouchers Program	93.599	9160117/9160118		7,686
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	0900118		375
Social Services Block Grant	93.667	1000118/1000119		315,000
Chafee Foster Care Independence Program	93.674	9150118/9150119		7,381
Children's Health Insurance Program	93.767	0540118/0540119		10,440
<i>Medicaid Cluster:</i>				
Medical Assistance Program	93.778	1200118/1200119		495,990
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119		54,209
Foster Care - Title IV-E	93.658	1100118/1100119		290,862
Adoption Assistance	93.659	1120118/1120119		529,878
Total Department of Health and Human Services				\$ 2,087,913
DEPARTMENT OF HOMELAND SECURITY:				
Pass Through Payments:				
<i>Office of the Virginia Attorney General:</i>				
Emergency Management Performance Grants	97.042	LEMPGFY14 201604018945		\$ 20,934
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
<i>Department of Motor Vehicles:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	50326		\$ 45,307
<i>National Highway Traffic Safety Administration (NHTSA):</i>				
Alcohol Open Container Requirements	20.607	Not available		16,883
Total Department of Transportation				\$ 62,190

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

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Equitable Sharing Program	16.922	Not applicable	\$ 28,477
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Violence Against Women - Formula Grants	16.588	46500	24,918
Crime Victim Assistance	16.575	15-R9570VW14 - VICT	89,968
Total Department of Justice			<u>\$ 143,363</u>
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Career and Technical Education-Basic Grants to States	84.048	61095	\$ 1,398
Supporting Effective Instruction State Grant	84.367	61480	151,093
Rural Education	84.358	43481	47,106
Title I Grants to Local Educational Agencies	84.010	42901	899,629
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States	84.027	73071	\$ 814,686
Special Education-Preschool Grants	84.173	62521	<u>30,340</u>
Total Special Education Cluster (IDEA)			845,026
Student Support and Academic Enrichment Program	84.424	Not available	7,000
Total Department of Education			<u>\$ 1,951,252</u>
Total Expenditure of Federal Awards			<u>\$ 7,556,713</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF WYTHE, VIRGINIA

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

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Wythe, Virginia under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Wythe, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Wythe, Virginia.

Note B -- Summary of Significant Accounting Policies

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

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

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

Note C -- Food Donation

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

Note D -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2019.

Note E -- Outstanding Balance of Federal Loans

The County has received federal funding through loans. At June 30, 2019, the outstanding balances of these loans were:

\$ 15,685,746

Note F -- Relationship to the Financial Statements

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

Primary government:

General Fund - Intergovernmental	\$ 11,221,300
Less: Payments in Lieu of Taxes	(160,916)
Less: Revenue from the Commonwealth	(8,304,457)
Water and Sewer Fund Grants	152,894
Water and Sewer Fund Loans	1,248,232

Component Unit School Board:

School Operating Fund - Intergovernmental	44,653,143
Less: Revenue from Local Governments	(15,415,872)
Less: Revenue from the Commonwealth	<u>(25,837,611)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 7,556,713</u>
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County of Wythe, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
93.778	Medical Assistance Program

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

County of Wythe, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

2019-001	Material Weakness
Criteria:	Per AU-C Section 265, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The County failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	The County's closing process improved significantly over prior years as current staff continues to gain an understanding of the year-end closing process and related reconciliations and adjustments that are necessary. Staff should review the current year adjusting entries and consider same during the next fiscal year close.
Management's Response:	The County has reduced its reliance on external consultants and current staff have a good understanding of the County's books and accounting processes. It is anticipated that the number of audit adjustments will continue to decrease in future periods.
2019-002	Significant Deficiency
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:	A proper segregation of duties has not been established over collections in the Treasurer's Office or over the payroll and accounts payable functions at the School Board.
Cause of Condition:	Limited staffing and resources
Effect of Condition:	There is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	The Locality should review tasks performed by accounting personnel and revise same as necessary to create a proper segregation of duties.
Management's Response:	Management will review controls in relation to current staffing levels and consider implementing compensating controls to address audit concerns.

Section III - Federal Award Findings and Questioned Costs

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

County of Wythe, Virginia

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section IV - Status of Prior Audit Findings

Finding 2018-001 is recurring in fiscal year 2019 as finding 2019-001.

Finding 2018-002 is recurring in fiscal year 2019 as finding 2019-002.