COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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INTRODUCTORY SECTION

BOARD OF SUPERVISORS

Stephen A. Bennett, Chairman

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

COUNTY SCHOOL BOARD

Randall S. Tucker, Chairman

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

SOCIAL SERVICES BOARD

David Crosier, Chair

Thomas Sibold, Jr., C
Kenneth R. Lane
Carolyn T. Barnette
Shannon P. Cox

Joyce Persinger

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 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 Alleghany, 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 24 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 89-90 and 91-106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Alleghany, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2019

Basic Financial Statements

Exhibit 1

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	$ 4,317,968	1,001,538	$ 5,319,506	$ 6,856,521
Cash in custody of others	-	-	-	293,971
Investments	3,704,205	-	3,704,205	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	723,613	-	723,613	-
Accounts receivable	198,416	585,120	783,536	26,178
Due from other governmental units-current portion	1,853,337	262,015	2,115,352	280,737
Inventories	5,244	-	5,244	10,565
Prepaid items	-	-	-	496,881
Net pension asset	-	-	-	389,391
Restricted assets:				
Cash and cash equivalents	3,007,999	1,349,077	4,357,076	-
Due from other governmental units-net of current portion	-	595,038	595,038	-
Capital assets (net of accumulated depreciation):				
Land	3,577,209	88,980	3,666,189	1,019,216
Buildings and improvements	18,067,101	-	18,067,101	7,126,884
Land improvements	2,661,811	-	2,661,811	-
Machinery and equipment	3,246,891	352,679	3,599,570	2,422,797
Infrastructure	-	41,054,704	41,054,704	-
Construction in progress	5,793,793	66,572	5,860,365	63,849
Total assets	$ 47,157,587	$ 45,355,723	$ 92,513,310	$ 18,986,990
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 932,476	$ 58,751	$ 991,227	$ 2,038,004
OPEB related items	97,152	6,662	103,814	380,414
Total deferred outflows of resources	$ 1,029,628	$ 65,413	$ 1,095,041	$ 2,418,418
LIABILITIES				
Accounts payable	$ 1,152,140	$ 317,960	$ 1,470,100	$ 69,145
Accrued liabilities	40,523	17,136	57,659	1,691,915
Due to other governmental units	30,878	-	30,878	-
Customers' deposits	-	70,055	70,055	-
Accrued interest payable	76,628	32,182	108,810	-
Unearned revenue	-	-	-	6,000
Long-term liabilities:				
Due within one year	1,748,087	1,087,964	2,836,051	126,367
Due in more than one year	17,466,621	11,522,010	28,988,631	21,000,696
Total liabilities	$ 20,514,877	$ 13,047,307	$ 33,562,184	$ 22,894,123
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	$ 28,778	$ -	$ 28,778	$ -
Pension related items	880,490	71,457	951,947	4,194,080
OPEB related items	52,785	4,145	56,930	383,282
Total deferred inflows of resources	$ 962,053	$ 75,602	$ 1,037,655	$ 4,577,362
NET POSITION				
Net Investment in capital assets	$ 22,428,535	$ 29,430,264	$ 51,858,799	$ 10,632,746
Restricted:				
Jail Operations	240,485	-	240,485	-
CDBG Housing	25,731	-	25,731	-
Law Library	17,512	-	17,512	-
Asset Forfeiture Funds	76,798	-	76,798	-
Courthouse Security	13,550	-	13,550	-
Indoor Plumbing Rehab	69,262	-	69,262	-
Emergency Repair Fund	52,884	-	52,884	-
Employee Function Fund	9,311	-	9,311	-
CCWD Fund	200	-	200	-
Bond covenants	-	1,279,022	1,279,022	-
School Cafeterias	-	-	-	293,971
Health insurance	342,963	-	342,963	-
Unrestricted	3,433,054	1,588,941	5,021,995	(16,992,794)
Total net position	$ 26,710,285	$ 32,298,227	$ 59,008,512	$ (6,066,077)

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

Exhibit 2

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: School Board
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	$ 1,876,436	$ 76,446	$ 285,047	$ -	$ (1,514,943)	$ -	$ (1,514,943)	$ -
Judicial administration	1,773,496	9,786	770,231	-	(993,479)	-	(993,479)	-
Public safety	6,714,712	101,316	2,800,043	-	(3,813,353)	-	(3,813,353)	-
Public works	2,835,040	803,785	51,759	-	(1,979,496)	-	(1,979,496)	-
Health and welfare	3,921,484	-	3,177,526	-	(743,958)	-	(743,958)	-
Education	14,020,932	-	2,461,215	-	(11,559,717)	-	(11,559,717)	-
Parks, recreation, and cultural	889,151	30,511	-	-	(858,640)	-	(858,640)	-
Community development	503,925	-	39,308	-	(464,617)	-	(464,617)	-
Interest on long-term debt	352,208	-	-	-	(352,208)	-	(352,208)	-
Total governmental activities	$ 32,887,384	$ 1,021,844	$ 9,585,129	$ -	$ (22,280,411)	$ -	$ (22,280,411)	$ -
Business-type activities:								
Water and Sewer Fund	$ 5,604,209	$ 5,295,731	$ -	$ 28,610	$ -	$ (279,868)	$ (279,868)	$ -
Total primary government	$ 38,491,593	$ 6,317,575	$ 9,585,129	$ 28,610	$ (22,280,411)	$ (279,868)	$ (22,560,279)	$ -
COMPONENT UNIT:								
School Board	$ 24,753,425	$ 468,346	$ 16,626,622	$ -	$ -	$ -	$ -	$ (7,658,457)
Total component unit	$ 24,753,425	$ 468,346	$ 16,626,622	$ -	$ -	$ -	$ -	$ (7,658,457)
General revenues:								
General property taxes					$ 16,519,123	$ -	$ 16,519,123	$ -
Other local taxes								
Local sales and use taxes					838,510	-	838,510	-
Consumers' utility taxes					294,659	-	294,659	-
Business license taxes					410,006	-	410,006	-
Utility consumption taxes					226,241	-	226,241	-
Motor vehicle licenses					402,101	-	402,101	-
Restaurant food taxes					421,310	-	421,310	-
Transient lodging taxes					230,432	-	230,432	-
Other local taxes					61,629	-	61,629	-
Unrestricted revenues from use of money and property					306,965	55,382	362,347	26,043
Miscellaneous					169,370	18,872	188,242	457,787
Payments from the County of Alleghany					-	-	-	11,752,151
Grants and contributions not restricted to specific programs					2,526,887	-	2,526,887	-
Total general revenues					$ 22,407,233	$ 74,254	$ 22,481,487	$ 12,235,981
Change in net position					$ 126,822	$ (205,614)	$ (78,792)	$ 4,577,524
Net position - beginning					26,583,463	32,503,841	59,087,304	(10,643,601)
Net position - ending					$ 26,710,285	$ 32,298,227	$ 59,008,512	$ (6,066,077)

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

Exhibit 3

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

	General Fund	Special Law Fund	Total
ASSETS			
Cash and cash equivalents	$ 3,731,898	$ 243,107	$ 3,975,005
Investments	3,704,205	-	3,704,205
Receivables (net of allowance for uncollectibles):			
Taxes receivable	723,613	-	723,613
Accounts receivable	198,416	-	198,416
Due from other governmental units	1,853,337	-	1,853,337
Inventories	5,244	-	5,244
Restricted assets:			
Cash and cash equivalents	3,007,999	-	3,007,999
Total assets	$ 13,224,712	$ 243,107	$ 13,467,819
LIABILITIES			
Accounts payable	$ 1,149,518	$ 2,622	$ 1,152,140
Accrued liabilities	40,523	-	40,523
Due to other governmental units	30,878	-	30,878
Total liabilities	$ 1,220,919	$ 2,622	$ 1,223,541
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 686,918	$ -	$ 686,918
Unavailable revenue - prepaid taxes	28,778	-	28,778
Total deferred inflows of resources	$ 715,696	$ -	$ 715,696
FUND BALANCES			
Nonspendable			
Inventory	$ 5,244	$ -	5,244
Restricted			
Jail Operations	-	240,485	240,485
CDBG Housing	25,731	-	25,731
Law Library	17,512	-	17,512
Asset Forfeiture Funds	76,798	-	76,798
Courthouse Security	13,550	-	13,550
Indoor Plumbing Rehab	69,262	-	69,262
Emergency Repair Fund	52,884	-	52,884
Employee Function Fund	9,311	-	9,311
CCWD Fund	200	-	200
Capital projects/outlays	3,007,999	-	3,007,999
Unassigned	8,009,606	-	8,009,606
Total fund balances	$ 11,288,097	$ 240,485	$ 11,528,582
Total liabilities, deferred inflows of resources, and fund balances	$ 13,224,712	$ 243,107	$ 13,467,819

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

Exhibit 4

County of Alleghany, 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		$ 11,528,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 3,577,209	
Buildings and improvements	18,067,101	
Land improvements	2,661,811	
Machinery and equipment	3,246,891	
Construction in progress	5,793,793	33,346,805
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Unavailable revenue - property taxes		686,918
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		342,963
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 932,476	
OPEB related items	97,152	1,029,628
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	$ (2,571,431)	
Premium on issuance	(14,838)	
Literary loans	(2,250,000)	
Capital leases	(9,090,000)	
Accrued interest payable	(76,628)	
Compensated absences	(337,432)	
Net pension liability	(4,382,201)	
Net OPEB liability	(568,806)	(19,291,336)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (880,490)	
OPEB related items	(52,785)	(933,275)
Net position of governmental activities		$ 26,710,285

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

Exhibit 5

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

	General Fund	Special Law Fund	Total
REVENUES			
General property taxes	$ 16,404,843	$ -	$ 16,404,843
Other local taxes	2,884,888	-	2,884,888
Permits, privilege fees, and regulatory licenses	51,300	-	51,300
Fines and forfeitures	37,911	-	37,911
Revenue from the use of money and property	299,863	5,783	305,646
Charges for services	932,633	-	932,633
Miscellaneous	115,656	53,714	169,370
Recovered costs	1,642,127	-	1,642,127
Intergovernmental	12,112,016	-	12,112,016
Total revenues	$ 34,481,237	$ 59,497	$ 34,540,734
EXPENDITURES			
Current:			
General government administration	$ 2,410,812	$ -	$ 2,410,812
Judicial administration	1,915,434	-	1,915,434
Public safety	9,459,310	88,013	9,547,323
Public works	3,030,465	-	3,030,465
Health and welfare	4,248,728	-	4,248,728
Education	11,761,381	-	11,761,381
Parks, recreation, and cultural	895,773	-	895,773
Community development	484,727	-	484,727
Capital projects	4,268,486	-	4,268,486
Debt service:			
Principal retirement	1,645,087	-	1,645,087
Interest and other fiscal charges	387,655	-	387,655
Total expenditures	$ 40,507,858	$ 88,013	$ 40,595,871
Excess (deficiency) of revenues over (under) expenditures	$ (6,026,621)	$ (28,516)	$ (6,055,137)
OTHER FINANCING SOURCES (USES)			
Issuance of capital lease	$ 1,450,000	$ -	$ 1,450,000
Sale of capital assets	25,650	-	25,650
Total other financing sources (uses)	$ 1,475,650	$ -	$ 1,475,650
Net change in fund balances	$ (4,550,971)	$ (28,516)	$ (4,579,487)
Fund balances - beginning	15,839,068	269,001	16,108,069
Fund balances - ending	$ 11,288,097	$ 240,485	$ 11,528,582

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

Exhibit 6

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

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (4,579,487)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 6,788,925	
Depreciation expense	(1,658,420)	5,130,505
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position. This is the carrying amount of disposed of assets during the year.		
Asset deletions	$ (17,290)	
Transfer of assets to Component Unit School Board	(1,663,414)	(1,680,704)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		114,280
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Issuance of capital lease	$ (1,450,000)	
Principal repayments:		
General obligation bonds	895,087	
Literary loans	750,000	195,087
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 absenses	$ (8,194)	
Change in accrued interest payable	25,329	
Change in pension related items	894,467	
Change in OPEB related items	24,102	
Amortization of bond premium	10,118	945,822
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		1,319
Change in net position of governmental activities		$ 126,822

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

Exhibit 7

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

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,001,538	$ 342,963
Accounts receivable, net of allowance for uncollectibles	585,120	-
Due from other governmental units	262,015	-
Total current assets	$ 1,848,673	$ 342,963
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers' deposits	$ 70,055	$ -
Debt reserves (bond covenants)	1,279,022	-
Total restricted assets	$ 1,349,077	$ -
Due from other governmental units	$ 595,038	$ -
Capital assets:		
Infrastructure and equipment	$ 56,030,665	$ -
Land	88,980	-
Machinery and equipment	802,882	-
Accumulated depreciation	(15,426,164)	-
Construction in progress	66,572	-
Total capital assets	$ 41,562,935	$ -
Total noncurrent assets	$ 43,507,050	$ -
Total assets	$ 45,355,723	$ 342,963
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$ 58,751	$ -
OPEB related items	6,662	-
Total deferred outflows of resources	$ 65,413	$ -
LIABILITIES		
Current liabilities:		
Accounts payable	$ 317,960	$ -
Payroll liabilities	17,136	-
Customers' deposits	70,055	-
Accrued interest payable	32,182	-
Compensated absences - current portion	66,413	-
Bonds payable - current portion	1,021,551	-
Total current liabilities	$ 1,525,297	$ -
Noncurrent liabilities:		
Compensated absences - net of current portion	$ 22,137	$ -
Bonds payable - net of current portion	11,111,120	-
Net pension liability	344,090	-
Net OPEB liability	44,663	-
Total noncurrent liabilities	$ 11,522,010	$ -
Total liabilities	$ 13,047,307	$ -
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 71,457	$ -
OPEB related items	4,145	-
Total deferred inflows of resources	$ 75,602	$ -
NET POSITION		
Net Investment in capital assets	$ 29,430,264	$ -
Restricted by bond covenants	1,279,022	-
Restricted for health claims	-	342,963
Unrestricted	1,588,941	-
Total net position	$ 32,298,227	$ 342,963

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

Exhibit 8

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

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues (serves as security for revenue bonds)	$ 2,075,654	$ -
Sewer revenues (serves as security for revenue bonds)	3,178,125	-
Penalty	41,952	-
Miscellaneous	18,872	-
Total operating revenues	$ 5,314,603	$ -
OPERATING EXPENSES		
Salaries and wages	$ 740,660	$ -
Fringe benefits	332,543	-
Professional services	616,501	-
Utilities	324,848	-
Materials and supplies	319,882	-
Insurance	45,142	-
Travel	1,859	-
Dues and memberships	550	-
Permits	20,938	-
Rentals and leases	38,990	-
Repairs and maintenance	94,526	-
Purchased services	1,586,219	-
Depreciation	1,307,414	-
Total operating expenses	$ 5,430,072	$ -
Operating income (loss)	$ (115,469)	$ -
NONOPERATING REVENUES (EXPENSES)		
Interest income	$ 55,382	$ 1,319
Loss on disposal of assets	(42,450)	-
Connection fees	28,610	-
Interest expense	(131,687)	-
Total nonoperating revenues (expenses)	$ (90,145)	$ 1,319
Change in net position	$ (205,614)	$ 1,319
Total net position - beginning	32,503,841	341,644
Total net position - ending	$ 32,298,227	$ 342,963

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

Exhibit 9

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

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 5,720,260	$ -
Payments to suppliers	(3,114,681)	-
Payments to and for employees	(1,114,269)	-
Net cash provided by (used for) operating activities	$ 1,491,310	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	$ (37,095)	$ -
Principal payments on bonds	(1,018,202)	-
Connection fees	28,610	-
Interest expense	(133,127)	-
Net cash provided by (used for) capital and related financing activities	$ (1,159,814)	$ -
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	$ 55,382	$ 1,319
Net cash provided by (used for) investing activities	$ 55,382	$ 1,319
Net increase (decrease) in cash and cash equivalents	$ 386,878	$ 1,319
Cash and cash equivalents - beginning - including restricted of $1,146,787	1,963,737	341,644
Cash and cash equivalents - ending - including restricted of $1,349,077	$ 2,350,615	$ 342,963
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (115,469)	$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	$ 1,307,414	$ -
(Increase) decrease in accounts receivable	131,758	-
(Increase) decrease in due from other governments	262,015	-
(Increase) decrease in deferred outflows of resources	36,040	-
Increase (decrease) in customer deposits	11,884	-
Increase (decrease) in operating accounts payable	(65,226)	-
Increase (decrease) in compensated absences	(3,272)	-
Increase (decrease) in payroll liabilities	(587)	-
Increase (decrease) in deferred inflows of resources	(53,669)	-
Increase (decrease) in net pension liability	(19,526)	-
Increase (decrease) in net OPEB liability	(52)	-
Total adjustments	$ 1,606,779	$ -
Net cash provided by (used for) operating activities	$ 1,491,310	$ -

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

Exhibit 10

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

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,086,073
Total assets	$ 1,086,073
LIABILITIES	
Accounts payable	$ 31,346
Accrued liabilities	3,530
Amounts held for Alleghany Highlands Economic Development Corporation	135,057
Amounts held for social services clients	8,847
Amounts held for Friends of Youth	3,593
Amounts held for Human and Leisure Activity	822
Amounts held for Jackson River Vocational Center	406,721
Amounts held for United Fire and Rescue Association	491,026
Amounts held for Humane Society	5,131
Total liabilities	$ 1,086,073

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

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units – None

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

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

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

Jointly Governed Organizations – None

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Receivables and Payables

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

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

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $139,985 at June 30, 2019 and is comprised of $90,689 in property taxes and $49,296 in water and sewer billings.

6. Use of Estimates

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

6. Inventories

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

7. Capital Assets (Continued)

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

Assets	Years
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 65
Machinery and equipment	5 - 12

8. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

9. Pensions

For purposes of measuring the net pension liability (asset), 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 outflows/inflows of resources and net position/fund balance (Continued)

10. Other Postemployment Benefits (OPEB)

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

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

11. Long-term Obligations

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

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

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

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

12. Fund Balance

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

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

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th and amounts prepaid on taxes due December 5th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on taxes due on December 5th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension (asset) liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The School Operating Fund is integrated only at the level of legal adoption.

5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

B. Deficit fund equity

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

Note 3-Deposits and Investments:

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

Investments:
Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At year end, the County held corporate bonds and notes with a fair quality rating of less than AA (Standard and Poor's), which is in violation of the State Code.

The investments, as reported in the financial statements as of June 30, 2019, include negotiable certificate of deposits with an original maturity date over three months and have a balance of $1,354,199. LGIP and money market funds are reported in the accompanying financial statements as cash and cash equivalents.

Credit Risk of Debt Securities
The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and/or and equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA	AA-
Fidelity money market	$ 3,369,300	$ -	$ -	$ -	$ -
LGIP	1,434	-	-	-	-
Corporate bonds and notes	-	201,798	848,346	99,964	202,139
Municipal bonds	-	-	242,392	-	-
U.S. Agencies	-	-	755,367	-	-

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

Note 3-Deposits and Investments: (Continued)

Interest Rate Risk

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

		Investment Maturities (in years)	
Investment Type	**Fair Value**	**1 Year**	**1-5 Years**
Money market funds	$ 3,369,300	$ 3,369,300	$ -
US Agency Securities	755,367	-	755,367
Corporate bonds	1,352,247	299,428	1,052,819
Municipal bonds	242,392	-	242,392
Certificates of deposit	1,354,199	399,746	954,453
Totals	$ 7,073,505	$ 4,068,474	$ 3,005,031

Custodial Credit Risk

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

Note 4-Fair Value Measurements:

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Note 4-Fair Value Measurements: (Continued)

The County has the following recurring fair value measurements as of June 30, 2019:

		Fair Value Measurement Using		
Investment	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	$ 1,352,247	$ 1,352,247	$ -	$ -
Municipal Bonds	242,392	242,392	-	-
Negotiable Certificates	1,354,199	1,354,199	-	-
U.S. Agencies	755,367	755,367	-	-

Note 5-Due from Other Governmental Units:

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

	Governmental Activities	Business-Type Activities	Component Unit School Board
Local:			
City of Covington	$ 315,998	$ -	$ -
County of Bath	93,590	-	-
Clifton Forge	-	857,053	-
Commonwealth of Virginia:			
Local sales tax	146,679	-	-
State sales tax	294,723	-	-
Categorical aid, shared expenses	278,074	-	-
Other categorical aid	174,718	-	-
Non-categorical aid	64,025	-	-
Virginia public assistance funds	48,467	-	-
Community Services Authority	283,567	-	-
Federal government:			
Virginia public assistance funds	98,049	-	-
Categorical aid	55,447	-	280,737
	$ 1,853,337	$ 857,053	$ 280,737

Note 6-Component-Unit Obligations and Contributions:

At June 30, 2019 there were no component unit obligations.

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

Component Unit:	
School Board	$ 11,752,151

Note 7-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	$ 3,466,518	$ -	$ (895,087)	$ 2,571,431
Premium on issuance	24,956	-	(10,118)	14,838
Literary loans	3,000,000	-	(750,000)	2,250,000
Capital leases	7,640,000	1,450,000	-	9,090,000
Compensated absences	329,238	255,123	(246,929)	337,432
Net pension liability	4,379,039	3,245,659	(3,242,497)	4,382,201
Net OPEB liability	538,510	132,226	(101,930)	568,806
Total	$ 19,378,261	$ 5,083,008	$ (5,246,561)	$ 19,214,708

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

	Direct Borrowings and Placements:			
Year Ending	General Obligation Bonds		Literary Loans	
June 30,	Principal	Interest	Principal	Interest
2020	$ 523,339	$ 109,474	$ 750,000	$ 45,000
2021	541,736	83,589	750,000	30,000
2022	565,508	56,437	750,000	15,000
2023	179,493	38,507	-	-
2024	183,548	30,451	-	-
2025-2027	577,807	40,193	-	-
Totals	$ 2,571,431	$ 358,651	$ 2,250,000	$ 90,000

Note 7-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						
VPSA Issuance	5.60%	3/20/01	2022	$ 5,000,000	$ 1,115,000	$ 355,000
VPSA GO Bond - Series 2006	4.225% to 5.100%	11/1/06	2027	3,205,141	1,456,431	168,339
Total General Obligation Bonds					$ 2,571,431	$ 523,339
Premium on Issuance	n/a	n/a	n/a	n/a	$ 14,838	$ -
Literary Loans						
Literary Loan	2.00%	1/15/2002	2023	$ 7,500,000	$ 1,125,000	$ 375,000
Literary Loan	2.00%	1/15/2002	2023	7,500,000	1,125,000	375,000
Total Literary Loans					$ 2,250,000	$ 750,000
Direct Borrowings and Placements					$ 4,836,269	$ 1,273,339
Other Obligations:						
Capital Lease	2.4095%	10/5/2017	2033	$ 7,640,000	$ 7,640,000	$ 150,000
Capital Lease	3.8359%	3/21/2019	2034	$ 1,450,000	1,450,000	71,674
Compensated Absences	n/a	n/a	n/a	n/a	337,432	253,074
Net Pension Liability	n/a	n/a	n/a	n/a	4,382,201	-
Net OPEB Liability	n/a	n/a	n/a	n/a	568,806	-
Total Other Obligations					$ 14,378,439	$ 474,748
Total Long-term obligations					$ 19,214,708	$ 1,748,087

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

The County's literary loans and VPSA 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 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.

Note 7-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities:

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

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct borrowings and placements:				
Revenue bonds	$ 13,150,873	$ -	$ (1,018,202)	$ 12,132,671
Compensated absences	91,822	65,595	(68,867)	88,550
Net pension liability	363,616	252,937	(272,463)	344,090
Net OPEB liability	44,715	10,149	(10,201)	44,663
Total	$ 13,651,026	$ 328,681	$ (1,369,733)	$ 12,609,974

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

Year Ending June 30,	Direct Borrowings and Placements Revenue Bonds Principal	Interest
2020	$ 1,021,551	$ 129,778
2021	1,026,473	124,856
2022	927,772	119,825
2023	797,540	114,682
2024	667,424	109,423
2025-2029	3,263,671	467,647
2030-2034	2,178,248	330,743
2035-2039	1,209,260	183,309
2040-2044	480,501	93,243
2045-2049	437,254	39,326
2050-2051	122,977	1,945
Totals	$ 12,132,671	$ 1,714,777

Note 7-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bonds						
Rural Development Bond	4.50%	2/13/01	2039	$ 463,000	$ 320,367	$ 10,572
VRA Bond	0.00%	12/17/99	2021	2,153,232	207,463	103,732
Rural Development Bond	2.25%	11/9/10	2051	2,429,000	2,140,528	47,638
VRA Bond	0.00%	12/8/10	2020	4,385,649	2,850,672	219,282
VRA Bond	3.00%	10/18/12	2044	563,500	473,726	14,258
VRA Bond	0.00%	12/13/00	2023	1,759,875	947,625	270,750
VRA Bond	1.45%	10/22/15	2038	3,733,313	3,481,084	170,645
VRA Bond	3.00%	2/1/05	2032	248,548	92,323	14,265
VRA Bond	0.00%	2/28/07	2029	3,408,175	1,618,883	170,409
Total Revenue Bonds					$ 12,132,671	$ 1,021,551
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	$ 88,550	$ 66,413
Net Pension Liability	n/a	n/a	n/a	n/a	344,090	-
Net OPEB Liability	n/a	n/a	n/a	n/a	44,663	-
Total Other Obligations					$ 477,303	$ 66,413
Total Long-term obligations					$ 12,609,974	$ 1,087,964

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

VRA bonds require that the County maintain a debt service coverage ratio of at least 1.15. For the year ending June 30, 2019, the County was not in compliance with this requirement.

In an event of default occurs with VRA and Rural Development 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 8-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Obligations:

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Compensated absences	$ 168,642	$ 126,329	$ (126,482)	$ 168,489
Net OPEB liabilities	4,395,328	664,053	(681,807)	4,377,574
Net pension liability	18,329,000	4,342,000	(6,090,000)	16,581,000
Total	$ 22,892,970	$ 5,132,382	$ (6,898,289)	$ 21,127,063

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations: (liquidated in School Operating Fund)		
Compensated absences	$ 168,489	$ 126,367
Net OPEB liabilities	4,377,574	-
Net pension liability	16,581,000	-
Total Long-Term Obligations	$ 21,127,063	$ 126,367

Note 9-Pension Plans:

Plan Description

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

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.

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.

Note 9-Pension Plans: (Continued)

Benefit Structures (Continued)

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.

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 11.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Note 9-Pension Plans: (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 County were $852,575 and $844,368 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 $4,726,291 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 during the year ended 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 98.1550% and 98.0210%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Alleghany County's Retirement Plan and the Component Unit School Board's (nonprofessional) 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% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

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

Note 9-Pension Plans: (Continued)

Actuarial Assumptions – General Employees (Continued)

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.

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%

Note 9-Pension Plans: (Continued)

Actuarial Assumptions – General Employees (Continued)

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 Alleghany 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*

* 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.

Note 8-Pension Plans: (Continued)

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

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

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.

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 9-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:

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

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

Note 9-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 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 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	$ 9,341,805	$ 4,726,291	$ 871,724

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 $(66,520). 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.

Note 9-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	$ 132,528	$ 567,518
Changes in assumptions	-	89,758
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,124	37,892
Net difference between projected and actual earnings on pension plan investments	-	256,779
Employer contributions subsequent to the measurement date	852,575	-
Total	$ 991,227	$ 951,947

$852,575 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	$ (345,738)
2021	(164,890)
2022	(277,016)
2023	(25,651)
Thereafter	-

Note 9-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:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	78
Inactive members:	
Vested inactive members	7
Non-vested inactive members	12
Inactive members active elsewhere in VRS	9
Total inactive members	28
Active members	80
Total covered employees	186

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 4.40% 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 Component Unit School Board's nonprofessional employees were $73,395 and $105,604 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 9-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability (Asset)

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 (asset) was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability (asset) 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 (Asset)

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 10,246,302	$ 10,591,121	$ (344,819)
Changes for the year:			
Service cost	$ 186,960	$ -	$ 186,960
Interest	689,813	-	689,813
Changes of assumptions	-		
Differences between expected and actual experience	23,642	-	23,642
Contributions - employer	-	105,604	(105,604)
Contributions - employee	-	86,559	(86,559)
Net investment income	-	760,411	(760,411)
Benefit payments, including refunds of employee contributions	(783,668)	(783,668)	-
Administrative expenses	-	(6,920)	6,920
Other changes	-	(667)	667
Net changes	$ 116,747	$ 161,319	$ (44,572)
Balances at June 30, 2018	$ 10,363,049	$ 10,752,440	$ (389,391)

Note 9-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	$ 720,148	$ (389,391)	$ (1,337,634)

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 $(212,980). 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	$ 14,653	$ 87,643
Changes of assumptions	-	24,546
Net difference between projected and actual earnings on pension plan investments	-	79,891
Employer contributions subsequent to the measurement date	73,395	-
Total	$ 88,048	$ 192,080

Note 9-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)

$73,395 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 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	Component Unit School Board (nonprofessional)
2020	$ (61,738)
2021	747
2022	(108,435)
2023	(8,001)
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 $1,751,956 and $1,833,151 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 9-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 $16,581,000 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 0.14099% as compared to 0.14904% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of $(11,000). 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	$ -	$ 1,418,000
Net difference between projected and actual earnings on pension plan investments	-	352,000
Changes of assumptions	198,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,232,000
Employer contributions subsequent to the measurement date	1,751,956	-
Total	$ 1,949,956	$ 4,002,000

Note 9-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)

$1,751,956 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:

Year ended June 30	Component Unit School Board (professional)
2020	$ (1,067,000)
2021	(946,000)
2022	(1,132,000)
2023	(490,000)
Thereafter	(169,000)

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 9-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 9-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):

		Teacher Employee Retirement Plan
Total Pension Liability	$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	$	11,759,992
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.

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

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

	Rate					
	1% Decrease		Current Discount		1% Increase	
	(6.00%)		(7.00%)		(8.00%)	
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$	25,327,000	$	16,581,000	$	9,341,000

Note 9-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 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.

Primary Government and Component Unit School Board

Aggregate Pension Information

The following is a summary of deferred outflows, deferred inflows, net pension liabilities (asset), 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	$ 991,227	$ 951,947	$ 4,726,291	$ (66,520)	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	88,048	192,080	(389,391)	(212,980)
School Board Professional	-	-	-	-	1,949,956	4,002,000	16,581,000	(11,000)
Totals	$ 991,227	$ 951,947	$ 4,726,291	$ (66,520)	$ 2,038,004	$ 4,194,080	$ 16,191,609	$ (223,980)

Note 10-Other Postemployment Benefits – Health Insurance:

Component Unit School Board:

Plan Description

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

Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

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 insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action.

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees	341
Total retirees	18
Total spouses of retirees	8
Total	367

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Component Unit School Board. The amount paid by the Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2019 was $99,807.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2018 2.50% per year as of June 30, 2019
Salary Increases	The salary increase rate consist of an inflation of 2.50%, a productivity componont of 1.00%, and a variable merit component that is dependent on years of services.
Discount Rate	3.87% as of June 30, 2018 3.50% as of June 30, 2019

Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

Component Unit School Board: (Continued)

Actuarial Assumptions (Continued)

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

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

Discount Rate

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

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	$	1,408,328
Changes for the year:		
Service cost		49,140
Interest		54,491
Effect of assumptions changes or inputs		35,422
Benefit payments		(99,807)
Net changes		39,246
Balances at June 30, 2019	$	1,447,574

Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

Component Unit School Board: (Continued)

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

The following amounts present the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 1,546,052	$ 1,447,574	$ 1,353,324

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

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

Rates		
1% Decrease (6.60% decreasing to 3.30%)	Healthcare Cost Trend (7.60% decreasing to 4.30%)	1% Increase (8.60% decreasing to 5.30%)
$ 1,438,183	$ 1,447,574	$ 1,460,015

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

For the year ended June 30, 2019, the Component Unit School Board recognized OPEB expense in the amount of $105,405. At June 30, 2019, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	$ 25,848	$ 20,282
Total	$ 25,848	$ 20,282

Note 10-Other Postemployment Benefits – Health Insurance: (Continued)

Component Unit School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30		
2020	$	1,774
2021		1,774
2022		2,018
2023		-
2024		-
Thereafter		-

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 11-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.

The specific information for GLI 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.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 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 GLI Program from the County were $40,013 and $39,940 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (nonprofessional) were $9,532 and $9,478 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (professional) were $59,304 and $59,103 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 11-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 GLI Program OPEB

County of Alleghany, Virginia Group Life Insurance Program

At June 30, 2019, the entity reported a liability of $613,469 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 0.0404% as compared to 0.0388% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $10,797. 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 $145,000 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 0.0958% as compared to 0.0100% 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.

Component Unit School Board (professional) Group Life Insurance Program

At June 30, 2019, the entity reported a liability of $908,000 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 0.0598% as compared to 0.0634% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $(11,000). 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.

Note 11-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 GLI Program OPEB (Continued)

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	$ 30,428	$ 11,779	$ 7,000	$ 2,000	$ 44,000	$ 16,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	19,631	-	5,000	-	30,000
Change in assumptions	-	25,520	-	6,000	-	38,000
Changes in proportion	33,373	-	-	6,000	-	81,000
Employer contributions subsequent to the measurement date	40,013	-	9,532	-	59,304	-
Total	$ 103,814	$ 56,930	$ 16,532	$ 19,000	$ 103,304	$ 165,000

$40,013, $9,532, and $59,304 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:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2020	$ (1,963)	$ (3,000)	$ (30,000)
2021	(1,963)	(3,000)	(30,000)
2022	(1,963)	(3,000)	(30,000)
2023	2,944	(2,000)	(22,000)
2024	5,890	(1,000)	(9,000)
Thereafter	3,926	-	-

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 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*

*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.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers (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	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – 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.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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%

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.

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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.

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%

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

The actuarial assumptions used in the June 30, 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	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%

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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 is 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)	$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 801,927	$ 613,469	$ 460,347
Component Unit School Board's (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 190,000	$ 145,000	$ 109,000
Component Unit School Board's (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,187,000	$ 908,000	$ 682,000

GLI Program Fiduciary Net Position

Detailed information about the Group Life Insurance 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 12-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 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 for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is 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.

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 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 HIC Program were $136,748 and $139,405 for the years ended June 30, 2019 and June 30, 2018, respectively.

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 $1,780,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC 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 0.1401% as compared to 0.1482% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of $120,000. 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.

Note 12-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)

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	$ -	$ 9,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	16,000
Change in proportion	-	153,000
Employer contributions subsequent to the measurement date	136,748	-
Total	$ 136,748	$ 179,000

$136,748 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:

Year Ended June 30	
2020	$ (30,000)
2021	(30,000)
2022	(30,000)
2023	(29,000)
2024	(29,000)
Thereafter	(31,000)

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC 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:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – Teachers

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

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

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

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

The actuarial assumptions used in the June 30, 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

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)	$	1,269,674
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 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year 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 12-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	$ 1,988,000	$ 1,780,000	$ 1,603,000

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 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (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. Effective July 1, 2017, 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.

Note 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)

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.

Employees Covered by Benefit Terms

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

	Number
Inactive members:	
Vested inactive members	2
Total inactive members	2
Active members	80
Total covered employees	82

Note 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2019 was 0.60% 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 $10,982 and $11,095 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.

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%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (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 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (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 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total 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.

Note 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (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	$ -	$ -	$ -
Changes for the year:			
Service cost	$ 4,000	$ -	$ 4,000
Differences between expected and actual experience	104,000	-	104,000
Contributions - employer	-	11,000	(11,000)
Net changes	$ 108,000	$ 11,000	$ 97,000
Balances at June 30, 2018	$ 108,000	$ 11,000	$ 97,000

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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board's (nonprofesstional) Net HIC OPEB Liability	$ 109,000	$ 97,000	$ 86,000

Note 13-Health Insurance Credit (HIC) Program-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)

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 $21,000. 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	$ 87,000	$ -
Employer contributions subsequent to the measurement date	10,982	-
Total	$ 97,982	$ -

$10,982 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	$ 18,000
2021	18,000
2022	18,000
2023	18,000
2024	15,000
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 14-Aggregate Other Postemployment Benefits Information:

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

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program								
County	$ 103,814	$ 56,930	$ 613,469	$ 10,797	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	16,532	19,000	145,000	-
School Board Professional	-	-	-	-	103,304	165,000	908,000	(11,000)
Health Insurance Credit Program	-	-	-	-	97,982	-	97,000	21,000
Teacher Health Insurance Credit Program	-	-	-	-	136,748	179,000	1,780,000	120,000
School Stand-Alone Plan	-	-	-	-	25,848	20,282	1,447,574	105,405
Totals	$ 103,814	$ 56,930	$ 613,469	$ 10,797	$ 380,414	$ 383,282	$ 4,377,574	$ 235,405

Note 15-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 $37,850.

Note 16-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	$ 3,577,209	$ -	$ -	$ 3,577,209
Construction in progress	1,273,614	4,520,179	-	5,793,793
Total capital assets not being depreciated	$ 4,850,823	$ 4,520,179	$ -	$ 9,371,002
Capital assets, being depreciated:				
Buildings and improvements	$ 38,851,583	$ -	$ (2,001,800)	$ 36,849,783
Land improvements	2,730,063	-	-	2,730,063
Machinery and equipment	5,486,305	2,268,746	(34,637)	7,720,414
Total capital assets being depreciated	$ 47,067,951	$ 2,268,746	$ (2,036,437)	$ 47,300,260
Accumulated depreciation:				
Buildings and improvements	$ (17,986,321)	$ (1,134,747)	$ 338,386	$ (18,782,682)
Land improvements	-	(68,252)	-	(68,252)
Machinery and equipment	(4,035,449)	(455,421)	17,347	(4,473,523)
Total accumulated depreciation	$ (22,021,770)	$ (1,658,420)	$ 355,733	$ (23,324,457)
Total capital assets being depreciated, net	$ 25,046,181	$ 610,326	$ (1,680,704)	$ 23,975,803
Governmental activities capital assets, net	$ 29,897,004	$ 5,130,505	$ (1,680,704)	$ 33,346,805

Current year decreases for assets and accumulated deprecation include the transfer of assets related to the Alleghany High School HVAC and energy efficiency project at an original cost of $2,001,800 net of accumulated depreciation of $338,386 to the Component Unit School Board.

Note 16-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 88,980	$ -	$ -	$ 88,980
Construction in progress	301,247	25,604	(260,279)	66,572
Total capital assets not being depreciated	$ 390,227	$ 25,604	$ (260,279)	$ 155,552
Capital assets, being depreciated:				
Infrastructure	$ 55,883,683	$ 260,279	$ (113,297)	$ 56,030,665
Machinery and equipment	802,882	-	-	802,882
Total capital assets being depreciated	$ 56,686,565	$ 260,279	$ (113,297)	$ 56,833,547
Accumulated depreciation:				
Infrastructure	$ (13,804,344)	$ (1,242,464)	$ 70,847	$ (14,975,961)
Machinery and equipment	(385,253)	(64,950)	-	(450,203)
Total accumulated depreciation	$ (14,189,597)	$ (1,307,414)	$ 70,847	$ (15,426,164)
Total capital assets being depreciated, net	$ 42,496,968	$ (1,047,135)	$ (42,450)	$ 41,407,383
Business-type activities capital assets, net	$ 42,887,195	$ (1,021,531)	$ (302,729)	$ 41,562,935

Note 16-Capital Assets: (Continued)

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

Governmental activities:	
General government administration	$ 570,906
Judicial administration	13,477
Public safety	270,733
Public works	78,593
Health and welfare	73,459
Education	547,914
Parks, recreation, and culture	103,338
Total depreciation expense-governmental activities	$ 1,658,420
Business-type activities:	
Water and sewer fund	$ 1,307,414
Total depreciation expense-primary government	$ 2,965,834

Note 16-Capital Assets: (Continued)

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,019,216	$ -	$ -	$ 1,019,216
Construction in progress	-	63,849	-	63,849
Total capital assets not being depreciated	$ 1,019,216	$ 63,849	$ -	$ 1,083,065
Capital assets, being depreciated:				
Buildings and improvements	$ 13,442,861	$ 2,290,555	$ -	$ 15,733,416
Machinery and equipment	6,256,431	400,602	-	6,657,033
Total capital assets being depreciated	$ 19,699,292	$ 2,691,157	$ -	$ 22,390,449
Accumulated depreciation:				
Buildings and improvements	$ (7,753,163)	$ (853,369)	$ -	$ (8,606,532)
Machinery and equipment	(3,792,365)	(441,871)	-	(4,234,236)
Total accumulated depreciation	$ (11,545,528)	$ (1,295,240)	$ -	$ (12,840,768)
Total capital assets being depreciated, net	$ 8,153,764	$ 1,395,917	$ -	$ 9,549,681
Governmental activities capital assets, net	$ 9,172,980	$ 1,459,766	$ -	$ 10,632,746

Current year increases for assets and accumulated deprecation include the transfer of assets related to the Alleghany High School HVAC and energy efficiency project at an original cost of $2,001,800 net of accumulated depreciation of $338,386 from the primary government.

Note 17-Capital Leases:

The County has entered into capital leases for the purchase of radio equipment and four fire trucks. 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.

$5,009,523 in capital assets have been acquired through the capital lease issued for the purchase of radio equipment. As of June 30, 2019, the capital assets are in construction in progress, therefore, no depreciation has been taken.

Note 17-Capital Lease: (Continued)

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

Fire trucks	$ 1,800,000
Total capital assets	$ 1,800,000
Accumulated Depreciation	(20,220)
Net Book Value of Capital Assets	$ 1,779,780

Present value of future minimum lease payments:

Year Ending June 30,	Capital Lease
2020	$ 460,431
2021	481,516
2022	501,998
2023	941,758
2024	926,093
2025-2029	4,381,095
2030-2034	3,345,096
Total minimum lease payments	$ 11,037,987
Less: amount representing interest	(1,947,987)
Present value of future minimum lease payments	$ 9,090,000

Note 18-Unearned and Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
Deferred/Unavailable revenue:	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of currect expenditures	$ -	$ 686,918
Prepaid property taxes due after June 30 but paid in advance by taxpayers	28,778	28,778
	$ 28,778	$ 715,696

Note 19-Risk Management:

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

Note 20-Contingencies:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this regulation all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 20-Contingencies: (Continued)

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

Note 21-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:	
Debbie Byer, Clerk of the Circuit Court	$ 103,000
Wanda Simpson, Treasurer	400,000
Valerie Bruffey, Commissioner of the Revenue	3,000
Kevin Hall, Sheriff	30,000
All Constitutional Office employees: blanket bond	50,000
Additional Treasurer's Office bond	100,000
All Social Services employees: blanket bond	100,000
Virginia Association of Counties Group Self Insurance Risk Pool:	
County Administrator's Employees	$ 250,000

Component Unit School Board:

VACoRP:	
All School Board employees: blanket bond	$ 250,000

Note 22-Litigation:

At June 30, 2019, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 23-Tax Abatements:

The County entered into an economic incentive tax abatement agreement with Love's Travel Stops & Country Stores (Love's) in June of 2015 in accordance with the *Code of Virginia, 1950 as amended*. Terms of the agreement require the County to remit the aggregate sum of all real estate, personal property, sales and meals taxes collected from Love's to the Industrial Development Authority of Alleghany County (IDA) within three months of the end of each calendar year for a period of ten years or until the taxes remitted reach $907,488. The IDA will subsequently transfer funds received from the County to Love's. Terms of the agreement require Love's to invest $8,500,000 in site improvements and employ 31 individuals (working at least 30 hours per week) with a cumulative hourly wage of not less than $9.00 per hour plus benefits. Taxes remitted under the agreement are prorated if the aforementioned targets are not achieved by Love's. A complete copy of the tax abatement agreement is maintained at the County Offices. For the year ending, June 30, 2019, no amounts were due under the agreement; however, the County expects payments to begin during the 2020 fiscal year.

Note 24-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 25-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.

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. 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

Exhibit 11

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

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 16,737,724	$ 16,737,724	$ 16,404,843	$ (332,881)
Other local taxes	2,667,500	2,667,500	2,884,888	217,388
Permits, privilege fees, and regulatory licenses	31,200	31,200	51,300	20,100
Fines and forfeitures	51,500	51,500	37,911	(13,589)
Revenue from the use of money and property	58,200	58,200	299,863	241,663
Charges for services	870,094	872,722	932,633	59,911
Miscellaneous	88,220	151,896	115,656	(36,240)
Recovered costs	2,123,039	2,190,039	1,642,127	(547,912)
Intergovernmental	12,066,817	12,222,112	12,112,016	(110,096)
Total revenues	$ 34,694,294	$ 34,982,893	$ 34,481,237	$ (501,656)
EXPENDITURES				
Current:				
General government administration	$ 2,509,801	$ 2,858,496	$ 2,410,812	$ 447,684
Judicial administration	2,073,333	2,016,194	1,915,434	100,760
Public safety	7,550,137	8,355,527	9,459,310	(1,103,783)
Public works	3,053,238	3,362,581	3,030,465	332,116
Health and welfare	4,834,622	4,903,135	4,248,728	654,407
Education	11,732,887	11,732,887	11,761,381	(28,494)
Parks, recreation, and cultural	845,212	1,063,407	895,773	167,634
Community development	475,541	1,354,863	484,727	870,136
Nondepartmental	145,215	189,813	-	189,813
Capital projects	34,000	6,860,503	4,268,486	2,592,017
Debt service:				
Principal retirement	1,461,003	1,645,089	1,645,087	2
Interest and other fiscal charges	387,655	387,655	387,655	-
Total expenditures	$ 35,102,644	$ 44,730,150	$ 40,507,858	$ 4,222,292
Excess (deficiency) of revenues over (under) expenditures	$ (408,350)	$ (9,747,257)	$ (6,026,621)	$ 3,720,636
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	$ -	$ -	$ 1,450,000	$ 1,450,000
Sale of capital assets	-	24,450	25,650	1,200
Total other financing sources (uses)	$ -	$ 24,450	$ 1,475,650	$ 1,451,200
Net change in fund balances	$ (408,350)	$ (9,722,807)	$ (4,550,971)	$ 5,171,836
Fund balances - beginning	408,350	9,722,807	15,839,068	6,116,261
Fund balances - ending	$ -	$ -	$ 11,288,097	$ 11,288,097

Exhibit 12

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

	Special Law Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 1,000	$ 1,000	$ 5,783	$ 4,783
Miscellaneous	40,000	40,000	53,714	13,714
Total revenues	$ 41,000	$ 41,000	$ 59,497	$ 18,497
EXPENDITURES				
Current:				
Public safety	$ 49,000	$ 118,490	$ 88,013	$ 30,477
Total expenditures	$ 49,000	$ 118,490	$ 88,013	$ 30,477
Excess (deficiency) of revenues over (under) expenditures	$ (8,000)	$ (77,490)	$ (28,516)	$ 48,974
Net change in fund balances	$ (8,000)	$ (77,490)	$ (28,516)	$ 48,974
Fund balances - beginning	8,000	77,490	269,001	191,511
Fund balances - ending	$ -	$ -	$ 240,485	$ 240,485

Exhibit 13

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

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2018	98.1550%	$ 4,726,291	$ 7,680,737	61.53%	87.40%
2017	98.0210%	4,742,655	7,149,766	66.33%	86.70%
2016	98.5707%	6,624,002	6,810,317	97.26%	80.95%
2015	99.6400%	6,769,225	6,838,216	98.99%	80.70%
2014	99.6400%	6,554,832	6,909,250	94.87%	80.72%
Component Unit School Board (professional)					
2018	0.14099%	$ 16,581,000	$ 11,333,472	146.30%	74.81%
2017	0.14904%	18,329,000	11,675,097	156.99%	72.92%
2016	0.15496%	21,716,000	11,761,955	184.63%	68.28%
2015	0.16061%	20,215,000	11,937,215	169.34%	70.68%
2014	0.16831%	20,340,000	12,304,443	165.31%	70.88%

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

Exhibit 14

County of Alleghany, Virginia
Schedule of Changes in Net Pension Liability (Asset) 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	$ 186,960	$ 190,443	$ 194,012	$ 202,249	$ 205,338
Interest	689,813	703,866	687,123	680,454	657,392
Changes of assumptions	-	(91,796)	-	-	-
Differences between expected and actual experience	23,642	(327,761)	(81,090)	(233,793)	-
Benefit payments, including refunds of employee contributions	(783,668)	(567,357)	(554,368)	(552,911)	(513,630)
Net change in total pension liability	$ 116,747	$ (92,605)	$ 245,677	$ 95,999	$ 349,100
Total pension liability - beginning	10,246,302	10,338,907	10,093,230	9,997,231	9,648,131
Total pension liability - ending (a)	$ 10,363,049	$ 10,246,302	$ 10,338,907	$ 10,093,230	$ 9,997,231
Plan fiduciary net position					
Contributions - employer	$ 105,604	$ 109,051	$ 161,091	$ 161,117	$ 167,792
Contributions - employee	86,559	96,832	89,220	88,820	89,850
Net investment income	760,411	1,174,286	166,660	443,017	1,355,703
Benefit payments, including refunds of employee contributions	(783,668)	(567,357)	(554,368)	(552,911)	(513,630)
Administrative expense	(6,920)	(7,001)	(6,273)	(6,277)	(7,457)
Other	(667)	(1,035)	(72)	(93)	72
Net change in plan fiduciary net position	$ 161,319	$ 804,776	$ (143,742)	$ 133,673	$ 1,092,330
Plan fiduciary net position - beginning	10,591,121	9,786,345	9,930,087	9,796,414	8,704,084
Plan fiduciary net position - ending (b)	$ 10,752,440	$ 10,591,121	$ 9,786,345	$ 9,930,087	$ 9,796,414
School division's net pension liability (asset) - ending (a) - (b)	$ (389,391)	$ (344,819)	$ 552,562	$ 163,143	$ 200,817
Plan fiduciary net position as a percentage of the total pension liability	103.76%	103.37%	94.66%	98.38%	97.99%
Covered payroll	$ 1,821,022	$ 1,835,735	$ 1,788,428	$ 1,794,106	$ 1,800,159
School Division's net pension liability as a percentage of covered payroll	-21.38%	-18.78%	30.90%	9.09%	11.16%

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

Exhibit 15

County of Alleghany, 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	$ 852,575	$ 852,575	$ -	$ 7,689,655	11.09%
2018	844,368	844,368	-	7,680,737	10.99%
2017	812,492	812,492	-	7,149,766	11.36%
2016	1,002,243	1,002,243	-	6,810,317	14.72%
2015	999,546	999,546	-	6,838,216	14.62%
Component Unit School Board (nonprofessional)					
2019	$ 73,395	$ 73,395	$ -	$ 1,830,668	4.01%
2018	105,604	105,604	-	1,821,022	5.80%
2017	109,051	109,051	-	1,835,735	5.94%
2016	161,091	161,091	-	1,788,428	9.01%
2015	161,117	161,117	-	1,794,106	8.98%
2014	167,792	167,792	-	1,800,159	9.32%
2013	179,312	179,312	-	1,921,890	9.33%
2012	102,371	102,371	-	1,871,505	5.47%
2011	103,401	103,401	-	1,890,329	5.47%
2010	54,792	54,792	-	1,915,803	2.86%
Component Unit School Board (professional)					
2019	$ 1,751,956	$ 1,751,956	$ -	$ 11,395,714	15.37%
2018	1,833,151	1,833,151	-	11,333,472	16.17%
2017	1,698,000	1,698,000	-	11,675,097	14.54%
2016	1,645,809	1,645,809	-	11,761,955	13.99%
2015	1,726,000	1,726,000	-	11,937,215	14.46%
2014	1,434,698	1,434,698	-	12,304,443	11.66%
2013	1,532,448	1,532,448	-	13,142,779	11.66%
2012	832,414	832,414	-	13,150,300	6.33%
2011	519,276	519,276	-	13,213,130	3.93%
2010	896,563	896,563	-	14,367,997	6.24%

Current year and prior year contributions for County and Component Unit School Board (professional) are from County and School Board records. Current year contributions for Component Unit School Board (nonprofessional 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.

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

Exhibit 17

County of Alleghany, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Measurement Dates of June 30, 2019 and 2018

	2019	2018
Total OPEB liability		
Service cost	$ 49,140	$ 50,742
Interest	54,491	50,496
Effect of assumptions changes or inputs	35,422	(35,882)
Benefit payments	(99,807)	(97,233)
Net change in total OPEB liability	$ 39,246	$ (31,877)
Total OPEB liability - beginning	1,408,328	1,440,205
Total OPEB liability - ending	$ 1,447,574	$ 1,408,328
Covered payroll	$ 13,372,300	$ 13,372,300
Component Unit School Board's total OPEB liability (asset) as a percentage of covered payroll	10.83%	10.53%

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

County of Alleghany, Virginia
Notes to Required Supplementary Information - OPEB
For the Year Ended June 30, 2019

Valuation Date: 6/30/2017
Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50% per year as of June 30, 2018; 2.50% per year as of June 30, 2019
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.60% in 2017 and gradually declines to 4.30% over 57 years.
Salary Increase Rates	The salary increase rate consist of an inflation of 2.50%, a productivity componont of 1.00%, and a variable merit component that is dependent on years of services.
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for pre-retirement was calculated using RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. The mortality rates for post-retirement was calculated using RP-2000 Combined Health Mortality tables projects to 2020 using Scale AA with Females set back 1 year. The mortality rates for post-disablement was calculated using RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

Exhibit 19

County of Alleghany, Virginia
Schedule of Employer's Share of the 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	0.0404%	$ 613,469	$ 7,680,737	7.99%	51.22%
2017	0.0388%	583,225	7,149,766	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2018	0.0958%	$ 145,000	$ 1,821,022	7.96%	51.22%
2017	0.0100%	151,000	1,835,735	8.23%	48.86%
Component Unit School Board (professional)					
2018	0.0598%	$ 908,000	$ 11,333,472	8.01%	51.22%
2017	0.0634%	955,000	11,675,097	8.18%	48.86%

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

Exhibit 20

County of Alleghany, 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	$ 40,013	$ 40,013	$ -	$ 7,694,730	0.52%
2018	39,940	39,940	-	7,680,737	0.52%
2017	37,187	37,187	-	7,149,766	0.52%
2016	32,803	32,803	-	6,810,317	0.48%
2015	33,173	33,173	-	6,838,216	0.49%
Component Unit School Board (nonprofessional)					
2019	$ 9,532	$ 9,532	$ -	$ 1,832,629	0.52%
2018	9,478	9,478	-	1,821,022	0.52%
2017	9,599	9,599	-	1,835,735	0.52%
2016	8,643	8,643	-	1,788,428	0.48%
2015	8,723	8,723	-	1,794,106	0.49%
2014	8,669	8,669	-	1,800,159	0.48%
2013	9,225	9,225	-	1,921,890	0.48%
2012	5,240	5,240	-	1,871,505	0.28%
2011	5,293	5,293	-	1,890,329	0.28%
2010	3,760	3,760	-	1,915,803	0.20%
Component Unit School Board (professional)					
2019	$ 59,304	$ 59,304	$ -	$ 11,404,566	0.52%
2018	59,103	59,103	-	11,333,472	0.52%
2017	60,848	60,848	-	11,675,097	0.52%
2016	56,883	56,883	-	11,761,955	0.48%
2015	57,576	57,576	-	11,937,215	0.48%
2014	59,117	59,117	-	12,304,443	0.48%
2013	63,095	63,095	-	13,142,779	0.48%
2012	36,851	36,851	-	13,150,300	0.28%
2011	37,006	37,006	-	13,213,130	0.28%
2010	27,487	27,487	-	14,367,997	0.19%

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

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

Exhibit 22

County of Alleghany, Virginia
Schedule of Component Unit School Board's (professional) Share of Net OPEB Liability
Teacher Employee 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	0.1401%	$ 1,780,000	$ 11,333,472	15.71%	8.08%
2017	0.1482%	1,881,000	11,675,097	16.11%	7.04%

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

Exhibit 23

County of Alleghany, Virginia
Schedule of Employer Contributions
Teacher Employee 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 (professional)					
2019	$ 136,748	$ 136,748	$ -	$ 11,395,714	1.20%
2018	139,405	139,405	-	11,333,472	1.23%
2017	129,845	129,845	-	11,675,097	1.11%
2016	125,236	125,236	-	11,761,955	1.06%
2015	126,579	126,579	-	11,937,215	1.06%
2014	136,626	136,626	-	12,304,443	1.11%
2013	145,885	145,885	-	13,142,779	1.11%
2012	78,902	78,902	-	13,150,300	0.60%
2011	79,279	79,279	-	13,213,130	0.60%
2010	105,483	105,483	-	14,367,997	0.73%

County of Alleghany, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) 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:

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

Exhibit 25

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

		2018
Total HIC OPEB Liability		
Service cost	$	4,000
Differences between expected and actual experience		104,000
Net change in total HIC OPEB liability	$	108,000
Total HIC OPEB Liability - beginning		-
Total HIC OPEB Liability - ending (a)	$	108,000
Plan fiduciary net position		
Contributions - employer	$	11,000
Net change in plan fiduciary net position	$	11,000
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	$	11,000
Component Unit School Board's (nonprofessional) net HIC OPEB liability - ending (a) - (b)	$	97,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability		10.19%
Covered payroll	$	1,821,022
Component Unit School Board's (nonprofessional) net HIC OPEB liability as a percentage of covered payroll		5.33%

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

Exhibit 26

County of Alleghany, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2019 and 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2019	$ 10,982	$ 10,982	$ -	$ 1,830,668	0.60%
2018	11,095	11,095	-	1,821,022	0.61%

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

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%

Other Supplementary Information

FIDUCIARY FUNDS

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

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

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

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

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

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

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

Exhibit 28

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

	Agency Funds							
	Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	United Fire & Rescue Association	Alleghany Highlands Economic Development Corporation	Total
ASSETS								
Cash and cash equivalents	$ 3,593	$ 822	$ 5,131	$ 406,721	$ 8,847	$ 491,026	$ 169,933	$ 1,086,073
Total assets	$ 3,593	$ 822	$ 5,131	$ 406,721	$ 8,847	$ 491,026	$ 169,933	$ 1,086,073
LIABILITIES								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 31,346	$ 31,346
Accrued liabilities	-	-	-	-	-	-	3,530	3,530
Amounts held for AHEDC	-	-	-	-	-	-	135,057	135,057
Amounts held for social services clients	-	-	-	-	8,847	-	-	8,847
Amounts held for Friends of Youth	3,593	-	-	-	-	-	-	3,593
Amounts held for Human and Leisure activity	-	822	-	-	-	-	-	822
Amounts held for Jackson River Vocational Center	-	-	-	406,721	-	-	-	406,721
Amounts held for United Fire and Rescue Association	-	-	-	-	-	491,026	-	491,026
Amounts held for Humane Society	-	-	5,131	-	-	-	-	5,131
Total liabilities	$ 3,593	$ 822	$ 5,131	$ 406,721	$ 8,847	$ 491,026	$ 169,933	$ 1,086,073

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.

Exhibit 29

County of Alleghany, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 6,580,799	$ 275,722	$ 6,856,521
Cash in custody of others	293,971	-	293,971
Receivables (net of allowance for uncollectibles):			
Accounts receivable	21,277	4,901	26,178
Due from other governmental units	280,737	-	280,737
Inventories	10,565	-	10,565
Prepaid items	496,881	-	496,881
Total assets	$ 7,684,230	$ 280,623	$ 7,964,853
LIABILITIES			
Accounts payable	$ 68,889	$ 256	$ 69,145
Accrued liabilities	1,680,799	11,116	1,691,915
Unearned revenue		6,000	6,000
Total liabilities	$ 1,749,688	$ 17,372	$ 1,767,060
FUND BALANCES			
Nonspendable	$ 507,446	$ -	$ 507,446
Restricted for the school food program	293,971	-	293,971
Committed	5,133,125	263,251	5,396,376
Total fund balances	$ 5,934,542	$ 263,251	$ 6,197,793
Total liabilities and fund balances	$ 7,684,230	$ 280,623	$ 7,964,853

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

Total fund balances per above		$ 6,197,793
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 1,019,216	
Buildings and improvements	7,126,884	
Machinery and equipment	2,422,797	
Construction in progress	63,849	10,632,746
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net pension asset		389,391
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 2,038,004	
OPEB related items	380,414	2,418,418
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (168,489)	
Net OPEB liabilities	(4,377,574)	
Net pension liability	(16,581,000)	(21,127,063)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (4,194,080)	
OPEB related items	(383,282)	(4,577,362)
Net position of governmental activities		$ (6,066,077)

Exhibit 30

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

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ 26,043	$ -	$ 26,043
Charges for services	319,958	148,388	468,346
Miscellaneous	173,288	284,499	457,787
Recovered costs	128,471	-	128,471
Intergovernmental	26,615,623	99,736	26,715,359
Total revenues	$ 27,263,383	$ 532,623	$ 27,796,006
EXPENDITURES			
Current:			
Education	$ 25,694,480	$ 534,672	$ 26,229,152
Capital projects	571,071	-	571,071
Total expenditures	$ 26,265,551	$ 534,672	$ 26,800,223
Excess (deficiency) of revenues over (under) expenditures	$ 997,832	$ (2,049)	$ 995,783
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	$ 4,740	$ -	$ 4,740
Total other financing sources (uses)	$ 4,740	$ -	$ 4,740
Net change in fund balances	$ 1,002,572	$ (2,049)	$ 1,000,523
Fund balances - beginning	4,931,970	265,300	5,197,270
Fund balances - ending	$ 5,934,542	$ 263,251	$ 6,197,793

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		$ 1,000,523
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital outlay	$ 753,206	
Transfer of capital assets from primary government	1,663,414	
Depreciation expense	(956,854)	1,459,766
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 absenses	$ 153	
Change in OPEB related items	80,887	
Change in pension related items	2,036,195	2,117,235
Change in net position of governmental activities		$ 4,577,524

Exhibit 31

County of Alleghany, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 10,600	$ 10,600	$ 26,043	$ 15,443
Charges for services	34,737	34,737	319,958	285,221
Miscellaneous	115,860	115,860	173,288	57,428
Recovered costs	116,525	116,525	128,471	11,946
Intergovernmental	26,509,277	26,509,277	26,615,623	106,346
Total revenues	$ 26,786,999	$ 26,786,999	$ 27,263,383	$ 476,384
EXPENDITURES				
Current:				
Education	$ 26,818,407	$ 26,818,407	$ 25,694,480	$ 1,123,927
Capital projects	1,318,506	1,318,506	571,071	747,435
Total expenditures	$ 28,136,913	$ 28,136,913	$ 26,265,551	$ 1,871,362
Excess (deficiency) of revenues over (under) expenditures	$ (1,349,914)	$ (1,349,914)	$ 997,832	$ 2,347,746
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	$ 5,000	$ 5,000	$ 4,740	$ (260)
Total other financing sources (uses)	$ 5,000	$ 5,000	$ 4,740	$ (260)
Net change in fund balances	$ (1,344,914)	$ (1,344,914)	$ 1,002,572	$ 2,347,486
Fund balances - beginning	1,344,914	1,344,914	4,931,970	3,587,056
Fund balances - ending	$ -	$ -	$ 5,934,542	$ 5,934,542

Exhibit 32

County of Alleghany, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2019

	Alleghany Highlands Fund	Governor's School Fund	Total
ASSETS			
Cash and cash equivalents	$ 65,666	$ 210,056	$ 275,722
Receivables (net of allowance for uncollectibles):			
Accounts receivable	4,901	-	4,901
Total assets	$ 70,567	$ 210,056	$ 280,623
LIABILITIES			
Accrued liabilities	$ 11,116	$ -	$ 11,116
Accounts payable	-	256	256
Unearned revenue	-	6,000	6,000
Total liabilities	$ 11,116	$ 6,256	$ 17,372
FUND BALANCES			
Committed	$ 59,451	$ 203,800	$ 263,251
Total fund balances	$ 59,451	$ 203,800	$ 263,251
Total liabilities and fund balances	$ 70,567	$ 210,056	$ 280,623

Exhibit 33

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	Alleghany Highlands Fund	Governor's School Fund	Total
REVENUES			
Charges for services	$ -	$ 148,388	$ 148,388
Miscellaneous	280,752	3,747	284,499
Intergovernmental	-	99,736	99,736
Total revenues	$ 280,752	$ 251,871	$ 532,623
EXPENDITURES			
Current:			
Education	$ 297,745	$ 236,927	$ 534,672
Excess (deficiency) of revenues over (under) expenditures	$ (16,993)	$ 14,944	$ (2,049)
Net change in fund balances	$ (16,993)	$ 14,944	$ (2,049)
Fund balances - beginning	76,444	188,856	265,300
Fund balances - ending	$ 59,451	$ 203,800	$ 263,251

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 7,385,000	$ 7,385,000	$ 7,221,947	$ (163,053)
Real and personal public service corporation taxes	1,306,502	1,306,502	1,231,931	(74,571)
Personal property taxes	2,466,592	2,466,592	2,393,272	(73,320)
Mobile home taxes	24,000	24,000	22,749	(1,251)
Machinery and tools taxes	5,381,880	5,381,880	5,385,607	3,727
Penalties	103,750	103,750	85,854	(17,896)
Interest	70,000	70,000	63,483	(6,517)
Total general property taxes	$ 16,737,724	$ 16,737,724	$ 16,404,843	$ (332,881)
Other local taxes:				
Local sales and use taxes	$ 790,000	$ 790,000	$ 838,510	$ 48,510
Consumers' utility taxes	285,000	285,000	294,659	9,659
Probate taxes	4,500	4,500	4,672	172
Business license taxes	385,000	385,000	410,006	25,006
Utility consumption taxes	200,000	200,000	226,241	26,241
Motor vehicle licenses	393,000	393,000	402,101	9,101
Taxes on recordation and wills	50,000	50,000	56,957	6,957
Hotel and motel room taxes	190,000	190,000	230,432	40,432
Restaurant food taxes	370,000	370,000	421,310	51,310
Total other local taxes	$ 2,667,500	$ 2,667,500	$ 2,884,888	$ 217,388
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 6,500	$ 6,500	$ 7,417	$ 917
Land use application fees	300	300	8,797	8,497
Transfer fees	500	500	576	76
Zoning and subdivision fees	1,700	1,700	2,421	721
Erosion and sediment control	800	800	425	(375)
Permits and other licenses	21,400	21,400	31,664	10,264
Total permits, privilege fees, and regulatory licenses	$ 31,200	$ 31,200	$ 51,300	$ 20,100
Fines and forfeitures:				
Court fines and forfeitures	$ 51,500	$ 51,500	$ 37,911	$ (13,589)
Total fines and forfeitures	$ 51,500	$ 51,500	$ 37,911	$ (13,589)
Revenue from use of money and property:				
Revenue from use of money	$ 50,700	$ 50,700	$ 292,478	$ 241,778
Revenue from use of property	7,500	7,500	7,385	(115)
Total revenue from use of money and property	$ 58,200	$ 58,200	$ 299,863	$ 241,663
Charges for services:				
Charges for law enforcement and traffic control	$ 9,304	$ 9,304	$ 6,475	$ (2,829)
Charges for courthouse maintenance	12,500	12,500	11,675	(825)
Sale of publications and maps	50	50	16	(34)
Charges for gasoline	103,000	103,000	68,112	(34,888)
Charges for Commonwealth's Attorney	3,300	3,300	4,217	917
Miscellaneous jail and inmate fees	4,800	5,628	5,630	2

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for sanitation and waste removal	$ 255,000	$ 255,000	$ 341,551	$ 86,551
Charges for copies	3,600	3,600	2,789	(811)
Charges for parks and recreation	35,000	35,000	30,511	(4,489)
Charges for law library	4,500	4,500	5,569	1,069
Charges for courthouse security	55,000	55,000	51,265	(3,735)
Charges for refuse fees	380,040	380,040	399,294	19,254
Charges for other services	4,000	5,800	5,529	(271)
Total charges for services	$ 870,094	$ 872,722	$ 932,633	$ 59,911
Miscellaneous:				
Miscellaneous	$ 60,100	$ 70,765	$ 79,546	$ 8,781
Donations	20,120	24,025	24,837	812
Sale of surplus	8,000	8,000	11,273	3,273
Alleghany Foundation contributions	-	49,106	-	(49,106)
Total miscellaneous	$ 88,220	$ 151,896	$ 115,656	$ (36,240)
Recovered costs:				
Care of prisoners	$ 200,000	$ 200,000	$ 232,748	$ 32,748
Co-payment for medical charges	15,000	15,000	14,792	(208)
LOA County reimbursement	18,658	18,658	13,721	(4,937)
Health department	1,500	1,500	1,500	-
Bath county-jail	80,000	80,000	93,590	13,590
Covington-magistrate, probation	3,800	3,800	4,352	552
Clifton Forge E911	73,440	73,440	40,348	(33,092)
Covington-welfare	274,817	274,817	197,832	(76,985)
AHSD resource officer	470,749	470,749	-	(470,749)
General government	977,575	977,575	978,196	621
General District Court postage	5,000	5,000	-	(5,000)
CIT assessment reimbursements	-	67,000	56,473	(10,527)
Other recovered costs	2,500	2,500	8,575	6,075
Total recovered costs	$ 2,123,039	$ 2,190,039	$ 1,642,127	$ (547,912)
Total revenue from local sources	$ 22,627,477	$ 22,760,781	$ 22,369,221	$ (391,560)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	$ 91,000	$ 91,000	$ 91,283	$ 283
Mobile home titling tax	11,000	11,000	31,535	20,535
State recordation tax	5,000	5,000	33,266	28,266
Communication taxes	373,000	373,000	351,280	(21,720)
Additional tax on deeds	15,000	15,000	16,548	1,548
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	$ 2,105,808	$ 2,105,808	$ 2,134,720	$ 28,912

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 413,790	$ 413,790	$ 425,166	$ 11,376
Sheriff	2,247,969	2,305,069	2,300,647	(4,422)
Commissioner of revenue	127,256	127,256	130,523	3,267
Treasurer	109,803	109,803	117,024	7,221
Registrar/electoral board	42,000	42,000	37,500	(4,500)
Clerk of the Circuit Court	311,622	349,026	345,065	(3,961)
Total shared expenses	$ 3,252,440	$ 3,346,944	$ 3,355,925	$ 8,981
Other categorical aid:				
Welfare administration and public assistance	$ 768,644	$ 768,644	$ 555,597	$ (213,047)
Comprehensive services act	1,561,780	1,561,780	1,307,501	(254,279)
Wireless E-911 grant	45,000	45,000	63,296	18,296
Drug asset forfeiture revenue	4,500	5,180	18,882	13,702
Emergency medical services	21,600	21,600	72,775	51,175
IPR funds	3,100	3,100	3,511	411
Litter control grant	15,000	15,000	15,513	513
Fire services grant	40,000	40,000	41,459	1,459
State sales tax	2,432,597	2,432,597	2,461,215	28,618
VITA Grant	9,000	159,000	99,283	(59,717)
Stormwater grant	18,674	18,674	3,100	(15,574)
Victim witness	350,001	245,112	74,893	(170,219)
Other state grants	2,190	2,190	-	(2,190)
Total other categorical aid	$ 5,272,086	$ 5,317,877	$ 4,717,025	$ (600,852)
Total categorical aid	$ 8,524,526	$ 8,664,821	$ 8,072,950	$ (591,871)
Total revenue from the Commonwealth	$ 10,630,334	$ 10,770,629	$ 10,207,670	$ (562,959)
Revenue from the federal government:				
Payments in lieu of taxes	$ 225,000	$ 225,000	$ 392,167	$ 167,167
Categorical aid:				
Welfare administration and public assistance	$ 1,188,483	$ 1,188,483	$ 1,310,917	$ 122,434
State and community highway safety	18,500	18,500	10,478	(8,022)
Virginia Commission for the Arts grant	4,500	4,500	-	(4,500)
T-21 trail grant	-	15,000	-	(15,000)
Community development block grants	-	-	33,146	33,146
Victim witness	-	-	118,330	118,330
RD business development grant	-	-	39,308	39,308
Total categorical aid	$ 1,211,483	$ 1,226,483	$ 1,512,179	$ 285,696
Total revenue from the federal government	$ 1,436,483	$ 1,451,483	$ 1,904,346	$ 452,863
Total General Fund	$ 34,694,294	$ 34,982,893	$ 34,481,237	$ (501,656)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Special Law Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 1,000	$ 1,000	$ 5,783	$ 4,783
Total revenue from use of money and property	$ 1,000	$ 1,000	$ 5,783	$ 4,783
Miscellaneous:				
Vending machine collections	$ 30,000	$ 30,000	$ 33,768	$ 3,768
Jail commissary collections	10,000	10,000	18,956	8,956
Work release collections	-	-	990	990
Total miscellaneous	$ 40,000	$ 40,000	$ 53,714	$ 13,714
Total revenue from local sources	$ 41,000	$ 41,000	$ 59,497	$ 18,497
Total Special Law Fund	$ 41,000	$ 41,000	$ 59,497	$ 18,497
Total Primary Government	$ 34,735,294	$ 35,023,893	$ 34,540,734	$ (483,159)
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	$ 10,600	$ 10,600	$ 26,043	$ 15,443
Total revenue from use of money and property	$ 10,600	$ 10,600	$ 26,043	$ 15,443
Charges for services:				
Charges for education	$ 21,663	$ 21,663	$ 29,989	$ 8,326
Cafeteria sales[1]	-	-	258,428	258,428
Use of buses and facilities	13,074	13,074	31,541	18,467
Total charges for services	$ 34,737	$ 34,737	$ 319,958	$ 285,221
Miscellaneous:				
Other miscellaneous	$ 115,860	$ 115,860	$ 173,288	$ 57,428
Total miscellaneous	$ 115,860	$ 115,860	$ 173,288	$ 57,428
Recovered costs:				
Erate	$ 116,525	$ 116,525	$ 125,276	$ 8,751
Other recovered costs	-	-	3,195	3,195
Total recovered costs	$ 116,525	$ 116,525	$ 128,471	$ 11,946
Total revenue from local sources	$ 277,722	$ 277,722	$ 647,760	$ 370,038
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	$ 11,723,657	$ 11,723,657	$ 11,752,151	$ 28,494
Total revenues from local governments	$ 11,723,657	$ 11,723,657	$ 11,752,151	$ 28,494

1. Cafeteria sales merged from activity fund financial reports and not subject to budget

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Basic school aid	$ 7,500,380	$ 7,500,380	$ 7,282,228	$ (218,152)
Remedial summer education	45,089	45,089	46,644	1,555
Regular foster care	-	-	60,038	60,038
GED prep program	387,216	387,216	135,855	(251,361)
Gifted and talented	75,656	75,656	74,004	(1,652)
Remedial education	305,652	305,652	298,977	(6,675)
Enrollment loss	-	-	277,068	277,068
Special education	907,876	907,876	960,307	52,431
Textbook payment	152,357	152,357	149,030	(3,327)
Vocational standards of quality payments	293,547	293,547	287,136	(6,411)
Social security fringe benefits	461,504	461,504	451,425	(10,079)
Retirement fringe benefits	1,016,821	1,016,821	994,616	(22,205)
State lottery payments	516,477	516,477	538,972	22,495
Early reading intervention	48,121	48,121	60,785	12,664
School food	16,148	16,148	14,098	(2,050)
Special education - foster children	-	-	29,438	29,438
Homebound	11,500	11,500	11,315	(185)
At risk payments	305,998	305,998	331,910	25,912
Preschool pilot program	249,247	249,247	182,142	(67,105)
Technology	282,000	282,000	10,200	(271,800)
Standards of Learning algebra readiness	38,530	38,530	35,998	(2,532)
Group life insurance	31,776	31,776	31,082	(694)
Career and Technical Education	34,705	34,705	57,539	22,834
Project graduation	6,142	6,142	6,142	-
Mentor teacher program	1,448	1,448	4,540	3,092
Primary class size	267,797	267,797	263,467	(4,330)
English as a second language	3,568	3,568	6,117	2,549
New tech grant	-	-	61,951	61,951
Other state funds	-	-	60,000	60,000
Total categorical aid	$ 12,959,555	$ 12,959,555	$ 12,723,024	$ (236,531)
Total revenue from the Commonwealth	$ 12,959,555	$ 12,959,555	$ 12,723,024	$ (236,531)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	$ 24,792	$ 24,792	$ 123,520	$ 98,728
Title I	516,454	516,454	622,202	105,748
Title VI-B, special education flow-through	540,972	540,972	557,028	16,056
Title VI-B, special education pre-school	19,772	19,772	22,270	2,498
Vocational education	39,154	39,154	40,659	1,505
Title II - Part A	89,960	89,960	75,577	(14,383)
School food program	585,000	585,000	622,996	37,996
Other federal funds	-	-	60,000	60,000
Adult education	9,507	9,507	5,362	(4,145)
Title IV Part A academic enrichment	-	-	9,652	9,652
Title III - Part A	454	454	1,182	728
Total categorical aid	$ 1,826,065	$ 1,826,065	$ 2,140,448	$ 314,383
Total revenue from the federal government	$ 1,826,065	$ 1,826,065	$ 2,140,448	$ 314,383
Total School Operating Fund	$ 26,786,999	$ 26,786,999	$ 27,263,383	$ 476,384
Nonmajor Special Revenue funds:				
Alleghany Highlands Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	$ 311,951	$ 311,951	$ 280,752	$ (31,199)
Total miscellaneous	$ 311,951	$ 311,951	$ 280,752	$ (31,199)
Total revenue from local sources	$ 311,951	$ 311,951	$ 280,752	$ (31,199)
Total Alleghany Highlands Fund	$ 311,951	$ 311,951	$ 280,752	$ (31,199)
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	$ 172,539	$ 172,539	$ 148,388	$ (24,151)
Total charges for services	$ 172,539	$ 172,539	$ 148,388	$ (24,151)
Miscellaneous:				
Other miscellaneous	$ -	$ -	$ 3,747	$ 3,747
Total miscellaneous	$ -	$ -	$ 3,747	$ 3,747
Total revenue from local sources	$ 172,539	$ 172,539	$ 152,135	$ (20,404)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Nonmajor Special Revenue funds: (Continued)				
Governor's School Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	$ 104,327	$ 104,327	$ 99,736	$ (4,591)
Total categorical aid	$ 104,327	$ 104,327	$ 99,736	$ (4,591)
Total revenue from the Commonwealth	$ 104,327	$ 104,327	$ 99,736	$ (4,591)
Total Governor's School Fund	$ 276,866	$ 276,866	$ 251,871	$ (24,995)
Total Discretely Presented Component Unit - School Board	$ 27,375,816	$ 27,375,816	$ 27,796,006	$ 420,190

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 67,335	$ 86,209	$ 79,989	$ 6,220
Total legislative	$ 67,335	$ 86,209	$ 79,989	$ 6,220
General and financial administration:				
County administrator	$ 879,165	$ 989,944	$ 839,335	$ 150,609
Personnel	13,000	14,866	14,805	61
Legal services	35,000	46,800	27,648	19,152
Special legal services	5,000	5,000	-	5,000
Commissioner of the revenue	405,043	406,163	403,915	2,248
Reassessment	57,000	240,994	140,299	100,695
Equalization board	9,036	9,036	2,872	6,164
Automotive motor pool	398,384	390,243	309,327	80,916
Treasurer	425,078	431,215	404,666	26,549
Audit services	59,175	60,275	54,834	5,441
Technology department	18,300	30,076	-	30,076
Total general and financial administration	$ 2,304,181	$ 2,624,612	$ 2,197,701	$ 426,911
Board of elections:				
Registrar	$ 94,836	$ 97,642	$ 92,256	$ 5,386
Electoral board and officials	43,449	50,033	40,866	9,167
Total board of elections	$ 138,285	$ 147,675	$ 133,122	$ 14,553
Total general government administration	$ 2,509,801	$ 2,858,496	$ 2,410,812	$ 447,684
Judicial administration:				
Courts:				
Circuit court	$ 74,832	$ 74,890	$ 73,093	$ 1,797
General district court	24,189	24,189	14,578	9,611
Special magistrates	2,726	2,669	2,306	363
Sheriff	490,703	495,330	492,712	2,618
Law library	4,500	7,500	7,325	175
Clerk of the circuit court	478,152	518,328	490,705	27,623
Total courts	$ 1,075,102	$ 1,122,906	$ 1,080,719	$ 42,187
Commonwealth's attorney:				
Commonwealth's attorney	$ 998,231	$ 893,288	$ 834,715	$ 58,573
Total commonwealth's attorney	$ 998,231	$ 893,288	$ 834,715	$ 58,573
Total judicial administration	$ 2,073,333	$ 2,016,194	$ 1,915,434	$ 100,760
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 2,185,710	$ 2,521,260	$ 2,385,020	$ 136,240
Crime prevention	20,120	25,337	25,337	-
DARE program	63,984	64,224	64,223	1

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
School resource officer	$ 455,462	$ 437,292	$ 435,766	$ 1,526
Radar transportation	15,204	19,160	19,160	-
Drug asset forfeiture	8,500	8,500	7,274	1,226
CIT assessment	-	73,789	62,987	10,802
Total law enforcement and traffic control	$ 2,748,980	$ 3,149,562	$ 2,999,767	$ 149,795
Fire and rescue services:				
Fire departments	$ 68,600	$ 68,600	$ 68,590	$ 10
Volunteer fire departments	348,500	352,465	352,339	126
Emergency services	250	250	244	6
Ambulance and rescue services	370,375	370,375	366,110	4,265
Sara III Emergency Council	150	150	89	61
United fire and rescue association[1]	353,051	410,671	1,821,552	(1,410,881)
Total fire and rescue services	$ 1,140,926	$ 1,202,511	$ 2,608,924	$ (1,406,413)
Correction and detention:				
Sheriff-correction and detention	$ 2,703,579	$ 2,885,352	$ 2,850,027	$ 35,325
Probation	3,600	3,600	2,940	660
VJCCA grant	3,617	3,617	3,617	-
Total correction and detention	$ 2,710,796	$ 2,892,569	$ 2,856,584	$ 35,985
Inspections:				
Building	$ 114,744	$ 114,745	$ 109,501	$ 5,244
Total inspections	$ 114,744	$ 114,745	$ 109,501	$ 5,244
Other protection:				
Animal control	$ 77,141	$ 66,421	$ 66,421	$ -
Animal protection	103,855	103,855	103,855	-
Medical examiner	300	300	300	-
Courthouse security	116,800	121,081	114,240	6,841
E-911	536,595	704,483	599,718	104,765
Total other protection	$ 834,691	$ 996,140	$ 884,534	$ 111,606
Total public safety	$ 7,550,137	$ 8,355,527	$ 9,459,310	$ (1,103,783)
Public works:				
Sanitation and waste removal:				
Refuse collection	$ 716,925	$ 932,541	$ 782,664	$ 149,877
Refuse disposal	1,276,559	1,352,623	1,336,172	16,451
General engineering	400	15,580	15,580	-
Storm water management	18,675	18,675	11,047	7,628
Recycling program	75,596	75,596	69,850	5,746
Total sanitation and waste removal	$ 2,088,155	$ 2,395,015	$ 2,215,313	$ 179,702

1. Lease purchase of $1,425,000 not subject to appropriation.

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General maintenance	$ 159,164	$ 153,392	$ 77,895	$ 75,497
General properties	805,919	814,174	737,257	76,917
Total maintenance of general buildings and grounds	$ 965,083	$ 967,566	$ 815,152	$ 152,414
Total public works	$ 3,053,238	$ 3,362,581	$ 3,030,465	$ 332,116
Health and welfare:				
Health:				
Supplement of local health department	$ 161,917	$ 161,917	$ 160,780	$ 1,137
Total health	$ 161,917	$ 161,917	$ 160,780	$ 1,137
Mental health and mental retardation:				
Community services board	$ 120,737	$ 120,737	$ 120,737	$ -
Total mental health and mental retardation	$ 120,737	$ 120,737	$ 120,737	$ -
Welfare:				
Administration	$ 1,916,529	$ 1,873,115	$ 1,776,980	$ 96,135
Public assistance	466,250	465,750	271,159	194,591
Emergency repair fund	6,300	6,300	4,350	1,950
Indoor plumbing rehabilitation fund	-	46,661	-	46,661
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	140,000	140,000	137,189	2,811
Safehomes, Inc.	5,000	5,000	5,000	-
Board of public welfare	4,844	4,844	4,629	215
Children's services act	1,992,944	2,036,859	1,747,803	289,056
Feeding America	2,500	2,500	2,500	-
Other welfare	9,326	9,326	9,326	-
CDBG-housing boiling springs	2,500	24,351	2,500	21,851
Total welfare	$ 4,551,968	$ 4,620,481	$ 3,967,211	$ 653,270
Total health and welfare	$ 4,834,622	$ 4,903,135	$ 4,248,728	$ 654,407
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	$ 9,230	$ 9,230	$ 9,230	$ -
Contribution to County School Board	11,723,657	11,723,657	11,752,151	(28,494)
Total education	$ 11,732,887	$ 11,732,887	$ 11,761,381	$ (28,494)
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	$ 621,791	$ 750,758	$ 626,292	$ 124,466
Scenic trail	17,158	106,386	67,707	38,679
Clifton little league	9,000	9,000	9,000	-
Salvation Army community center	1,500	1,500	-	1,500
Alleghany Highlands youth sports	9,000	9,000	9,000	-
Iron gate recreation	2,000	2,000	2,000	-
Total parks and recreation	$ 660,449	$ 878,644	$ 713,999	$ 164,645

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Alleghany concert series	$ 5,000	$ 5,000	$ 5,000	$ -
Alleghany crafts	1,800	1,800	1,800	-
Arts grant	4,500	4,500	1,511	2,989
Total cultural enrichment	$ 11,300	$ 11,300	$ 8,311	$ 2,989
Library:				
Contribution to regional library	$ 148,238	$ 148,238	$ 148,238	$ -
Contribution to Clifton library	25,225	25,225	25,225	-
Total library	$ 173,463	$ 173,463	$ 173,463	$ -
Total parks, recreation, and cultural	$ 845,212	$ 1,063,407	$ 895,773	$ 167,634
Community development:				
Planning and community development:				
Community development	$ 101,066	$ 140,972	$ 106,117	$ 34,855
Economic development	132,731	971,414	136,331	835,083
Boards and commissions	17,507	18,124	17,926	198
Tourism initiative	112,500	112,500	112,500	-
Jackson River Enterprises	20,000	20,000	20,000	-
Clifton Armory contribution	3,500	3,500	3,500	-
Clifton Forge stars and stripes	3,000	3,000	3,000	-
Chamber Indust.	8,000	8,000	8,000	-
Contribution to SERCAP	5,000	5,000	5,000	-
Contribution to CSB Jail service	28,993	28,993	28,993	-
Total planning and community development	$ 432,297	$ 1,311,503	$ 441,367	$ 870,136
Environmental management:				
Contribution to soil and water district	$ 2,500	$ 2,500	$ 2,500	$ -
Total environmental management	$ 2,500	$ 2,500	$ 2,500	$ -
Cooperative extension program:				
Extension office	$ 40,744	$ 40,860	$ 40,860	$ -
Total cooperative extension program	$ 40,744	$ 40,860	$ 40,860	$ -
Total community development	$ 475,541	$ 1,354,863	$ 484,727	$ 870,136
Nondepartmental:				
Contingencies	$ 145,215	$ 189,813	$ -	$ 189,813
Total nondepartmental	$ 145,215	$ 189,813	$ -	$ 189,813

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Capital projects:				
Courthouse phone system	$ -	$ 4,575	$ -	$ 4,575
Public Safety building	-	5,545,981	4,186,443	1,359,538
Building and ramp	-	59,174	48,223	10,951
Financial System replacement	-	1,175,000	-	1,175,000
Wrightstown project	1,000	40,673	33,820	6,853
Other capital projects	33,000	35,100	-	35,100
Total capital projects	$ 34,000	$ 6,860,503	$ 4,268,486	$ 2,592,017
Debt service:				
Principal retirement	$ 1,461,003	$ 1,645,089	$ 1,645,087	$ 2
Interest and other fiscal charges	387,655	387,655	387,655	-
Total debt service	$ 1,848,658	$ 2,032,744	$ 2,032,742	$ 2
Total General Fund	$ 35,102,644	$ 44,730,150	$ 40,507,858	$ 4,222,292
Special Revenue Fund:				
Special Law Fund:				
Public safety:				
Correction and detention:				
Sheriff	$ 49,000	$ 118,490	$ 88,013	$ 30,477
Total public safety	$ 49,000	$ 118,490	$ 88,013	$ 30,477
Total Special Law Fund	$ 49,000	$ 118,490	$ 88,013	$ 30,477
Total Primary Government	$ 35,151,644	$ 44,848,640	$ 40,595,871	$ 4,252,769
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	$ 2,120,919	$ 2,120,919	$ 2,052,979	$ 67,940
Total administration of schools	$ 2,120,919	$ 2,120,919	$ 2,052,979	$ 67,940
Instruction costs:				
Instruction costs	$ 19,129,653	$ 19,129,653	$ 17,991,519	$ 1,138,134
Total instruction costs	$ 19,129,653	$ 19,129,653	$ 17,991,519	$ 1,138,134
Operating costs:				
Attendance and health services				
Pupil transportation	$ 2,145,579	$ 2,145,579	$ 1,844,054	$ 301,525
Operation and maintenance of school plant	2,821,108	2,821,108	2,846,989	(25,881)
School food and other non-instructional costs [1]	601,148	601,148	958,939	(357,791)
Total operating costs	$ 5,567,835	$ 5,567,835	$ 5,649,982	$ (82,147)
Total education	$ 26,818,407	$ 26,818,407	$ 25,694,480	$ 1,123,927

[1] Includes Cafeteria Funds held by the School System not subject to appropriation.

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Capital projects:				
School capital projects	$ 1,318,506	$ 1,318,506	$ 571,071	$ 747,435
Total School Operating Fund	$ 28,136,913	$ 28,136,913	$ 26,265,551	$ 1,871,362
Nonmajor Special Revenue funds:				
Alleghany Highlands Fund:				
Education:				
Instruction costs:				
Instruction costs	$ 329,919	$ 329,919	$ 297,745	$ 32,174
Total instruction costs	$ 329,919	$ 329,919	$ 297,745	$ 32,174
Total education	$ 329,919	$ 329,919	$ 297,745	$ 32,174
Total Alleghany Highlands Fund	$ 329,919	$ 329,919	$ 297,745	$ 32,174
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	$ 276,866	$ 276,866	$ 236,927	$ 39,939
Total education	$ 276,866	$ 276,866	$ 236,927	$ 39,939
Total Governor's School Fund	$ 276,866	$ 276,866	$ 236,927	$ 39,939
Total Discretely Presented Component Unit - School Board	$ 28,743,698	$ 28,743,698	$ 26,800,223	$ 1,943,475

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer Fund	Total
2018-19	$ 1,876,436	$ 1,773,496	$ 6,714,712	$ 2,835,040	$ 3,921,484	$ 14,020,932	$ 889,151	$ 503,925	$ 352,208	$ 5,604,209	$ 38,491,593
2017-18	2,202,672	1,712,583	6,486,342	2,925,303	4,063,044	11,964,651	925,770	498,773	301,115	5,097,889	36,178,142
2016-17	2,013,686	1,727,111	6,281,243	3,069,619	4,328,093	11,953,884	810,438	2,120,959	252,340	5,174,652	37,732,025
2015-16	2,265,730	1,578,405	5,669,932	3,082,441	4,203,749	11,703,747	861,841	444,866	295,265	4,379,654	34,485,630
2014-15	1,978,765	1,476,156	5,962,056	3,332,512	3,647,251	10,707,726	720,544	465,186	324,331	4,433,153	33,047,680
2013-14	2,218,596	1,559,654	5,548,155	2,939,564	3,683,445	12,558,547	812,380	505,841	394,899	4,837,124	35,058,205
2012-13	2,200,183	1,482,244	5,340,327	2,894,667	3,538,594	12,643,618	963,741	561,469	430,686	4,208,210	34,263,739
2011-12	2,499,430	1,489,784	5,171,713	2,964,372	3,463,171	12,515,440	1,100,281	404,069	1,623,370	4,497,392	35,729,022
2010-11	2,153,781	1,447,988	5,234,361	2,773,957	3,348,393	12,221,036	966,811	441,036	933,168	2,914,811	32,435,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,864	2,894,787	33,664,132

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2018-19	$ 6,317,575	$ 9,585,129	$ 28,610	$ 16,519,123	$ 2,884,888	$ 362,347	$ 188,242	$ 2,526,887	$ 38,412,801
2017-18	5,139,759	9,238,584	323,639	16,431,926	2,666,441	104,191	202,316	2,430,722	36,537,578
2016-17	4,921,947	9,497,971	2,196,671	16,216,009	2,582,898	54,297	1,657,373	2,485,685	39,612,851
2015-16	5,767,026	9,248,437	350,815	16,438,002	2,693,879	78,919	214,733	2,392,061	37,183,872
2014-15	4,622,696	8,921,346	7,693	16,165,901	2,691,370	74,735	244,482	2,397,886	35,126,109
2013-14	4,827,467	8,458,807	23,280	15,186,511	2,554,418	82,668	244,619	2,407,155	33,784,925
2012-13	4,639,293	8,543,222	771,476	16,394,558	2,412,439	73,094	353,916	2,396,687	35,584,685
2011-12	4,669,620	8,913,175	1,888,577	15,492,843	2,190,182	50,276	251,787	2,293,952	35,750,412
2010-11	3,909,984	8,252,444	12,541,714	15,432,192	2,288,458	144,947	609,488	2,250,850	45,430,077
2009-10	3,461,695	8,234,495	4,287,265	15,715,743	2,236,077	123,133	549,032	2,276,650	36,884,090

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Nondepartmental	Debt Service	Capital Projects	Total
2018-19	$ 2,410,812	$ 1,915,434	$ 9,547,323	$ 3,030,465	$ 4,248,728	$ 26,238,382	$ 895,773	$ 484,727	$ -	$ 2,032,742	$ 4,839,557	$ 55,643,943
2017-18	2,433,382	1,861,223	7,200,210	2,952,696	4,314,905	26,166,569	1,114,578	507,543	-	1,955,449	1,610,406	50,116,961
2016-17	2,358,500	1,766,569	6,765,064	3,021,282	4,518,362	26,708,173	2,940,320	2,124,181	-	1,890,373	458,621	52,551,445
2015-16	2,408,993	1,623,127	6,292,769	3,196,499	4,605,417	26,272,527	1,387,272	433,733	-	2,036,381	421,253	48,677,971
2014-15	2,332,462	1,529,864	6,287,387	3,235,630	4,332,044	26,668,845	743,712	467,061	-	1,934,068	338,676	47,869,749
2013-14	2,348,028	1,561,280	5,792,074	2,853,176	4,145,168	26,757,720	766,086	504,569	137,782	1,595,574	4,974,279	51,435,736
2012-13	2,304,985	1,496,501	5,695,866	2,878,188	3,973,318	28,595,658	785,039	561,954	29,505	1,566,353	700,450	48,587,817
2011-12	2,422,769	1,429,307	5,775,857	3,246,772	3,917,532	29,826,325	760,351	399,258	28,856	10,333,888	526,086	58,667,001
2010-11	2,254,023	1,404,529	5,436,958	2,643,170	3,867,309	28,534,386	727,485	331,195	5,567	2,342,273	374,624	47,921,519
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2018-19	$ 16,404,843	$ 2,884,888	$ 51,300	$ 37,911	$ 331,689	$ 1,400,979	$ 627,157	$ 1,770,598	$ 27,075,224	$ 50,584,589
2017-18	16,460,574	2,666,441	38,140	74,780	110,639	977,849	753,140	1,706,379	28,559,523	51,347,465
2016-17	16,146,070	2,582,898	29,471	101,353	43,670	936,678	2,182,220	1,526,569	28,559,523	52,108,452
2015-16	16,432,520	2,693,879	34,172	37,102	72,950	872,014	793,960	1,674,885	26,368,912	48,980,394
2014-15	16,200,657	2,691,370	32,786	40,814	61,773	967,427	747,085	1,837,701	26,274,077	48,853,690
2013-14	15,148,553	2,554,418	28,178	59,214	72,952	1,040,908	708,314	1,800,693	25,373,168	46,786,398
2012-13	16,187,947	2,412,439	40,113	43,559	66,284	1,123,697	835,224	1,565,975	26,904,703	49,179,941
2011-12	15,412,777	2,190,182	28,259	61,002	47,464	1,334,845	663,646	1,785,590	28,457,341	49,981,106
2010-11	15,524,223	2,288,458	38,554	81,829	122,518	1,193,313	964,764	1,663,681	27,239,582	49,116,922
2009-10	15,629,777	2,236,077	35,296	65,414	124,353	1,097,179	1,068,168	1,701,036	30,002,302	51,959,602

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2018-19	$ 17,892,794	$ 17,555,526	98.12%	$ 310,788	$ 17,866,314	99.85%	$ 726,449	4.06%
2017-18	17,785,917	17,493,648	98.36%	398,881	17,892,529	100.60%	683,135	3.84%
2016-17	17,571,198	17,140,464	97.55%	227,217	17,367,681	98.84%	743,351	4.23%
2015-16	17,749,218	17,241,475	97.14%	320,486	17,561,961	98.94%	699,953	3.94%
2014-15	17,613,882	16,996,592	96.50%	329,846	17,326,438	98.37%	612,674	3.48%
2013-14	17,568,748	17,276,587	98.34%	287,649	17,564,236	99.97%	637,328	3.63%
2012-13	17,282,831	16,978,746	98.24%	209,664	17,188,410	99.45%	632,216	3.66%
2011-12	16,374,806	16,235,714	99.15%	185,834	16,421,548	100.29%	462,659	2.83%
2010-11	17,133,525	17,000,079	99.22%	263,622	17,263,701	100.76%	386,161	2.25%
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.
Fiscal years 2012 through 2014 have been adjusted to account for refunds of approximately 1.4 million dollars.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2018-19	$ 1,213,322,557	$ 142,500,508	$ 180,847,337	$ 173,277,086	$ 1,709,947,488
2017-18	1,211,932,214	70,928,863	90,396,100	178,515,715	1,551,772,892
2016-17	1,205,493,480	69,838,584	87,848,224	170,703,976	1,533,884,264
2015-16	1,202,425,765	66,764,432	98,782,735	179,762,641	1,547,735,573
2014-15	1,198,562,696	66,625,672	96,917,748	176,440,723	1,538,546,839
2013-14	1,195,599,690	66,324,208	114,611,443	119,210,453	1,495,745,794
2012-13	1,189,199,438	64,151,894	122,088,331	111,530,160	1,486,969,823
2011-12	1,183,707,713	63,193,323	116,555,738	109,080,093	1,472,536,867
2010-11	1,177,769,900	61,240,685	116,208,339	103,422,277	1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2018-19	$ 0.71	$ 2.98	$ 0.71	$ 2.98
2017-18	0.71	5.95	0.71	5.95
2016-17	0.71	5.95	0.71	5.95
2015-16	0.69	5.95	0.69	5.95
2014-15	0.67	5.95	0.67	5.95
2013-14	0.67	5.95	0.67	5.95
2012-13	0.67	5.95	0.67	5.95
2011-12	0.64	5.95	0.64	5.95
2010-11	0.64	5.95	0.64	5.95
2009-10	0.66	5.95	0.66	5.95

(1) Per $100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018-19	14,910	$ 1,709,947	$ 4,836,269	$ 4,836,269	0.28%	$ 324
2017-18	15,820	1,551,773	6,491,474	6,491,474	0.42%	410
2016-17	15,820	1,533,884	8,121,354	8,121,354	0.53%	513
2015-16	15,820	1,547,736	9,652,194	9,652,194	0.62%	610
2014-15	15,820	1,538,547	11,325,995	11,325,995	0.74%	716
2013-14	16,250	1,495,746	12,848,989	12,848,989	0.86%	791
2012-13	16,250	1,486,970	14,013,313	14,013,313	0.94%	862
2011-12	16,250	1,472,537	13,183,675	13,183,675	0.90%	811
2010-11	16,250	1,458,641	22,659,231	22,659,231	1.55%	1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411

(1) Population per the Bureau of the Census.

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

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

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 2019-002 to be a material weakness.

Internal Control over Financial Reporting (continued)

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 2019-001 to be a significant deficiency.

Compliance and Other Matters

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

County of Alleghany, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2019

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Alleghany, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Alleghany, Virginia's major federal programs for the year ended June 30, 2019. County of Alleghany, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2019

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
Department of Health and Human Services:					
Pass Through Payments:					
Department of Social Services:					
Promoting Safe and Stable Families	93.556	0950178/0950118/0960117/0960118			$ 15,064
TANF Cluster:					
Temporary Assistance for Needy Families	93.558	0400118/0400119			220,794
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119			155
Low-Income Home Energy Assistance	93.568	0600418/0600419			36,841
CCDF Cluster:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119			40,814
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118			270
Foster Care - Title IV-E	93.658	1100118/1100119			141,429
Adoption Assistance	93.659	1120118/1120119			26,888
Social Services Block Grant	93.667	1000118/1000119			208,560
Children's Health Insurance Program	93.767	0540118/0540119			6,514
Medicaid Cluster:					
Medical Assistance Program	93.778	1200118/1200119			321,848
Chafee Foster Care Independence Program	93.674	9150118			2,024
Total Department of Health and Human Services					$ 1,021,201
Department of Agriculture:					
Pass Through Payments:					
Department of Agriculture:					
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to States	10.665	43841			$ 123,520
Rural Business Development Grant	10.351	Not available			39,308
Food Distribution (Note C) (Child Nutrition Cluster)	10.555	40623	$ 58,479		
Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	40623	410,288	$ 468,767	
School Breakfast Program	10.553	40621		141,730	
Summer Food Service Program for Children	10.559	Not available		12,499	
Total Child Nutrition Cluster					622,996
Department of Social Services:					
SNAP Cluster:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119/0040118/0040119			289,716
Total Department of Agriculture					$ 1,075,540
Environmental Protection Agency:					
Direct:					
National Clean Diesel Emissions Reduction Program	66.039	Not applicable			$ 60,000
Total Environmental Protection Agency					$ 60,000
Department of Transportation:					
Pass Through Payments:					
Department of Motor Vehicles:					
Alcohol Open Container Requirements	20.607	Not available			$ 5,778
Highway Safety Cluster:					
State and Community Highway Safety	20.600	Not available			4,700
Total Department of Transportation					$ 10,478
Department of Justice:					
Pass Through Payments:					
Office of Victims of Crime:					
Crime Victim Assistance	16.575	Not available			$ 118,330
Total Department of Justice					$ 118,330

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

Department of Housing and Urban Development:				
Pass Through Payments:				
Department of Housing and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305		$ 33,146
Total Department of Housing and Urban Development				$ 33,146
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I: Grants to Local Educational Agencies	84.010	42892		$ 622,202
Career and Technical Education: Basic Grants to States	84.048	43401		40,659
Special Education Cluster:				
Special Education - Grants to States	84.027	60180	$ 557,028	
Special Education - Preschool Grants	84.173	61136	22,270	
Total Special Education Cluster				579,298
Adult Education - Basic Grants to States	84.002	Not available		5,362
Supporting Effective Instruction State Grant	84.367	61490		75,577
Student Support and Academic Enrichment Program	84.424	Not available		9,652
English Language Acquisition State Grants	84.365	Not available		1,182
Total Department of Education				$ 1,333,932
Total Expenditures of Federal Awards				$ 3,652,627

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Alleghany, Virginia.

Note B -- Summary of Significant Accounting Policies:
(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.
(3) The County did not elect to use 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

Note C -- Food Distribution
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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

Note E -- Outstanding Balance of Federal Loans
The County has not received any federal funding through loans.

Note F -- Relationship to the Financial Statements
Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Primary government:	
General Fund-Intergovernmental	$ 12,112,016
Less: Revenue from the Commonwealth	(10,207,670)
Less: Payments in Lieu of Taxes	(392,167)
Component Unit School Board:	
School Operating Fund-Intergovernmental	26,615,623
Less: Revenue from Local Governments	(11,752,151)
Less: Revenue from the Commonwealth	(12,723,024)
Governor's School Fund-Intergovernmental	99,736
Less: Revenue from the Commonwealth	(99,736)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 3,652,627

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
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?	Yes

County of Alleghany, Virginia

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

Section II - Financial Statement Findings

Finding 2019-001
(Significant Deficiency)

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

Finding 2019-002
(Material Weakness)

Criteria:	Identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The audit identified material adjustments that were necessary for the County's financial report to be presented in accordance with current reporting standards.
Cause of Condition:	During the closing process, the County failed to identify all year end accounting adjustments necessary for the accounts to be prepared in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Overall, the County did a good job of identifying and recording closing entries We recommend that the County perform an analytical review of balances (current and prior year) in the future to identify any necessary final adjustments.
Management's Response:	The County's current staff has a good understanding of the County's books and accounting processes. The County will develop a process to review year end balances in the future to identify any necessary adjustments.

County of Alleghany, Virginia

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2018-001 was recurring in fiscal year 2019 as 2019-001